



BUSINESS AS MISSION
GLOBAL THINK TANK

ISSUE GROUP REPORT

Business as Mission Franchising

Replicating Proven Businesses

bamthinktank.org

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Replicating Proven Businesses

Report by the Business as Mission Think Tank Group
BAM in a Box
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Executive Editors

Jo Plummer and Mats Tunehag

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Foreword

The Global Think Tank on Business as Mission has opened up a unique forum for collaboration among practitioners and leaders from around the world. When we began this second Think Tank initiative, we focused on a key word: *invigorate*. The purpose of the Think Tank has been to invigorate the global business as mission movement, to equip and encourage those who want to serve God and the common good in and through businesses—among all peoples.

To that end we launched over 30 national, regional and international working groups. Some of these groups focused on a particular issue in the BAM movement, and others were concentrating on BAM in and from a particular region or country.

The objectives for these groups were to listen, learn, share and connect. We developed tools and templates for the working groups to effectively collaborate through virtual meetings, as well as face-to-face consultations. Each group has produced materials, including papers, analyses, case studies, tools and resource directories, as a result of this dialogue.

To enable a meaningful and constructive conversation in and between groups, we have used the following working definition of business as mission:

Business as mission is:

- Profitable and sustainable businesses;
- Intentional about Kingdom of God purpose and impact on people and nations;
- Focused on holistic transformation and the multiple bottom lines of economic, social, environmental and spiritual outcomes;
- Concerned about the world's poorest and least evangelized peoples.

This definition emerged from the first Think Tank on BAM, which among other things produced the Lausanne Occasional Paper on Business as Mission, as well as the BAM Manifesto: http://www.lausanne.org/docs/2004forum/LOP59_IG30.pdf.

The Think Tank project has resulted in a massive global gathering of both intellectual and social capital for the BAM movement. As well as the written materials, we have built networks and have gathered together in person at the working group Leaders Forum and at the Global Congress on Business as Mission, both held in Thailand in April 2013. The intention is to now share and disseminate these gathered resources as widely as possible.

This report is one in a series of papers from the 30 plus working groups. Hundreds of leaders in the BAM community, from every continent, have contributed to these reports. Additional Think Tank reports may be found at <http://bamthinktank.org/reports>.

In 2014 we will publish a comprehensive BAM 2.0 paper, a follow up to the Lausanne BAM Paper of 2004.

These reports are not the end or the final destination of the BAM Think Tank, but should rather be seen as important reflections by BAM practitioners and other leaders who will continue to journey together. We need to continue to grapple with issues, and address needs and gaps. Some groups will continue and new initiatives will emerge. The BAM movement is on the move!

It has been a privilege to facilitate this unprecedented and global collaboration over the last two years. Looking back we can see that at times we have achieved less than we have hoped and planned for. But we have also witnessed that God is able to do more than we could have ever imagined.

Our sincere thanks goes to all those who have co-laboured with us to bring the Think Tank initiative to fruition. We want to especially thank the Steering Group, the Issue and Regional Group Leaders, the Support Team and our spouses Mark and Jennifer for their steadfast support.

We pray that these papers, case studies, tools, recommendations and resources would go out widely, and encourage and equip you as well as invigorate the global BAM movement.

“Now to him who is able to do immeasurably more than all we ask or imagine, according to his power that is at work within us, to him be glory in the church and in Christ Jesus throughout all generations, for ever and ever! Amen” (Eph. 3:20-21, NIV).

Jo Plummer & Mats Tunehag
Co-Chairs

September 2013
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Executive Summary

Business as Mission Franchising: Replicating Proven Businesses

Many business as mission (BAM) practitioners believe that an increase in BAM franchising would more quickly increase the number of BAM businesses worldwide and thus exposure to God's love and the gospel. Interest has been expressed in the concept of 'BAM in a Box', that is franchise and business replication opportunities that would make starting a new BAM business faster, easier, and with a greater chance of success.

Replicating successful BAM businesses should make a significant contribution to the BAM movement, but an investment of time, resources and expertise is required. The BAM in a Box Issue Group has created practical business replication "how-to guidelines" for BAM Entrepreneurs (BAMpreneurs) to support this need.

BAM franchising does have many advantages for BAMpreneurs. Franchise businesses are a lower risk for business owners and investors. Franchising is built on a proven business concept and provides many resources to support the business startup. Franchises generally come with a natural mentoring network and supportive training and systems.

However, few proven BAM franchising models exist and there is little franchising expertise in the business as mission community. A BAMpreneur cannot assume he or she can create a BAM franchise by themselves without appropriate training and resources. Yet a fragmented BAM community makes growing networks for BAM franchising more difficult. Franchising looks easier than it is and new resources and networks will be needed to successfully foster significant BAM franchise growth.

This Report is the first step to transition from the "what" of BAM replication to the "how". The target audience for these "how-to" resources are BAM practitioners who either want to expand by replicating their existing business or those who wish to start a business based on a proven model. BAM franchising will serve a particular subset of the BAM community. However, there are many alternative business models to consider besides franchising. These include: licensing, joint ventures, distributorships, company unit expansion, and numerous other hybrid replication models.

Using various forms of business replication in BAM provides a wide path to spread the gospel and demonstrate God's Kingdom. We need BAM investors and seasoned business owners, mission agencies, churches and others to work together to leverage this business replication opportunity. We need an increase in BAMpreneurs who are fully equipped and willing to go and invest in starting such businesses.

A working group will continue to collaborate on the topic of BAM replication. Our objectives for future work are:

1. Create a BAM in a Box business model within the Aquaponics industry to provide a template for further BAM in a Box models.
2. Find like-minded successful franchisors and investors to partner with BAM practitioners.
3. Create a collection of BAM business replication resources, networking and relationship building opportunities.

Business as Mission Franchising

Replicating Proven Businesses

Introduction

Many business as mission (BAM) practitioners believe that an increase in BAM franchising would more quickly increase the number of BAM businesses worldwide and thus exposure to God's love and the gospel. Interest has been expressed in the concept of 'BAM in a Box', that is franchise and business replication opportunities that would make starting a new BAM business faster, easier, and with a greater chance of success¹. This interest prompted the BAM in a Box Issue Group to research franchising as a means to increase the number of successful BAM businesses.

Issue Group Purpose and Objectives

The purpose of the 'BAM in a Box' Issue Group was to increase the quality and quantity of profitable, sustainable and transformational BAM businesses. The focus of BAM businesses is on holistic transformation and the multiple bottom lines of economic, social, environmental and spiritual outcomes, with a special concern for the world's poorest and least evangelized peoples.

Group objectives were as follows:

- Review BAM businesses that had been replicated to determine best practices and success criteria.
- Develop guidelines and present success models for BAM replication.
- Build a network of people and other resources for long-term BAM replication work.
- Pray for guidance and for the replication of BAM businesses.

Four subgroups of the Issue Group were formed:

1. Replication Model
2. Replication Mobilization and Deployment
3. Business Profiles
4. Report Compilation

Group Operating Principles

Issue Group members worked collectively under a set of agreed upon operating principles that built on the BAM Think Tank values. The Issue Group deliberately fostered an engaged and participative environment. We agreed to be innovative, accepting of a diverse range of voices and to collaborate with openness and humility. We focused on forming relationships, building trust and serving others over the months that we worked together. Our goal has been to honor God and His Kingdom through our work.

Issue Group members commented about the collaboration process:

The collective knowledge of the BAM in a Box Issue Group is significant. Members are from business, BAM ministry, agencies, academic, and funding. Members saw first hand the synergy that was created with this type of diverse group. (Group Member)

I saw how little I know and the great strength in networking with a wide range of experts to collaborate on a single issue. (Group Member)

¹ For an introduction to the concept of 'BAM in a Box' see the article by Mats Tunehag in Appendix O
[BAM in a Box Issue Group Report – November 2013](#)

Group Outcomes

Outcomes were achieved through member expertise and experience, resource sharing, and interviews with BAM business owners who replicated their businesses. Issue Group members were business professionals, agency representatives, investment funders, and BAM advocates in the field.

Outcomes of the BAM in a Box Issue Group:

- One-Page Guide for BAMpreneurs (a conversation guide about God's calling)
- Guide for BAMpreneurs: Additional Questions
- Franchise Operational Considerations (to review before franchising your business)
- Franchise Process Flow Chart and Explanations
- Franchise Development Assumptions
- Legal Considerations and Moving Money
- BAM Franchise-ability Questionnaire
- BAM in a Box SWOT Analysis
- Six Business Profiles of Replicated Businesses

The goal has been to progress from information on the "what" of BAM to the "how" of BAM. Resources for BAM business are in our churches, mission agencies, funding institutions, secular businesses, government bodies, and universities. These can be made available through pastors, missionaries, business entrepreneurs and professionals, educators, church planters, academia, communities, families, and others. The BAM in a Box Issue Group Report begins to bridge specific BAM business support and types of opportunities with specific targeted types of BAMpreneurs.

Stakeholders for BAM franchising

The main target audience for the Issue Group output was current BAM entrepreneurs (BAMpreneurs) looking to franchise or replicate their business. We became more specific about the target audience as the discussion progressed. Understanding the complexity of the target audience determined how we gathered and designed material.

We identified the following stakeholders:

Current (or potential) BAMpreneurs and managers

These represent the biggest need for resources for executing BAM business in the field.

We broke these down into three further categories:

Low on business skills

Missionaries in the field with a clear call from God. They may be engaged in language study and enculturation for the first two years. After arriving they look for a clear role and identity in their community. Many look at BAM as a solution that makes sense to their ministry goals or target people group. Some may have already started small-scale cottage industries related to the locale or people group. They usually struggle with how-to's of business. For instance, if they are in production, they may struggle to find a market for the finished goods. This BAMpreneur needs basic assistance on how to set up their business and they often need help with market research and distribution channels for the sale of their products.

Medium on business skills

Missionaries that see an opportunity in business as a way of reaching their community but have limited business experience. They see business and ministry integration as vital and want to treat the business seriously but lack all the business capability and skill required. They need mentoring and advice on how to set the business up for success.

High on business skills

Missionaries and entrepreneurs with a heart for business as mission. They may have moved jobs and/or country or may work virtually from their home country. They are driven by the call of God to proclaim and demonstrate the gospel through life in business. They have a strong mission focus woven together with business strategy, since this utilizes the talents and core skill set that God has provided them. They may begin with an established business or discover business opportunities in their target location.

Other key BAM stakeholders:

Business network

Others in the web of business relationships with the BAMpreneur or manager, such as: business mentors, board members, employees, customers, and suppliers.

Mission agencies

Agencies and Christian discipleship training groups. These often have dedicated BAM practitioners and counselors on staff to guide potential BAMpreneurs in 'how to' do business effectively and provide support in the field. Mission agencies have varying degrees of BAM understanding.

Indigenous church planters

Many indigenous church planters see the need for a viable and valid platform for ministry. Often church planters are in unfamiliar or unfriendly communities in order to proclaim and demonstrate the gospel and are considered outsiders—similar to expat missionaries. A valid reason for interacting in their communities is crucial for the integrity of their message, which leads church planters to look to BAM resources and models.

Experienced Christian business people

These stakeholders have a significant role to play in cross-cultural missions. Many have yet to catch the vision for the opportunities to use their skill sets in the field rather than primarily through donation to their local church. They have the potential to act as mentors and guides, and to provide business opportunities that can be replicated and scaled in different countries.

Opportunities and Challenges for BAM Franchising

We conducted a SWOT Analysis of BAM Franchising (see Appendix H for full results). We identified general strengths, weaknesses opportunities and threats for BAM franchising. We included specific weaknesses and threats from a franchisor perspective, a franchisee perspective and an agency perspective.

SWOT summary: Franchising does fill a business gap for BAMpreneurs. A strong motivation for BAM franchising exists because of relatively lower risk of startup for business owners and investors. Franchising is a well understood model with established

processes and resources. A franchise opportunity will come with a proven business concept and many resources to support the business. These will include systems, training and a natural mentoring network. A carefully developed franchise business can enable a devoted person who is willing to learn, who has strong people skills, and some level of business acumen to succeed without having to be the type of entrepreneur that can build a business from nothing.

However, few proven BAM franchising models exist and there is little franchising expertise in the business as mission community. A BAMpreneur cannot assume he or she can create a BAM franchise by themselves without appropriate training and resources. Yet a fragmented BAM community makes growing networks for BAM franchising more difficult. Franchisors are often focused only on the financial bottom line, which could cause conflict for a BAMpreneur. Franchising looks easier than it is and new resources and networks will be needed to successfully foster significant BAM franchise growth.

A key observation is the difficulty of establishing a franchise business model as demonstrated by a comment from a BAM Business Profile:

I think franchising is harder than people think and that it is taken too lightly. My guess is that more of these things fail than succeed, due to lack of understanding. Agencies see this as a solution to the problem of putting non business people into businesses, which is not the case. People need to have a certain amount of skill for what they are doing. While agencies will go to great lengths to make sure that people are prepared missionally, they discount the skill set required to do business. My fear is that the BAM in a Box will be seen as a panacea for the lack of business preparation on the part of missionaries. I think people are keen to make this model work because of the huge impact it could have. I am not convinced that in the BAM community we have the depth of expertise or experience to really make it happen credibly yet. (Business owner, Appendix L)

There was a rush to get into business as mission in the late 1990s, often without the proper business understanding. Many of those early businesses failed as a consequence. Today, there may be an interest in doing business as mission through a franchising model but as yet little real franchising is currently happening in the BAM movement. Without an understanding of the proper franchising stages, we will be set up for further failure. Clear thinking, a proven business model, experienced advisors, solid training, funding and patience are all needed for franchising. We need to build BAM franchising expertise and recognize that a maturing process is necessary.

Franchising versus Replication

For a successful franchisor operation you need to have: 1) a proven concept, 2) systematized operation, and 3) three to four units that operate independent of the original business. Franchisor development requires a significant cost, business and management expertise, and profitable unit economics. Franchising experience and expertise in the BAM community is still maturing. We suggest that franchising is a viable option for a smaller subset of BAMpreneurs. Franchising should become a growing platform for BAM business in 2013 and beyond.

However, there are a number of possible BAM in a Box replication models apart from franchising. Clarity is needed regarding the difference between a franchise, a license, joint

venture, distribution and other replication business strategies. Such alternatives to franchising are more appropriate to the majority of BAMpreneurs wanting to replicate their BAM business or looking for a business opportunity.

The Issue Group made significant headway in understanding alternative business replication models and their relevance to the BAM community. We provide a variety of business model replication tools, process flowcharts, questionnaires, and decision logic in support of BAM replication success.

Models for Business Replication

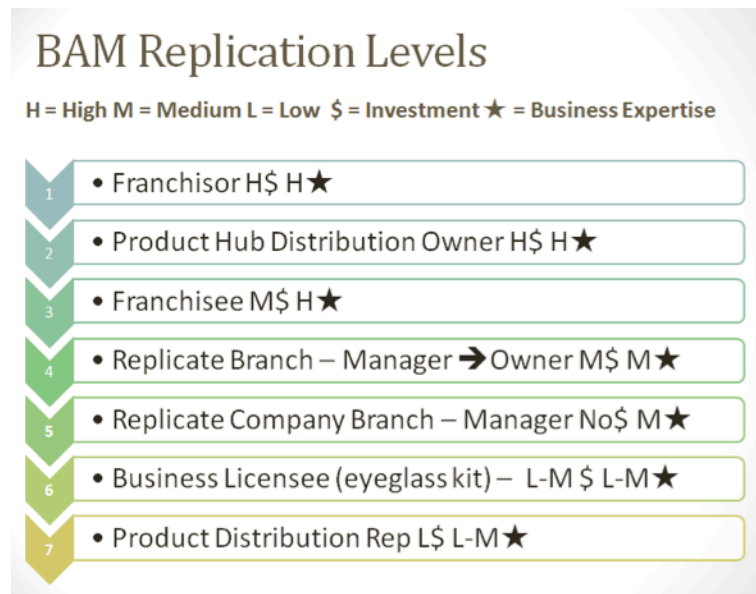


Figure 1: BAM Replication Levels showing business models in order of investment and business expertise required

Figure 1 shows a variety of models available to BAMpreneurs for how to replicate a BAM business. The models include:

1. Franchising – the highest investment cost and highest business expertise needed of the replication models.
2. Franchisee – buying a franchise business from a franchisor.
3. Replicating an existing company unit – then franchising or selling the concept to a business owner.
4. Replication of a company branch – keeping control and profits within the company
5. Buying a license of a proven concept – you buy the idea and system and there is little control or support for the licensee.
6. Product distribution hub – supplies the product distribution representatives and supplies products and support.
7. Product distribution representative (rep) – distributes products in an area.

Each model requires different levels of investment and business expertise, that we have grouped into high, medium and low categories. The 'H\$' indicates that a high investment cost is needed; 'M\$' indicates a medium investment cost; 'L\$' indicates a low investment cost. The 'H*' indicates a high level of business expertise is needed for the type of business replication; 'M*' indicates a medium level of business expertise is needed; 'L*' indicates a low level of business expertise needed.

Fruitful Practices for Business Replication

The following observations are from six business profiles of replicated BAM businesses (Appendices I to N).

Observations from business profiles – replication success

- Quality product and excellent customer service is vital for success in companies.
- BAM business owners replicated because of growth in sales.
- Businesses that planned for replication from the beginning had better success. This included how company was organized, systems were created, and products were selected, all with replication in mind.
- Business owners were open to adapt their business models to make it easier to replicate and have greater kingdom impact.
- Systematic training and processes are necessary for business replication.
- One company used crowd funding to raise capital, which may be appropriate for BAM franchising companies.
- Previous business training was not seen as a prerequisite. However, expert knowledge in the area of the service or product offering was a reoccurring theme.
- Strong board of directors or advisors is critical for business success.
- Need for Christ-followers at every level of the organization (not just top leadership).
- Competition analysis has allowed several of the businesses to maintain and acquire more market share.
- Replicating a BAM franchise is easier with a supportive team.
- The BAMpreneur needs to understand the local business climate including visa rules, tax laws, etc. An expat may not know these things in the initial stages of starting a business. Trusted business advisors and local experts can help them.
- A best-practice replication model is a company that is developing a networked “member-driven” franchise-like model.
- Independent business owners contribute to the success of the network.

Observations from business profiles – replication failure

- Not consulting the Board of Directors on a regular basis increases the risk of business failure.
- Lack of cross cultural understanding and sensitivity, business climate, and regulations contribute to poor decision-making by leaders.
- Good project management and planning is necessary but often times not available to the BAMpreneur.
- Businesses were more difficult to scale, with less Kingdom impact if business and kingdom goals were not thoroughly analyzed at the outset. This resulted in business models that were easily started, but business expansion and replication was extremely difficult.
- Lack of initial market research resulted in planning issues.
- Unexpected rapid growth is just as difficult to manage as sluggish sales.
- Growth was a challenge for these new BAM companies. Products need to be culturally and economically relevant, not just something that an expat worker wants to sell because of personal interest.
- It is flattering to BAMpreneurs when local people want to franchise the business because of the success. This has led some new franchisors to action without proper planning or an understanding of what is needed, and sometimes without proper agreements in place.

- Some of the businesses in the profiles had leadership teams where some people focused on the business and some on “ministry”. This divided approach to management and leadership eventually causes tension and can negatively impact the business morale, health, and financial success.

Further best practices and implications for the BAM community

Our discussions and shared expertise yielded the following practices and implications for BAM practitioners and supporting organizations to consider.

Replicating successful BAM businesses can make a significant contribution to the BAM movement. However, an investment of time, resources and expertise is required. Gathering ideas and investing in resources and networking for the various types of business replication will empower BAM practitioners long-term.

The business and missions community needs to develop a critical mass of business opportunities. It is inefficient to expect each individual group to successfully develop their specific business opportunities. The development of a set of business replication opportunities will require the work of a cross-organizational team.²

Those implementing franchising need to take the process of becoming a franchisor or franchisee seriously and to equip themselves with the necessary skills and expertise:

- Potential franchisees—those hoping to acquire a franchise—need to conduct thorough research and determine the cost of capital and expertise before franchising.
- Potential franchisors—those preparing a successful company for franchising—should not underestimate the task and the number of steps involved (see Appendix D).

Significant costs are encountered when establishing a franchisor organization. Outsourcing and software are beginning to reduce some of these costs. Consider costs and options for BAM replication carefully before proceeding.

Mission agencies that include franchising in their plans should consider the possibility of failure as well as success, since the franchisor maintains the right to terminate the franchise agreement.

Franchising is not the only solution to business replication situations. Look at the options for business replication and determine what works best for your business and organization.

As businesses are replicated it is important to ensure each new unit develops BAM success criteria, for example:

- Does the product or service have redemptive qualities and in alignment with Kingdom businesses?
- Are the mission and values of the organizations articulated including the Great Commission?
- Do business strategic objectives include tangible Kingdom measurements?
- Are the processes and systems of the organizational ethical and based on biblical foundations of doing business?

² A current example is the mission agency OMF developing a set of franchise opportunities in partnership with another organization called Access Partners.

- Is the gospel shared and relationships developed with employees and those outside the organization including vendors, suppliers, customers, and the community at large?
- Do the business leaders mentor other business leaders in the community on ethics and Kingdom principals?
- Does the organization support and partner with the local church?

Replication in business as mission involves multiple layers of complexity. This includes: starting a new business, operating in a cross-cultural setting, working toward financial and spiritual goals, and developing systems and operational processes for franchises or franchise-like business units. This requires commitment and a conviction about what God is calling you to do.

One of the most critical needs are practitioners who are willing to go overseas and invest years in starting such businesses. There is no shortage of experts willing to advise potential BAMpreneurs. What are needed are more 'feet on the ground'.

How to get started

1. Review the supporting materials supplied with this report. The material created includes operational considerations, franchise flowcharts with explanations, business replication models, franchise assumptions, legal and money flow considerations, and other resources on how to replicate business as mission.
2. Use the One Page Guide for BAMpreneurs (Appendix A) as a conversation guide as you begin to seek wise counsel and direction.
3. Review Appendix C and D as starting guides for potential franchisees or franchisors preparing to replicate an existing business.
4. Contact local BAMpreneurs in your country or region. They can be a resource for contacts and resources.
5. Review the first Aquaponics BAM in a Box document template by contacting bettmickels@worldwideteams.com.

Conclusion

Franchising has many advantages and fills an important niche in the growing BAM movement. Franchising also presents challenges and is more complex than it might first appear. BAM franchising in the strictest sense may be a successful model for a smaller subset of the BAM community. Alternatives to franchising should be fully considered as BAM replication strategies. These include: licensing, joint ventures, distributorships, and other hybrid replication models we discovered in our research.

Guidance should be provided to BAMpreneurs in the early stages of BAM business development. BAMpreneurs need the right type of support, resources and services at the right time.

To begin to meet this need, the BAM in a Box Issue Group members have created practical business replication how-to guidelines for BAMpreneurs. The support material

and resources are a starting point and contain a useful understanding of BAM replication targeted to specific stakeholders in the BAM community.

Businesses allow BAMpreneurs to frequently interact with those they want to reach and minister to. Such businesses give credibility for the business owner in the host community. Life in business allows us the opportunity to witness and live out biblical values. The opportunity for using various forms of business replication models in BAM provides a wide path to spread the gospel and demonstrate God's Kingdom. We need BAM investors and seasoned business owners, mission agencies, churches, and others to work together to leverage this opportunity. We need an increase in BAMpreneurs who are fully equipped and willing to go and invest time and money to start such businesses.

Recommendations and Action Plans

Resource sharing

We need to tap into the passion, vision and God's power that BAMpreneurs have. The BAM community has an incredible opportunity to better understand what God is doing in business and how we can pursue BAM replication initiatives with excellence. There has been gradual growth in BAM support services and numbers of established, potentially reproducible BAM businesses. We recommend to organise and optimize resource sharing so that we stop working in 'silos'. We recommend increasing networking opportunities to create synergy, and to share successful methodologies and ideas.

We need to network BAM businesses and develop leadership communities that assist BAM practitioners. A network could be categorized into business size, industry type, geographical focus of the business, vision for expansion, business expansion format (franchise, license, distribution etc). This could be extended to leadership communities focused on these core business distinctions. We particularly recommend that a BAM franchisor organization be established to open doors for more BAM franchisees.

Existing businesses on the field could fruitfully work with business schools to offer internships in existing overseas businesses. This would enlarge the pool to recruit talented potential operators of an overseas business and help incubate new businesses.

BAM in a Box resources should be gathered in an open source system so that the collection of business replication tools and other BAM resources continues to grow. Open source systems are needed so that anyone interested in starting a BAM business could find opportunities for BAM franchises or businesses available for replication.

Business innovation

Food and beverage businesses such as coffee shops and restaurants have been more widely considered in business as mission replication. We encourage new innovation and BAM franchising from a greater variety of industries. Green technologies and some manufacturing processes that are not too complex have good potential to be licensed or franchised. Food production, such as raising fish or Aquaponics is another possibility.

Further research

There is much further work and research to do. There is a need to find and recommend innovative ways to provide low cost expert franchising and licensing advice, particularly in the areas of business consulting and expertise in legal, accounting and tax affairs.

A potential replicable model for future study and consideration is a central 'hub' operations center that will manage legal issues, strategy and planning, complex business functions (implementing manufacturing processes, etc.) and staff training.

Communicating Outcomes

We recommend that findings be shared with BAM training and education companies, mission agencies, academic centers, etc.

Tools, flowcharts, guidelines and materials could be made publicly available through a BAM Replication Resource Website. Some Issue Group members are available to share outcomes at future BAM events.

The China Regional Group plans to translate the findings into Chinese and make it available on the www.chinesebam.org website for the Chinese community. We encourage this idea to be taken up by other Regional and Country Groups.

Action Plans

A group will continue to collaborate around the topic of BAM replication. Objectives include:

1. Create a BAM in a Box business model within the Aquaponics industry to provide a template for further BAM in a Box models.
2. Find like-minded successful franchisors and investors to partner with BAM practitioners.
3. Create a repository of BAM business replication resources, networking and relationship building opportunities.

We ask for God's loving guidance and grace to complete these projects.

Those wishing to communicate with the editors or the contributing group regarding this Report or these Recommendations and Action Plans may do so at bettmickels@worldwideteams.com or info@bamthinktank.org.

Glossary³

Franchise

noun

- a privilege of a public nature conferred on an individual, group, or company by a government: *a franchise to operate a bus system.*
- the right or license granted by a company to an individual or group to market its products or services in a specific territory.
- a store, restaurant, or other business operating under such a license.
- the territory over which such a license extends.

verb

- to grant (an individual, company, etc.) a franchise.

Franchisor

Also franchiser

noun

- a person or company that grants a franchise.

Franchisee

noun

- a person or company to whom a franchise is granted.

³ Excerpts from Dictionary.com – <http://dictionary.reference.com>
BAM in a Box Issue Group Report – November 2013

Resource List

Websites

International Franchise Association

<http://www.franchise.org>

For anyone looking to franchise a BAM business this global resource can provide local or regional organizations that can help you.

Transformational Business Network

<http://www.tbnetwork.org>

Christian-based organization provides business case studies. Objectives include: (1) Inspire: Encourage more people to get involved through conferences; (2) Engage: Use your skills and experience to make a difference through 'exposure trips', local groups, personal advice, and eNews; (3) Support: Encouragement, advice, links to people and resources, loan funds, proven training materials, projects, and businesses.

Articles

Franchising in Frontier Markets, What's Working, What's Not, and Why

http://www.templeton.org/pdfs/press_releases/Winter%202010%20MIT%20Innovations%20-%20FiFM%20.pdf

Article provides a summary of the findings of a six-month survey to explore the potential of franchise business models to stimulate economic growth, create jobs and develop entrepreneurial skills in frontier economies.

Top 5 Characteristics of Successful Franchisees

<http://www.entrepreneur.com/article/60986>

Characteristic and profiles of successful franchisees.

Replication and Distribution Models

http://www.franchiseremedies.com/replication_and_distribution_models.htm

Article states, "Franchising is perhaps the most expensive replication/distribution model." Asks questions about the franchising option as a business opportunity.

Alternatives to Franchising

<http://franchiselaw.net/alternatives.html>

Helpful overview of alternatives to franchising from a legal point of view, from the USA.

Samples

Franchise Agreement Sample – Generic

<http://www.megadox.com/docpreviews/4072.pdf>

Generic sample franchise agreement worded from a Canadian perspective.

Franchise Agreement Sample – Restaurant

<http://www.freefranchisedocs.com/boston-pizza-Franchise-Agreement.php>

Sample franchise agreement for a Pizzeria (Service Business).

Franchise Agreement Sample - Ice Cream Shop

<http://sieglers.files.wordpress.com/2008/03/sample-franchise-agreement.doc>

Sample franchise agreement for an Ice Cream Shop.

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Appendix A – One Page Guide for BAMpreneurs



What is my Business as Mission (BAM) Calling?

- How and where is God calling me?
- Who can I best serve? Long term (2 years+) or short term?
- What seeds are to be planted for His glory?



What is my BAM Path?

- Start or join a business?
- Cross-cultural or indigenous?
- What business opportunities are available in my network?



What Industry? 1 Cottage Industry, 2 Manufacturing (producing/fabricating product), 3 Service (consulting, travel education...), 4 Specialty (retail, food/beverage), 5 Farm/Fishing



Location - Where am I Being Called to Serve? Continent? Country? City? Village? Virtual?



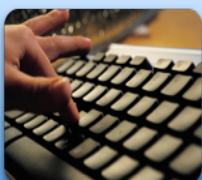
How Much Business Strategy & Work Experience do I Have?

- None or Low - out of high school or college
- Medium - 5+ years
- High - 10+ years



Do I Need Money to Invest in My Business?

- Don't Know, None or Low \$1 - \$5K
- Medium \$5 - \$50K
- High > \$50K++



What BAM Resources are Available to Me?

- Regional Contacts; Websites; Prayer Intercession; Funding; BAM Associations and Trade Fairs Agencies; Training and Education; Books and Articles

Appendix B – Guide for BAMpreneurs: Additional Questions

Explanation of Guide for BAMpreneurs and Additional Questions

What is my Business as Mission (BAM) Calling?

Bible Verse: Therefore go and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, and teaching them to obey everything I have commanded you. And surely I am with you always, to the very end of the age.” Matthew 28:19-20 (NIV)

How and where is God calling me? Who can I best serve? Why? Is this a long-term BAM commitment over two years or a short-term commitment? If this commitment is shorter than two years, what is the number of months? Can I explain my vision? What seeds will be planted based on my passion to pursue business as mission?

What is my BAM Path?

Bible Verse: For I know the plans I have for you,” declares the Lord, “plans to prosper you and not to harm you, plans to give you hope and a future. Jeremiah 29:11 (NIV)

Bible Verse: Whatever you do, work at it with all your heart, as working for the Lord, not for human masters, since you know that you will receive an inheritance from the Lord as a reward. It is the Lord Christ you are serving. Colossians 3:23-24 (NIV)

What is the best path for my BAM business? Do I want to work for someone else or start a business cross culturally in a foreign region? Is my passion in a particular part of the world where I am called to help locals hear the gospel? Do I have one particular country that I am trying to enter (or stay in) to spread God’s love by working alongside locals in a business? Has a business opportunity come to me through my church or network that I believe will serve my purpose?

What Industry?

Bible Verse: So whether you eat or drink or whatever you do, do it all for the glory of God. 1 Corinthians 10:31 (NIV)

Bible Verse: We are God’s handiwork, created in Christ Jesus to do good works, which God prepared in advance for us to do. Ephesians 2:10 (NIV)

Determine the type of industry you are passionate about working in: Do you prefer to work in a product or service industry? Are you interested in importing or exporting? Is there a local market for your industry of preference? Can you differentiate in your industry of choice? Is this an emerging or mature industry? Will you work from your home, an office, a retail shop, a farm, or a manufacturing plant? If none of these types of locations, describe your place of employment.

Location – Where am I Being Called to Serve?

Bible Verse: To the weak I became weak, to win the weak. I have become all things to all people so that by all possible means I might save some. 1 Corinthians 9:22 (NIV)

Once you determine where you want to serve, ask yourself: Why this location? Can you afford to travel there and live there? Will you have problems getting into or staying in this country? If so, what issues do you see? Is this a hostile environment for Kingdom work? What research do you need to complete regarding this region?

How Much Business Strategy and Work Experience Do I Have?

Bible Verse: Each one should use whatever gift he has received to serve others, faithfully administering God’s grace in its various forms. 1 Peter 4:10 (NIV)

Bible Verse: *You are a manager of the gifts God has given to you. They may be great or small in your eyes, but they matter to God. "Now it is required that those who have been given a trust must prove faithful." 1 Corinthians 4:2 (NIV)*

Review the previous experience you have in working, leading, or owning a business. Did you help in a family business or work during school? Here are some examples of business experience: Recruiting, coaching or training employees, farming, serving customers, marketing a product or service, working in a factory, negotiating contracts, internet web design, or handling finances.

Do I Need Money to Invest in my Business?

Bible Verse: *The one who plants and the one who waters have one purpose, and they will each be rewarded according to their own labor. For we are co-workers in God's service; you are God's field, God's building. 1 Corinthians 3:8-9 (NIV)*

Look at the Low, Medium and High categories for levels of investment. This is a US-based dollar example so adjust this based on local currencies or money valuation. Determine if you have Low, Medium, or High business investment needs. Seek advice from business entrepreneurs.

Will I Work In, Start, or Replicate a BAM Business?

Bible Verse: *For just as each of us has one body with many members, and these members do not all have the same function, so in Christ we, though many, form one body, and each member belongs to all the others. Romans 12:4-5 (NIV)*

Talk with family and business mentors for advice before proceeding. Align your business skills and total amount of investment with the right model of business to increase number of unreached people groups and profitability. BAM support leaders can help align business skills and expertise to appropriate business format.

Some Options Based on Level of Business Experience:

1. Little or None:

- a. Work in an existing BAM company under a coach manager;
- b. Distribute or sell product where the Distributor provides training and support;
- c. Work in a cottage industry – be innovative, e.g. a group of students established a profitable business by providing language guidance to foreigner shoppers.

2. Medium Level:

- a. Look for Joint Venture opportunities in your area of interest;
- b. Research licensing opportunities;
- c. Form alliance with existing business.

3. High Level:

- a. Start a business using your talents and experience;
- b. Buy an existing business or franchise;
- c. Merge with an existing business.

Available BAM Resources

Bible Verse: *And my God will meet all your needs according to the riches of his glory in Christ Jesus. Philippians 4:19 (NIV)*

Region Contacts; Prayer Intercession; BAM Websites; BAM Funding; BAM Agencies; BAM Training and Education; BAM Associations & Trade Fairs; BAM Books and Articles, etc.

Appendix C – Franchise Operational Considerations

Franchisee selection

The most critical part of developing a good franchise system is franchisee selection. Similar to the old adage about real estate (location, location, location) is franchisee selection, selection, selection! Having a solid system in place for selection is key. From attracting them to selecting them to training them and supporting them, all phases are critical, but none more so than selection. A franchisor will save heartache by making the tough choices on the front end of the selection process. No one likes to tell someone “no” when it comes to a dream they may have but it is the franchisor’s responsibility to protect the business and there is no quicker way to damage it than by selecting the wrong franchisees. This is especially true in building a BAM-oriented model, as you need a balance of skills with values alignment. Not an easy task, but critical nonetheless.

Franchise selection

The selection of the best franchise by a potential franchisee depends on a number of factors. The primary factor is the skill set of the franchisee team. Whether it is food service, teaching, and manufacturing, of import/export, applicable previous experience will shorten the learning curve and provide a higher probability for success. If the team does not have the applicable experience it is possible for them to add a team member with the experience.

The second factor to consider is the amount of support needed. If the team has limited business experience it will be helpful to select a franchise that has a robust support network in place. This network can be in the form of other franchisees that can be part of a working network or a comprehensive training program from the franchisor.

The third factor to consider is the availability of the raw materials or supplies required to operate the franchise. In many locations around the world it is difficult to import raw materials or export finished goods. For example the cost to import the materials needed for a small manufacturing operation and the export duties required to ship finished goods could limit the profitability. Other examples include food service franchise businesses that require specific food items not available in the region. If specialized equipment is required, a supply of replacement parts and service repairs will need to be available.

The fourth factor is the capital required to start the franchise. The franchise selected needs to be consistent with the franchisees ability to capitalize the purchase of the equipment and the franchisee fees.

Operations support

Initial and ongoing training are crucial. This is particularly true if the franchisor is adding new products or services and/or is updating operational procedures. This “train the trainer” process is helpful in maintaining quality operations as it gives the franchisor’s trainers the opportunity to interface directly with the franchisee’s operations. It is important that the franchisor’s trainers are skilled at direct operations and training delivery. If not, the credibility of the franchisor will suffer.

From the franchisee’s perspective the required operational support includes: documented procedures and equipment requirements, employee job descriptions, raw material ordering procedures, and systems for communicating with the franchisor.

To ensure consistency, and therefore the maximum opportunity for success, the franchisor

will provide documented procedures for operating the franchise and purchasing the required equipment. Regardless of the experience of the franchisee these procedures need to be documented and provided as they provide the consistency for the franchise. Employee job descriptions are required for the franchisee to project the staffing required to operate the business. These descriptions will assist in the hiring process and assessing a team's capability to operate the franchise. Obtaining raw materials can be challenging in many places and a well-defined raw material supply chain and operating procedure will minimize the chance of a shortage of raw materials. Lastly, a system to communicate with the franchisor is required to stay updated on process or procedure changes, or troubleshooting issues as they arise.

Quality control

Quality control is critical to protect the "brand" and for further franchise development and sustainability. QSC (Quality, Service, Cleanliness) is a common quality benchmarking practice among many franchisors who are in the retail or foodservice related business. If not, a variation of QSC can be developed to ensure high quality operations are in place for the franchisee. As mentioned above, periodic monitoring (scheduled or unscheduled) is important to protect the brand.

Contract compliance is part of monitoring and should be used by the franchisor periodically to protect the brand but to ensure legal compliance.

The franchisee is responsible for quality control of their operation. The franchisee should ask for clearly defined expectations from the franchisor along with specific, regular feedback to ensure the expectations are being met. An evaluation procedure should be implemented to continually monitor quality. An example would be someone on the franchisee team responsibility for quality control.

Administrative

The franchisor must develop sound internal administrative systems to track all legal and contractual requirements of the franchisor and franchisee. This applies to all governmental requirements for filing and reporting.

The franchisee is responsible for establishing a legal business and compliance with government regulations. This includes obtaining business licenses for the area the business is located; and understanding and implementing employer and employee procedures consistent with local law. The franchisee will need to understand and stay in compliance with local business law including leaseholder regulations and taxation.

Marketing

The franchisor must provide the franchisee appropriate and effective marketing tools to further the brand and develop the business. Likewise, the franchisee needs to set aside the appropriate resources to implement the marketing plan. It is not uncommon to require the franchisee to spend a certain percentage of sales (typically 4%-5%) on marketing.

The franchisee responsibilities include developing a plan that addresses partnerships and joint marketing, and advertising. A franchise is typically part of a wider network of franchisors. This network provides many opportunities for partnerships and joint marketing. The network can share marketing materials, best practices, and expertise as needed. The franchisee will need to develop advertising unique to their franchisee. These can be discount programs, brand equity programs, loyalty programs, or community relationship builders.

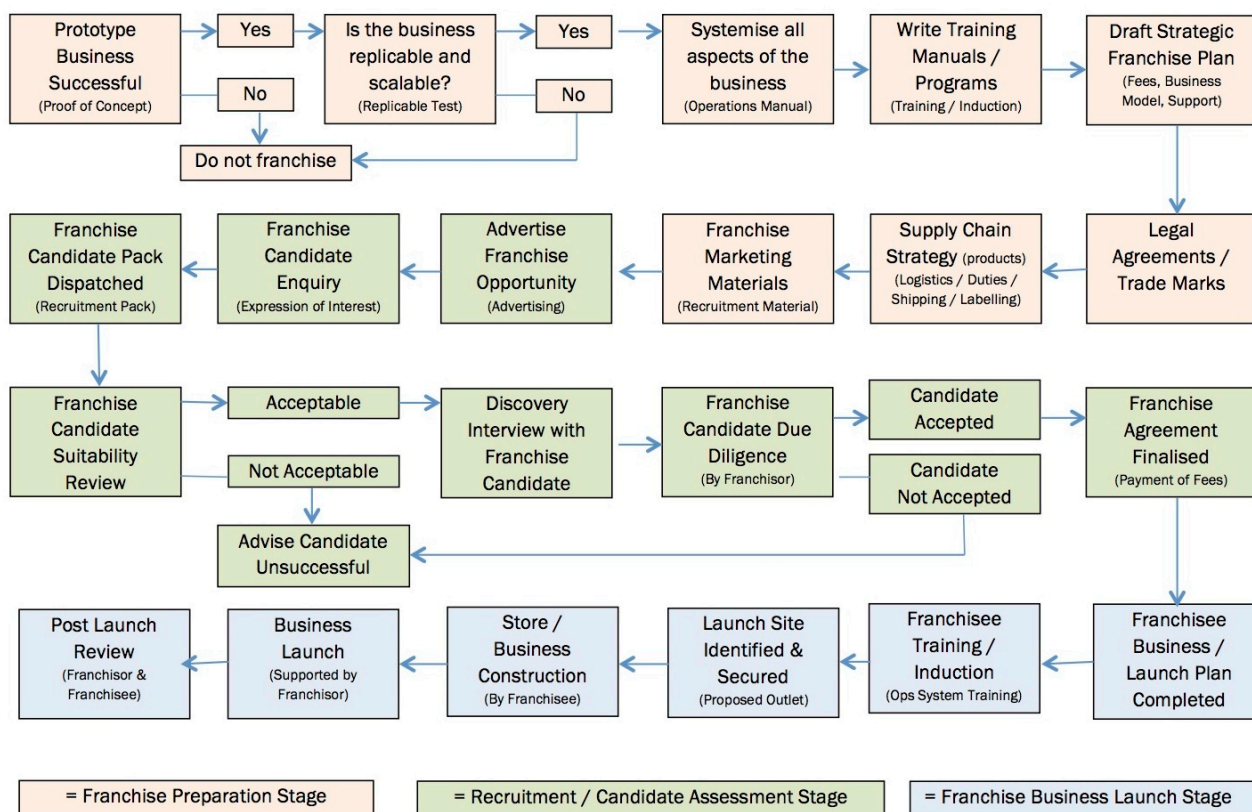
Real estate site selection

If the franchise has a physical location (i.e. retail or food) then the franchisor should have some form of approval process when the franchisee selects its location. It is important from a performance perspective and from brand development as well. This will require the franchisor to have some form of approval process that may require on-site approval.

Infrastructure

This entails so many areas that the franchisor must develop an efficient operation. It includes but is not limited to: Human Resources, Accounting and Finance, IT, Legal, Franchise Development (Sales), Operations and Operations Support, Franchise Administration, R&D, Marketing, etc.

Appendix D – Franchise Program Flowchart



Franchise Program Flowchart Explanation

Prototype business successful

The foundational plank that underpins all successful franchise programs is a business that has proven to be successful (proof of concept) either in an individual unit or across multiple units (preferred). By successful it needs to be able to demonstrate a proven track record of sufficient profitability to enable the success of a two-tier franchise model (after franchise fees). Without proven profitability the business concept is not scalable and one has nothing to sell or replicate

Every business is different and as such it is dangerous to be prescriptive in what sufficient profitability looks like because this will vary from industry to industry. As a general rule, sufficient target profitability would be Earnings before interest, tax, depreciation and amortization (EBITDA) of 15% of Turnover. This would allow an acceptable return in excess of 10% to a franchisee after all royalty costs payable to the franchisor. Anything less than a 10% EBITDA would make the business model challenged when it comes to an adequate Return on Investment (ROI) from a franchisee

Is the business replicable and scalable?

Given the effort that is required to successfully develop the support infrastructure to grow a franchise network, it is important to assess whether the business is replicable and scalable. Typically if a business is replicable then by definition it is scalable. The test of how replicable a business is will be determined by how long it takes to document and train an individual in the business, assuming they have no current operational capability in the industry. In other words, if I can train someone in the principles and operating standards

that have made my proof of concept business successful, and they in turn can reproduce these standards without my direct supervision, then I have a replicable business

Any business that requires personal skill sets or years of technical training will be difficult to replicate. Examples include consulting, medical, technical etc. It is not impossible but one would need to recruit franchisees that come with that existing skill set which would reduce the scalability of the franchise model

In some cases franchising is not a suitable vehicle for brand expansion and other alternatives should be considered, such as licensing

Systemize all aspects of the business

Once you have a proof of concept, know that your business is scalable and that franchising is the best route, you will need to get to work in systemizing every aspect of your business. The more you systemize, the more brand consistency you will have when you start to replicate the brand. Once you have institutionalized the operational practices that have formed your success, you need to start documenting these into a comprehensive brand Operations Manual. The Operations Manual will become the platform around which all of your training and induction of franchisees will be based.

This Operations Manual will be the Intellectual Property repository of your brand and will always remain the property of the franchisor. Franchisees are granted the right then to use the “system” but they never own it and in fact when a franchise agreement finishes or is terminated it is usually incumbent on the franchisee to return the Operations Manual.

The Operations Manual is an ongoing dynamic document that is constantly updated to reflect the changing practices of the brand. In many cases improvements come from franchisees that ultimately add to the operating “system” and the manuals (IP) are constantly being developed and updated

Each industry will be different but some of the key data that should be included in the Operations Manual include:

1. Brand History / Brand Essence / Brand Culture
2. Vision, Mission and Core Values
3. Product / Services Offered – detailed descriptions
4. Operating Standards
5. Operational Leadership
6. Customer Experience
7. Human Capital / Team Development / Training Standards
8. Marketing / Branding / Positioning / PR / Brand IP (logos etc.)
9. Supply Chain / Product Logistics
10. Business Leadership – how to run a successful business
11. Financial Management / Reporting / Royalty Payments / Budgeting
12. Legalities – IP, Franchise Agreement Responsibilities and Obligations

Essentially the Operations Manual is the “who we are, how we do it, and what you need to do” manual. The more detailed the manual, and the bigger the commitment to franchisee training, the more consistent the brand will look across all franchised units.

Write Training Manuals

Once the Operations Manual is in place, this will form the foundation for the training that will take place. All successful franchise programs have a serious commitment to face-to-face brand induction and a commitment to ongoing training of their franchisees. Short change this important aspect and the brand will be diluted and brand consistency across franchised outlets will suffer. From McDonalds Hamburger University to Starbucks Coffee University, all the major franchise brands know that this is a crucial and foundational aspect of successful brand growth.

A good training program takes the Operations Manuals and makes them come alive through a mix of theory and practical experience. The ideal trainer is someone who has the personality for training, *and* has firsthand frontline experience in running the business. The training material does not necessarily mean that one reads through the Operations Manual, but rather, takes the core standards in the Operations Manual and teaches franchisees how to replicate the successful principles that have made the franchisor successful.

Good trainers not only teach the principles and standards but also are “infected carriers” of the brand essence and culture. The true value of a successful training program is not just the content, but also the culture that is transferred through the trainers to the franchisees.

Draft a Strategic Franchise Plan

Once you know that you have a proof of concept, have a replicable and scalable business opportunity, have devoted energy to institutionalizing the operating systems and have documented these into Operations and Training manuals, you now have a business that is ready for rapid expansion utilizing a business format franchise system

A Strategic Franchise Plan will be the roadmap showing how you intend to expand the brand utilizing a franchisee network. It has been well said that franchising is utilizing other people’s time and money to expand your brand. It is helpful to add an additional word to this definition: “utilizing other people’s time and money to *responsibly* expand your brand”. A large part of that responsibility is to ensure you have a concept that works (proven), is replicable, and has operations standards documented, has a commitment to training, and under this section, has a well-defined franchise plan in place

The Franchise Plan will cover a range of areas and will provide you with a strategy in the following key growth areas:

1. *Franchise commercial terms* – upfront franchise fees, ongoing royalty fees, contributions to marketing and advertising funds, renewal fees, agreement term, development quota, etc.
2. *Franchise Model* – can be a variety of models including Master Franchise (for a country or region), Area Development (for a state or region), City Development (for an individual city) or Individual Unit Development (typically a designated area by pin code).
3. *Franchise Development Model* – will you expand in a clustered model with all franchised units being in the one city until you get maximum brand penetration or will you expand across multiple areas and what impact does this have on operational oversight and supply chain? Is the model a hub and spokes type model or a scattered model.

4. *Individual or Multi Units* – is your franchise plan a single unit or multi-unit opportunity. In other words, are you looking for a franchisee to take on more than one unit in developing an area?
5. *Supply Chain* – if you sell a product to franchisees and that product is proprietary to the brand and compulsory to purchase from the franchisor, then what supply margins are to be made and is this margin transparent with franchisees.
6. *Franchise Support* – what will you need to have as far as a franchise support team? Franchisees are demanding and time consuming so you need to allocate intentional resources. Franchisees assume, sometimes incorrectly, that they have a plug and play business so you need to deal with misunderstandings early on in the relationship.
7. *Financials* – how does the financial model look like under your preferred Franchise Development Plan? After considering all of the above, put together a financial projection on what the business model looks like from the franchisee and the franchisor and adjust where required to ensure you have a plan that results in a win/win for franchisor and franchisee alike

A well thought through and documented Franchise Development Plan will go a long way towards the development of a successful franchise network. You will be driven by strategy rather than opportunity, and there is a big difference in success for brands that follow this format.

Legal agreements and trademarks

Legal agreements are a big part of the franchise system as they outline the contractual relationship between the franchisor and franchisee. A well-defined Franchise Agreement (FA) will alleviate many disputes because the FA will spell out exactly the obligations and responsibilities of the franchisor and the franchisee.

Typically these legal contracts are skewed towards the franchisor and are much a master / servant style document where the franchisee is essentially “renting” the brand for a set term. A good legal agreement will set out the agreed commercial terms, obligations and responsibilities, operational training and support, performance criteria, termination procedures, guarantees, trademarks, arbitration or mediation policy, etc. The complexity or simplicity of the agreement is driven by the franchisor

Some countries are heavily regulated with franchising laws. You will need to check if Franchise Disclosure Documents (FDD) or franchising codes are necessary. These regulations have requirements for completion.

A good franchise agreement will save the franchisor and franchisee time and money if and when problems arise. However, the best brands rarely use the legalities of the franchise agreement, but rather form solid relationships or enter into dispute arbitration before going to court. A good legal agreement clearly defines the process.

Supply chain strategy

If you supply a product to a franchisee then you need to think through your supply chain strategy. Your franchise development plan should take the efficient supply of products into consideration. A geographically dispersed franchise development plan will have added cost implications on the supply chain. This is where it is most popular to cluster units to take advantage of supply chain economies of scale.

If you intend supplying products to other countries, due diligence will potentially need to include: shipping charges, import duties, and clearance costs, labeling costs, etc. It is a complex matter as every country is different in how it handles imported goods.

Franchise marketing materials

After thinking through the back end of the franchise system, start developing the front end of what the potential franchise partners will see and respond to. The franchise marketing materials will be largely determined by how you intend to market the opportunity and where your prospective franchisee communities are based. These marketing materials may include the following:

1. A contemporary website that clearly states that you are looking for franchisees.
2. Social media pages, including Facebook, showcasing the franchise opportunity.
3. A regularly updated brand blog that highlights the franchise opportunity.
4. A corporate brochure that captures the brand history, essence and culture.
5. A brand presentation in a format such as a Powerpoint slide presentation.
6. A short flyer or brochure on the franchise opportunity.
7. A franchise display advertisement or banner that can be marketed across multiple media.

The marketing materials showcase the franchise opportunity and put it on the radar screen of prospective franchisees. The more you know about who your potential franchisee is, the easier it is to identify the best avenues to reach these prospects.

Advertise the franchise opportunity

Actively look at marketing the franchise opportunity across multiple media outlets. The wider the net the better the franchisee selection will be

Franchise candidate enquiry and candidate pack

When a potential franchisee enquires about the opportunity you should have available for them an Expression of Interest (EOI) form ready to complete, that can either be in hard print or digitally completed online. This EOI should include enough information on the candidate to enable you to make a high level assessment on whether the candidate has the wherewithal to be a potential franchisee.

To ensure you receive qualified candidates it is a good idea to draft a Franchisee Profile paper, which could be as simple as a one-page document that highlights the criteria you are looking for in a franchisee, from an attitudinal sense as well as from an operational and financial capability perspective.

Based on the EOI and an informal discussion with the candidate you should be able to determine if they are likely to be a suitable candidate. As a part of your franchise system you should have template letters that go out to acceptable and unacceptable candidates. Acceptable candidates should then receive a Non-Disclosure / Confidentiality Agreement as well as a standard Application Form to complete that will allow you to share the proposed commercial terms of the franchise agreement and opportunity at hand.

Discovery interview and franchisee acceptance

Upon completion of the detailed application form and non-disclosure agreement the candidate should be invited for a brand presentation and formal interview.

This discovery interview should include:

1. A brand history / brand essence / brand culture presentation
2. Presentation of the franchise system
3. Presentation of the specific franchise opportunity
4. Questions to the franchisee regarding motivation for taking a franchise
5. Questions from the franchisee on any topic related to the business
6. Behavioral interviews to determine suitability for franchising

Following the discovery interview you should be in a position to recommend the franchisee and the franchisee should have all information required for him/her to make a decision on the opportunity presented.

Upon acceptance or rejection of the franchisee, a formal template letter should be sent to the candidate advising them of your decision and providing clear next steps of what needs to be done.

Franchise Agreement

A Development Area Franchise Agreement is drafted (based on the predetermined template) and is executed by the franchisor and the franchisee and any upfront franchise fees are paid. It is worthwhile providing a generic copy of the template franchise agreement to the candidate early on so that their legal counsel has an opportunity to review this in some detail. Franchise agreements tend to be quite lengthy and this will shorten the process of signing the final agreement following a decision to proceed.

Sign the copies of the agreement and each party should retain an original copy of the agreement. Ensure your franchisee seeks legal advice before signing it.

Franchisee business plan

Provide the franchisee with a template business plan for their completion. This will include everything that is required to clearly state the development of the franchise in the designated franchise territory. This will cover the market, the competition, the products/ services being offered, the target customers, marketing strategies, supply chain, staffing, legal compliance and registrations, financial projections, to name a few. If you have this in a set template it will make the review of each business plan much easier.

Franchisee training and induction

Take the franchisee through your prescribed training program ensuring they are completely familiar with the brand standards. This should be hands-on experience and where possible franchisees should receive a good blend of theory and real life business experience for operating the business.

Franchisee launch

Ensure you provide good operational support to the franchisee throughout the launch of the business. The entire business launch should be systemized and predictable. The style of that support will vary depending on the complexity of the business. It is important to start well with a franchisee, as this will build motivation for them to continue in that light. Remember franchising is a long-term relationship—similar to a marriage—so select well and support each other. The success of the franchisor is directly linked to the success of the franchisee so collective support for each other will enable the brand to grow. The happier your existing franchise network is, the easier it will be to attract new franchisees.

Appendix E – Franchise Development Assumptions

Assumptions are based on the Food & Beverage industry (typical QSR - Quick Service Restaurant). Information in this appendix is intended for general information purposes only and should not be relied upon for purposes of entering into any binding contractual agreement. Each franchise opportunity varies in commercial terms. Assessment of opportunity should be completed in conjunction with qualified independent advisors.

Currency estimates in thousands (K) of US Dollars (\$)

What is Business Format Franchising?	1) Use of trademark (brand) 2) Assistance to franchisee (system) 3) Collection of fees (fee)
Advantages of Franchising	Save time and money, fewer people needed Smaller risk, leverage knowledge of franchisor
Disadvantages of Franchising	Must follow franchisor's process and quality control Share profits with franchisor Example: If Profit = \$100K Franchisor may take \$30K
Phases of Franchisor Development	
Strategy	Benchmarking & Initial Planning Session Strategic Planning Financial Analysis
Legal	Franchise Agreement Disclosure Document State/Country Registration Process
Brand and Quality Control	Operations Online Manual Training Online Manual Training Video & Local Marketing Content
Marketing the Franchise	Franchisee and Research Profiles Marketing Plan Brochures and Website Franchise Sales Script & Sales Franchise Sales (Broker, Video, Trade Shows)
Implementation (Launch)	Franchise Implementation Training Implementation Support and Consulting

FRANCHISOR SETUP	AVERAGE RANGES
Legal Fees	\$25K - \$50K
Franchise Development Consulting Fees	\$40K - \$200
Systematize Process (Manuals, Training, etc.)	\$50K - \$100K
Organizational Expenses	\$10K - \$50K
TOTAL excluding franchise recruiting and launch	\$125K - \$400K++
Franchise Marketing (Find/recruit franchisees)	\$5K - \$10K per franchise sale
Franchise Implementation (Launch)	Varies

FRANCHISEE SETUP	AVERAGE RANGES
Initial Upfront Franchise Fee	\$10K - \$50K
Ongoing Royalty	2%-10% of gross revenue
Ongoing National Advertising Contribution	0.5% -4% of gross revenue
Ongoing Local Marketing Spend	1%-4% of gross revenue
Legal Fees	\$5K - \$10K
Training Fees	\$3K - \$5K (sometimes added to initial upfront fee)
Facility Design Fee	\$5K - \$10K (sometimes added to initial upfront fee)
Franchise Advisory Consulting Fees (due diligence)	\$2K - \$5K
Regulatory license fees	\$2K - \$5K
Capital Investment (1000 sq. ft. unit) (Construction, equipment, furniture, etc.)	\$150K - \$500K
Desired payback on lease based investment	2-4 years [Desire to have ROI (Return on Investment) = to or < than lease term]
Desired payback on fee based investment	Dependent on real estate value, projected trends, cost of capital, PNV (present net value), etc.
Purchase of land and/or building	(present net value), etc.
Franchisee Indicative EBDITA	12-20% of gross sales
Timeframe (Assertive start up)	9 months +
Key Players Needed for Franchisee Setup:	1) Specialized Franchise Lawyer 2) Specialized Franchise Tax/Accountant 3) Recruitment of Employees (Team)

Alternatives to Franchising:

BRAND + FEE + SYSTEM	= Business Format Franchising
BRAND + FEE + NO SYSTEM	= Trademark License
NO BRAND + FEE + SYSTEM	= License or Business Opportunity
BRAND NO FEE SYSTEM	= Distributor, Dealership, Agency, Sales Rep or Join Venture

Appendix F – Legal Considerations and Moving Money

This Appendix is not a legal treatise or and does not provide definitive answers to legal issues or how to move money. The purpose of the Appendix is to provide the reader with some signposts along the way. These questions should highlight issues to think about or to seek pertinent legal counsel on. Issues for consideration include:

1. Identifying the best legal form for your business.
2. How to move money into a country to fund a business.
3. Donated money versus freely invested money.
4. Identifying the capital requirements and how they must be met.
5. Discovering the accounting requirements of the country where the business is located, AND any reporting requirements in your home country.
6. Legal ways to take profits out of a country or use them for another purpose.
7. Closing a business.

1. Legal forms

May include:

- a. **WOFE:** Many countries allow a Wholly Owned Foreign Entity (WOFE) that enables a foreigner to own a business outright.
- b. **JV:** Many countries require a foreigner to establish a Joint Venture (JV) with a local partner.
- c. **Rep Office:** A Representative Office (Rep Office) of a foreign entity is allowed by most countries.

Each of these carries advantages and disadvantages. Some disadvantages for each include: The capital requirements for a WOFE may be large. It may be difficult to find a like-minded JV partner. A Rep Office requires a business in another country that wants to explore set up a business in the target country. A Rep Office may have limitations of the type of business activities allowed, so it might be a short-term strategy.

In some countries foreigners are restricted from ownership in certain industries and a Joint Venture with a national is required. For example, China has a list of business sectors forbidden to foreigner ownership where sectors as diverse as natural resources, telecommunications, Internet or market research are reserved for PRC (China) citizens. Note: It is inadvisable to try and get around this by setting up a business under the euphemism of “consulting” and work in a forbidden area. Be prepared for trouble!

Many countries seeking Foreign Direct Investment (FDI) have English websites outlining the requirements, e.g. Myanmar, Indonesia, Malaysia, China, etc. You will also need local advice to set up a foreign company. For many countries you can find advice on the American Chamber of Commerce (AmCham) website for that country; often publications can be downloaded at no cost.

Make sure you understand the business laws thoroughly enough to know that you are complying with those laws. While you need to have professional help in setting up a business, it is not usually hard to get English copies of employment law or corporate law. As a business owner it is imperative that you understand the laws and not rely solely on a local person to do everything for you. If the person setting up your business does not do it correctly, you are the one who will be fined for the mistake. If your local accountant does

not file the paperwork correctly, you will pay that fine. Do not underestimate the legal requirements and the time it takes to understand them.

2. Moving money

The legalities of moving money depend on the country where it is coming from and the country where it is going. As terrorism is increasingly financed through movements of money related to legitimate businesses, the laws of many countries have changed. An international body, Financial Action Task Force (<http://www.fatf-gafi.org>), works with countries to ensure they have good systems. They provide guidance and list countries working toward good practices and those that are not. Banks are increasingly careful about wire transfers over certain amounts and countries such as Singapore have crafted strict laws with criminal penalties. It is important to have a good paper trail. It is the responsibility of the organization/person setting up the business to understand the laws in the home country or wherever the money is coming from as well as the laws where the funds are going. Some countries, for instance North Korea and Myanmar, are difficult to move money into.

Before starting a business one should understand the capital requirements, the timeframe required to meet them and how each government approaches foreign investment. Different types of business may have different capital requirements. For example, in China a newly formed WOFE is required to bring capital in from the registered owner's bank account. The names have to be exactly the same, even small differences can create problems, e.g. if you use a middle *initial* on one and a middle *name* on the other.

China also requires that the bank be responsible for the business account. That means that you must submit your business plan to the bank. When you want to spend capital the bank will often need to approve the expenditure. This is because their bankruptcy laws are insufficient and they want to protect their citizens from foreigners who do not pay their bills. Perform due diligence to understand the laws pertaining to the country where you are setting up your business and the country of your origin.

3. Donated versus freely invested money.

Donated or tax-deductible money usually comes with a history in that someone or some organization has at some point received a tax benefit for giving the money. The donation has to fit within the charter of that organization and the tax laws of the country. That means that a government has a say in how it is used. If a business is supported directly or indirectly through non-profit money it creates additional complications. The business could have tax deductible funds being used as capital for a for-profit business or donation based support for a person involved in the business. Make sure any agency or organization you partner with in your home country understand completely what you are doing as they may bear the liability of your error. Some agencies see this as a problem and are willing to find ways to manage risks and then determine the best way to proceed.

4. Capital requirements

Many countries are increasing their capital requirements for foreign owned businesses. It is understandable: they want a business that is large enough to provide a benefit to the society. Perhaps they want a sizable business to provide employment, to produce needed goods or to provide skill training to a work force. A business cannot do that with a US \$10,000 investment. The day of the small start up consulting practice with a small investment is over in many countries in East Asia for instance. Governments look with suspicion on a business that is obviously not a real business but is only there for the purpose of a visa.

5. Accounting requirements

Most BAM businesses require a local accountant who will file the paperwork for tax purposes. Differing requirements may apply to claiming expenses, and you may not be able to claim everything you are used to claiming. For instance, in China you must have a Fapiao, or an official receipt to claim the expense. Sometimes you cannot get one and so that expense gets thrown out. However, for management purposes, you still want to count that expense. Most likely you will need to set up a regular accounting system and software program for your own purposes.

Paying taxes: Do it! Why does a government let a foreigner start a business? They want to get something: jobs for their citizens, development of people, tax revenues, etc. The same is true in our home countries so we should not be surprised that we have to pay taxes, social security or have a responsibility to train people to legitimately do business in a country we go to. Do not expect the foreign country to be backwards or unaware, they are generally not. Developing countries are developing their laws and their economies and Western governments often assist them and encourage them to mirror their own laws and regulations. If they are part of the World Trade Organization, Rule of Law is a requirement they are striving to meet. You should expect them to behave more and more like developed countries as time goes on. If you barely meet legal requirements when you begin your business, your shelf life is only a few years. For instance, China has closed a number of small businesses in recent years that did not meet the criteria for national development.

6. Taking profits out of the country

Taking profits out of the country depends on the country and the rules. Fundamentally, the country wants to make sure you have paid the proper taxes before the money is released. For instance, in China a person or an entity can take out US\$50,000 per annum. Capital can be repatriated as dividends to legitimate shareholders once all capital has been paid up and taxes paid on the business profits.

7. Closing a business

This can often be tricky as each department or ministry wants to make sure that they have been properly cleared and not left taking the blame for a problem. For instance, the Ministry of Labor will not sign off because the Department of Commerce has not signed off, etc. It is difficult to close a business. If you choose to simply walk away, be prepared to be blacklisted from returning to the country in the future.

Summary

If starting a business in a foreign country, be prepared for it to be quite different than it is at home. If you have never managed a business in your home country, take the time to get acquainted with the laws in different countries. Consider what will happen to your salary from the business (assuming you get one) and how that will impact your taxes at home. Use sources such as Chambers of Commerce or large consulting companies like Price Waterhouse that offer free publications. Ask other foreigners doing business for their recommendations. Remember, you are responsible for your business decisions. It is up to you to educate yourself with the most current information you can find.

Appendix G – BAM Franchise-ability Questionnaire

The Franchise-ability Questionnaire contains a list of questions that can be answered to help a BAM entrepreneur determine if their business is ready to be franchised. The list is also a resource to prepare your company for franchising.

The tool is also provided in Excel format at the following link:

<https://www.dropbox.com/s/o3pxngb6swrbnuc/Franchise-ability%20Questionnaire.xlsx>

Selection	
Checklist for Franchisor	Checklist for Franchisee
Has the franchisor developed a checklist to evaluate suitable franchisees? Is the Franchisee capable of supplying the information needed for the franchisor to evaluate their suitability for the franchise?	Does the Franchisor have a system to evaluate potential franchisees?
Has the Franchisor documented their values and goals for the franchise? Does the Franchisee share our values?	Are our values consistent with the Franchisor?
Has the Franchisor established license fee, royalty percentage and contract length for different markets?	Are the franchise license fee, royalty percentage and contract length reasonable for the market?
Will the Franchisor be offering franchises based on geographic territory or on what basis?	On what basis does the Franchisor offer franchises - geographical territory or other?
Are there annual sales quotas or other metrics for franchisees?	Are there required sales quotes or other metrics by which we will be assessed?
Has the Franchisor identified the skills required in a Franchisee? Does the Franchisee have access to the necessary skills?	Does our team have the skills required to operate the franchise or can the skills be added to our team?
Is the Franchisor looking for owner-operators for each franchise or area/master franchisees who will develop multiple units? Does the franchisee have the resources (financial and personal) to develop the required number of franchises?	Is an area/master franchise available from the Franchisor or only single unit franchises? Or are both available?
Do we have a robust support network?	Does the Franchisor have a robust support network?
Does the Franchisor have a documented training program? Is the training program suitable for the franchisee (Language, etc)?	Does the Franchisor have a documented training program?
Will the Franchisor arrange for Franchisees to be able to network with one another for support? Does the franchisee have the capability to network?	Is there a network of franchisees that can be consulted for support?
Has the Franchisor documented the raw materials that are required by the Franchisee?	Are the raw materials required available in the proposed location?
Has the Franchisor documented the equipment required by the Franchisee?	Is any specialized equipment available (can be imported)?
Does the Franchisor have an agreement with suppliers for spare parts that we can make available to Franchisees?	Are equipment replacement parts available?

Operations Support	
Checklist for Franchisor	Checklist for Franchisee
Does the franchisee have the capability to conduct training using the franchisor's training materials?	Are the Franchisor's trainers skilled at both operations and training?
Has the franchisee identified people that will be trained and their availability?	Are the training materials documented and updated as needed including the type, length and content?
Does the Franchisee have the ability to use on-line training methods? Will the Franchisee commit to regular training after the franchise is operational?	Does the Franchisor use online learning methods, especially for ongoing training?
Will the Franchisee provide feedback for the training methods?	How will the training programs be evaluated for effectiveness and ongoing training?
Has the Franchisor documented equipment specifications, vendor selections, employee job descriptions, raw material ordering and handling procedures, and process for communicating with the Franchisee?	Are equipment specifications, vendor selection, employee job descriptions, raw material ordering and handling procedures, and process for communicating with the franchise documented?
Has the Franchisor documented the daily operations processes and procedures?	Are procedures for daily operations of the franchise documented and updated as needed?
Is the franchisee willing to purchase supplies and equipment from specified vendors consistent with the franchisee agreement?	Are there products, supplies or equipment that we will insist franchisees purchase from us?
Is the Franchisee has the resources to procure the required raw materials to operate the business?	Do we have existing favorable supply contracts that we can make available to our franchisees?
Quality Control	
Checklist for Franchisor	Checklist for Franchisee
Will the Franchisee agree to a quality control program and forfeiture of the franchise if quality requirements are not met?	Does the Franchisor have a comprehensive quality assurance program with metrics?
Does the franchisee have the expertise to measure and maintain acceptable quality?	Does the Franchisor have the resources to ensure the Franchisee is implementing the quality assurance program?
Is there an agreed to quality monitoring program between the Franchisee and Franchisor?	Is there an agreed to quality monitoring program between the Franchisee and Franchisor?
Administrative	
Checklist for Franchisor	Checklist for Franchisee
Does the Franchisee agree to the required reporting timing and information?	Does the Franchisor have internal administrative systems to track legal and contractual requirements, including governmental filing and reporting?
Can the franchise be started and operated in compliance with local business regulations?	Can the franchise be started and operated in compliance with local business regulations?

Marketing	
Checklist for Franchisor	Checklist for Franchisee
Are sales kits and procurement guides available for franchisees?	Are sales kits and procurement guides available for franchisees?
Are sales kits and procurement guides available for franchisees?	Does the Franchisor continue to develop the brand in proximity to the franchise operations?
Are sales kits and procurement guides available for franchisees?	What percentage of sales is the Franchisee required to allocate to marketing?
Will the Franchisor develop a network of franchisees that use joint marketing and partnerships?	Is there a network of franchisees that use joint marketing and partnerships?
Will the Franchisor working models of discount programs, brand equity programs, loyalty programs, and community relationship programs?	Are there working models of discount programs, brand equity programs, loyalty programs, and community relationship programs?
Will the advertising and promotional programs mainly be our responsibility or that of the franchisee?	Will the advertising and promotional programs mainly be our responsibility or that of the franchisee?
Will the Franchisor sponsor an advertising fund to which franchisees will contribute?	Will the Franchisor sponsor an advertising fund to which franchisees will contribute?
Real Estate Selection	
Checklist for Franchisor	Checklist for Franchisee
Does the Franchisor have documented real estate selection criteria and a documented approval process?	Are there documented real estate selection criteria?
Will the Franchisor assist in the location and selection of the real estate including lease negotiations?	Will the Franchisor assist in the location and selection of the real estate including lease negotiations?
Will the Franchisor approval the facility after any build out?	Will the Franchisor approval the facility after any build out?
Infrastructure	
Checklist for Franchisor	Checklist for Franchisee
Does the Franchisee have the expertise to provide human resource support?	Does the Franchisor provide Human Resource support?
Does the Franchisee have the expertise to provide finance and accounting to the franchise?	Does the Franchisor provide accounting and finance support?
Does the Franchisee have the expertise to provide CRM to the franchise?	Does the Franchisor provide CRM support?
BAM Considerations	
Checklist for Franchisor	Checklist for Franchisee
Has the Franchisor established guidelines for how ministry can be done within the context of the business (Hours required to operate the business, staffing levels, percentage of national employees)?	Are the Franchisor's business and ministry principles and guidelines consistent with the Franchisees (Hours required to operate the business, staffing levels, percentage of national employees)?

<p>Has the Franchisor developed ministry success criteria? Are the Franchisor's ministry success criteria consistent with the Franchisee's ministry success criteria?</p>	<p>Has the Franchisee develop ministry success criteria? Are the Franchisor's ministry success criteria consistent with the Franchisee's ministry success criteria? If the Franchisee is a member of an agency, are the success criteria consistent with the agencies success criteria?</p>
<p>Has the Franchisor established guidelines for the level of financial giving to the ministry efforts in the community?</p>	<p>Has the Franchisor established guidelines for the level of financial giving to the ministry efforts in the community? Is this level of giving consistent with the Franchisee's vision and approach?</p>
<p>Has the Franchisor established salary guidelines for the leaders of the business? How flexible are the guidelines based on ministry and agency requirements?</p>	<p>Will the Franchisee use finances from outside of the business for living expenses (Support through an agency)? Does the Franchisor allow funding from outside of the business for living expenses?</p>

Appendix H – BAM in a Box SWOT Analysis

Strengths of BAM Franchising (Internal)

- Franchised BAM builds on strong networks.
 - Franchising has built in networks of distributors, distribution chains, and suppliers. Franchisee does not have to re-invent these networks.
 - Distribution models can be reproduced based on how other franchises are doing it in different locations.
- Lower need for high level of business expertise and entrepreneurial skills. Building blocks (systems) are available for the franchisee by using templates and already available materials/research.
 - Uses Franchisor key ideas the franchisee does not need to re-invent.
- Builds the possibilities of peer BAM mentoring.
 - We have strong motivation to replicate the BAM model because we have financial AND Kingdom motivation.
 - Opportunity for discipleship.
 - BAM Replication builds in ongoing support and education.
 - Franchisees need business skills but not necessarily entrepreneurial skills.
- Generates ongoing product/service development because feedback is generated from the franchisee in the field.
 - E.g. a service business needs to continuously develop. In a franchise system there are several points of feedback from different locations and the whole business benefits from the feedback.
- Hard to turn missionaries into entrepreneurial business people – less risk with a proven franchise.
 - E.g. we do not have to create entrepreneurs but give them tools to run a business. This is especially true in countries where we need creative access.
- Franchising is a resource for sending agencies.
 - Agencies can connect with in country franchise opportunities or international franchise opportunities.
 - Missionaries can use a proven business concept more easily.
 - Many investors will not take the risk on a start up company but be more inclined to invest in a proven franchise concept.
- Franchising enforces accountability and professionalism.
- Provides systems like marketing, training, financial systems, etc.
 - Forces them to do it right or not at all.
- Franchise models can be developed with the intent to strengthen the BAM movement by utilizing “back end” business development and centrally funded product/service development as an enabler for the “front end” workers.
- A carefully developed franchise business can enable a devoted person who is willing to learn, who has strong people skills, and some level of business acumen to succeed without having to be the super entrepreneur. That makes a franchise model a better way for a traditionally trained mission worker to make the shift to BAM.

- Training and mentoring is provided to the franchisee.
- Additional initiatives can be prioritized by the franchisor beyond the necessary franchisee training to continuously develop the BAMpreneur.
- Franchisors can fill in the business acumen gaps of BAMpreneurs.
- Franchising serves as a customized business training and support for the franchisee. This may enable BAMpreneurs to get a higher success rate, and make up some of the difficulties that are introduced as BAMpreneurs aim for more bottom lines than most businesses.
- Franchise models create natural peer-to-peer mentoring networks. Someone in the franchise development phases ahead of you can provide advice.
- Regional meetings with franchisees provide more than general encouragement by providing practical business development.
- Franchisees support other franchisees and this relationship helps the business flourish.

Weaknesses of BAM Franchising (Internal)

- Not enough proven BAM concepts available or we are not aware of them.
- Too few BAM people are in the field of franchising to do it well.
- Franchising appears to be easier than it is.
 - People think all I have to do is execute the template, but they need to be a businessperson at some level because business requires 120% of your commitment.
- Financing – there is still a need to find the money.
- Fragmentation of the BAM mission community means it is hard to connect resources and people together.
- Franchisees with too much entrepreneurial vision may not want to stay within the limits of the “franchise system” because franchisees need business skills but not necessarily entrepreneurial skills.
- Franchisor may not have developed a clear 4 bottom line impact target.
- Franchisor may not include a higher degree of tolerance for weaker or slower financial performance because the social and spiritual bottom lines are stronger of the BAMpreneur.
- Franchisor may not invest in additional training and support in franchisee’s weak area to preventing closing down the franchisee.

Weaknesses from franchisee perspective:

- Some people assume that if they buy a franchise business it will make up for their lack of skills as a business owner.
 - Running a business takes creativity, hard work, financial acumen, and leadership in selecting/managing employees. These do not change if you franchise: you still need to know how to run a business.
- Franchisor has the right to close down a non-performing franchise. This may leave the franchisee without a visa or reason to be in the country.
- Even with the supposed less work because the franchise comes with a business model and plan, it is imperative that the franchisee has a call on his or her life to do this work. If BAMpreneurs do not know that this is what God has called them to do, and it is just a means to an end, they will not be successful.
- Bad theology about business: if your view of business is not biblical you will have a hard time running a franchise. Taking something God created for one thing (business) and using it for something else (visa platform) does not work out well.

- Relationship:
 - Franchisee must be clear on what the franchisor is providing, what they pay for, what is free.
 - A franchise is a contract. It carries certain requirements. If requirements are not met, the business is not yours to do as you like. You can run your own non-franchise business in whatever way you want. A franchise must be run the way the Franchisor wants.

Weaknesses from franchisor perspective:

- Do not assume you can franchise a business by yourself
 - Find a consultant that looks at the complexity of your business and give you advice
- Have a clear understanding of:
 - Financial requirements:
 - Franchise models are not an answer to your capital needs. You may make money in 3-5 years, but it is a drain in years 1-2
 - Time commitment:
 - If you think: “I do not have time to grow my business, so I will use someone else’s time” you are not realistic. It takes more time in the beginning to do a franchise than just another company branch business.
 - People underestimate the amount of energy it will take to develop an operations manual, training system, franchise agreements, etc.
- Franchisors need sound conflict resolution and communication policies
 - If franchisee is a local, do not assume they understand your culture and how you do business or solve problems.
 - Use cultural values that they understand to explain your values
- Make sure your franchise agreement meets legal requirements of the countries in which you do business.
- Have clear understanding of how the ministry works in a franchise. What control you have in such issues.

Weaknesses from agency perspective:

- Difficult for agency to navigate a franchise because of the mix of non-profit and for-profit.
- Agencies may see franchise models as an easy way to enter a country/city and not understand the actual franchisor control over the brand. Franchisees purchase and invest in the business, but the franchisor holds ultimate brand control.
- Because the franchisor will provide a biz model, marketing, etc. sending agencies may assume that anyone can do this and see buying a franchise as an easy way to get a visa. However, not everyone can make a franchise successful. Franchisee must still have business skills in order to manage well.
- Agencies may want to hold the ownership or control of the franchise. If the franchisee does not have a stake in the business, it will not be successful. Many franchisors require ownership by the individual running the franchise.
- Freedom to get people into a country/city vs. control by a third party.

Opportunities for BAM Franchising (External)

- Franchising builds a culture of abundance mentality and networks that can work together well. Sharing is good.
- There is no competition in Kingdom building – the pie is bigger when we share.
- Build sharing of BAM businesses and BAM franchising in a secure way.

Opportunity from franchisee perspective:

- Franchise has a proven business model and processes that provide BAMpreneurs with a place to start.
- Understand franchising by discussing the process with a mentor, advisor, another franchisee, or a third party to understand what it means to franchise.
 - With a franchise you are saying “I will pay a fee to use something you own, but I have to do it in the way you prescribe”.
 - Franchisee must understand the up front costs.
 - Franchisees must be willing to listen, have a teachable spirit and be obedient to what is in the franchise contract. This may be different than the typical BAMpreneur.
 - Franchisee has to realize that they own the franchisee (coffee shop) but do not have control over how the brand is executed.

Threats to BAM Franchising (External)

Threats from franchisee perspective:

- Provision for the community the business is in – all the stakeholders must be considered. Dropping a foreign business franchise into a community without considering the impact to other stakeholders (competitors for instance) may create adverse reactions to the franchisee.
- Franchisee has the right to own and operate the business, but does not own the brand.
 - You invest the time and money and get what is left over after the franchise fees and royalty costs.
 - You cannot do everything your way, you must follow franchisor’s system
 - You are responsible for success and could lose your investment if you do not meet your contractual requirements.
- Franchisors are focused on the bottom line and protect their brand. BAMpreneurs need to nurture the spiritual bottom line too. The BAM culture globally is that of abundance mentality. That means fewer protectionists and more sharing for greater impact for the glory of God. We need to have the ultimate “end goal” in mind as we build kingdom culture into our companies and into the BAM movement. We can never “compete” in that sense in the Kingdom; only add more value by sharing, supporting, and synergizing. We have problems when we focus too hard only on the financial bottom line.

Threats from franchisor perspective:

- Recommend to have a local partner:
 - Easier to get the biz license and legal requirements done quickly, but the local partner may not understand the processes and procedures because of cultural differences. It may be as simple as what music is played or how service standards are met. There may be many cultural misunderstandings about cleanliness, smoking, lights, etc.
 - Ethical misunderstandings can be rampant. In many cultures the written contract is only the beginning of the negotiation. Westerners believe the written contract is what is agreed upon.
 - Be careful with capital issues. Franchisee may not “own” all of the capital, but borrowed it at a high interest rate. That puts the franchisee under financial pressure contributing to poor management.
 - Do strenuous due-diligence regarding finances. Review bank accounts and cash reserves as required and none of the funds are the proceeds of loans.
- Do things in a prescribed order:

- Do not start the renovation of the building before the franchisee has the training.
- If the franchisor steps in to make up the difference of an unprepared franchisee, they will be unable to hold them accountable. The franchisee will blame franchisor for lack of success.

Threats from agency perspective:

- Mission side could fall by the wayside if the franchise did not meet the franchisor's requirements and they terminated the franchise.
- Franchisors write contracts so that they can pull the franchise quickly if needed.
 - If an agency is working with a franchise strategy and one franchise does not do well and the franchise contract is pulled, the team member may be left with no visa and need to return home.
 - Typically there is a non-compete clause so the member cannot establish a similar business.
 - They do not have the right to sell it to just anyone as the franchisor has the right of first refusal as well as the right to sell it to someone else.

Appendix I – Business Profile: Product Distribution Company

Background

History

Over the past few decades, several individuals and groups have been developing the international network that has now come together to create Product Distribution Company (PDC). In mid-2009, the business owner brought together several key people to begin to figure out how they could reach out to the more than 4 billion people at the bottom of the pyramid and have a positive impact on them. They vowed to create sustainable solutions that could be self-supported by the individuals at the bottom of the pyramid. PDC was developed and today they create jobs for individuals, reduce poverty, and transform lives!

Business focus

PDC is an international distribution company that fully utilizes its three core competencies: 1) 6 Degree Network; 2) an Innovative Product Line; and, 3) a Quadruple Bottom Line.

The 6 Degree Network has been created over several decades and enables PDC to reach individuals in all walks of life, in all parts of the world. The Innovative Product Line has been strategically created to ensure that the products are culturally and economically relevant. Our Quadruple bottom line enables us to not only measure economic profits, but social, environmental and spiritual profits as well.

Professional Background

Founder / CEO

Founded PDC in February of 2010. The founder started his first business in 1980, and now has five businesses with over 300 employees and has been recognized nationally for his leadership. This business owner has been selling to retail and industrial customers in the U.S. and Internationally for over 30 years.

President

Oversees the daily business operations of PDC and ensures that each component of the business successfully functions. He works closely with the General Managers in the Charter locations.

Strategy and Vision

Purpose

PDC helps end poverty by finding socially beneficial products and distributing them through a powerful, global network of partnerships to provide economic, social, environmental, and character gains to people living in developing countries.

Through our PDC Charters, we find high-potential individuals in developing countries, train each of them to become an entrepreneur and equip them with products to sell. We recognize the poor as resilient, creative entrepreneurs and value-conscious consumers, rather than victims.

Values

PDC is a social business that provides socially beneficial products to create economic opportunities for high-potential individuals in developing countries.

PDC's strategy is rooted in the conviction that while the poor may need help, they're not helpless. They may be impoverished, but they're not ignorant, incompetent, or lazy. What they need is an opportunity. Given the right opportunity, the impoverished can provide for themselves and their families, all while contributing to the growth of their community's local economy. Best of all, opportunity produces outcomes that are self-sufficient and sustainable.

Business goals and objectives

Quadruple Bottom Line:

1. *Economic*

PDC's products enable our entrepreneurs to provide for themselves and their families while improving the economic climate of their community.

2. *Social*

PDC's products produce social benefits in the communities where they are sold. For example, a water filtration system does not just give one family access to clean water; it reduces the spread of disease in that community by improving hygiene.

3. *Environmental*

PDC's products are carefully selected not just for their profit potential and social value but also for their positive contribution toward environmental sustainability, from production to packaging to disposal.

4. *Character*

PDC is an invaluable resource to local communities; not only does our holistic approach transform customers through products, but it trains local representatives to embody good character and operate with integrity.

BAM Experiences

Here are two examples of successful businesses that PDC operates

Product Distribution Company Kenya (A.K.)

In 2012, A.K. has partnered with Paradigm Kenya (PK) to launch the Dealer Program. PK sold over 40,000 energy efficient stoves in its first year of operations and has been recognized as a global leader in the carbon credit industry.

A.K. has over 70 LMEs operating in over 21 counties throughout Kenya. This number will significantly increase over 2012, as A.K. is performing significant recruitment efforts to increase the LME base to 500 LMEs across Kenya by 2013.

Product Distribution Company, Indonesia (A.I.)

A Charter company of PDCD, LLC. A.I. implements a branded retail model with a centralized head office in Jakarta for coordination purposes. The branded retail outlets being launched throughout Indonesia are called Green Depots. Every Green Depot will have at least one depot manager who is responsible for the development of the branch,

the distribution of products to each LMESM and the training & development of those LME's through the multiple bottom profit model.

A.I. launched nine Green Depot locations in August 2012, each consisting of between 20 and 40 LMEs. Each location is in pilot phase for several months prior to full-scale implementation.

Conclusion

PDC continues to empower people to improve their economic situation by providing a number of avenues for business. These businesses are environmentally smart so that there is no negative impact on the environment around them; in fact it is not neutral but positive impact. An example would be the conversion of kerosene lighting to solar-based energy.

The social impact is directly related to the economic and spiritual impact. With increased economic resource for an individual there is direct impact on the family and surrounding community. This improvement is tightly connected with spiritual impact to help guide how those resources are used. PDC has been able to impact the bottom line in all areas throughout its history.

Appendix J – Business Profile: English Language Training Network

Background

History

English Language Training Network (ELTN) has been in existence for about two years. The idea initially was to create a “Business in a Box” where the staff would provide the training, manual, materials and assistance in getting an overseas Language Center (LC) up and running. They modified their approach so that the network could be more member-driven, allowing already existing English language centers to join the network and to help give input into the overall product and service offerings of ELTN.

Profile

ELTN is an association of English language centers. ELTN also provides training, consulting services, startup assistance and ongoing mentoring and connection opportunities for the LCs. All LCs pay a nominal yearly membership fee. Existing LCs are encouraged to join the network, and ELTN also offers a comprehensive service offering to help a new center get up and running from start to finish.

ELTN offers fee-based consulting for the development of specialized language materials (e.g. English for hospitality workers). They are developing some platforms that the entire network can make use of (such as online learning), again for a fee. They have a number of centers in the Middle East, but want to expand to be a truly global network.

In addition, ELTN has a vision to train up the next generation of Business4Transformation (B4T) workers and has started a program for college graduates. After a three-month pre-field training program in the US, these graduates join an existing LC for approximately 2 years, providing the lead role in business support and management for the center.

Professional Background

The US Company has two full-time employees. The first has a business background and IT skills, and the second has a strong background and experience with TESOL (teaching English to Speakers of Other Languages). ELTN has an active Board of Directors including one with a Ph.D. in Education, a Harvard-trained lawyer, and president of a regional bank. Several of the Board members have extensive experience running English language centers in the US and abroad.

Strategy and Vision

Purpose

ELTN exists for the purpose of equipping and supporting small to medium sized Language Centers.

ELTN has clear spiritual goals and they are intentional about the LCs being part of a church planting strategy in their location.

Business goals and objectives

- Increase the number of LCs in the network from 16 to 30 by the end of 2013.
- Expand globally, primarily in the Asia region this year.
- Identify additional revenue streams for ELTN and product/service offerings for the LCs.

Success factors

ELTN uses several success factors:

- Number of centers in the network
- Regional diversity of the center locations
- Profitability of the individual centers
- Profitability of ELTN

They are intentional about the LCs playing a key role in a church planting strategy, but they are still working on defining the metrics.

Additional facts and statistics

ELTN has been in existence for one year. There are 23 LCs in the network. They have two full-time employees in the US, 50 expat and 80 national employees in the centers throughout the network, and roughly 6,000 students involved with the centers. They have four staff on the field, with another two deploying in 2014.

About 80% of the operational costs of the US LLC are being covered by revenue from the network. They plan on ELTN being profitable within the next 1-2 years.

The goal for each LC is that it would generate enough revenue to cover all costs, including salaries for national teachers and support staff, and payment for expat teachers (according to current market rates for native English speakers). One of the centers is profitable, and they expect another four to five to be profitable by the end of 2013.

The LCs provide high-quality English teaching to meet the demand for English language skills in the countries where they work. ELTN's goal is to provide the training, support and assistance that the LCs need for them to be successful.

BAM Experiences

Each of the LCs is part of a church planting (CP) strategy in their location. The language centers give the staff credibility in the community, provide value-add services, and enable the staff to build relationships that lead to trust and conversations about the Gospel. Some of the centers have spiritual activity on-site (bible studies, group meetings, etc.). Some CP teams use the centers as their legitimate reason for being in that location, with each of the team members doing some teaching at the center. This allows the team to focus on more direct CP activities outside of their center involvement. ELTN can also recruit medium-term staff who join a team with the intent of running the day-to-day operations of the business, thereby freeing up others on the team to pursue more traditional CP activities. One of the centers is being run completely by national believers, and some of the centers provide income for national Church Planting people. If a team of expats wants to start a center, ELTN requires that national teachers be hired to be on staff.

Lessons Learned

Initially the vision of ELTN was to concentrate on their "Business in a Box" product offering, which provided a comprehensive solution to a team wanting to start an LC from scratch. This required a substantial investment (from \$10,000-\$25,000), and initial growth was slow. The leadership soon realized they needed to first develop the network and build trust and a solid reputation to effectively sell their "Business in a Box" offering. They adapted their strategy to offer membership to any existing LC for a low yearly fee and by encouraging the network to be "member driven". This means that the LCs have a voice and can give input to the ELTN product/service offerings that would help them succeed, as

well as helping to develop the network itself (i.e. looking beyond their one center). ELTN provides monthly webinars and the LCs are encouraged to lead those webinars in areas where they have experience and/or knowledge. By doing this ELTN is fostering a sense of ownership of the network by the LCs.

Successes

ELTN has developed a successful “Business in a Box” model for Language Centers. Though they do not call themselves a franchise, they do offer franchise-type support, training and resources to the LCs. They have accomplished a great deal in their first year of operation, and have adapted their strategy and approach along the way. Some of the keys to the success of their “Business in a Box” are:

- They complete up-front training and preparation of the center staff.
- They developed a comprehensive operations manual that outlines everything the staff needs to know to start and run the center.
- They provide on-site assistance (if requested) to help get a new center up and running.
- They provide on-going mentoring of the center leadership.
- They have developed a network of centers that provides opportunities for peer-to-peer interaction and learning and that fosters a sense of being part of something larger than them.

Some of the bottom line impacts that they have already seen are:

- Adding value to the community through meeting a felt need with excellence.
- Financial: Reaching profitability at one center, providing income for national staff, providing income for national Church Planting people.
- Environmental: No impacts yet.
- Spiritual: Providing access and legitimacy to CP teams in creative access locations, seeing CP work happen in some of the centers directly, empowering national believers to reach out through center activities, working with national churches to do outreach with minority unreached people groups, enabling expat and local believers to develop authentic relationships that open doors for sharing Good News.

Future plans, recommendations, next steps.

Some of their future plans involve:

- Expansion of the number of centers (from 16 to 30 this year).
- Having a larger footprint in Asia.
- Expanding the network to be truly global.
- Creating new revenue streams for ELTN.
- Adapting the network membership fee structure to more accurately reflect current market demand for their services.

Appendix K – Business Profile: Jewelry Stores

Background

History

The owner is a daughter of businessman and pastor who took over a family business with the intention of supporting her father full time missionary work in Cuba. As she learned the business she reinvented the brand. She positioned it as the leading fashion accessory brand from the Caribbean while establishing Christian values in the community of faith among the workforce.

Profile

'Jewelry Stores' is a company dedicated to the design and distribution of fashion accessories with a Latin American inspiration. They distribute their product mainly through branded retail stores located in major malls in the Caribbean.

Faith background

The founders of the company are evangelical Christian. Since the young age of 12, the current owner has been involved in different Christian missionary related organizations, which opened her eyes to the great need of mobilization and need of resources for the spreading of the Gospel. Her desire is to be able to always put her talents and abilities at God's service.

The owners have incorporated Christian values in the company mission and vision. You can see this especially in the following areas:

- Management of finance
- Employee management
- Business priorities
- Expansion plans
- Values

The owner shares, "We establish our values in our company but we hire non-Christians so we can teach others our values through our work ethic".

Professional Background

After graduating from business school God led the owner to start a jewelry business in which one of its main purposes was the support of missionaries. She is C.E.O. of the business and is dedicated to serve by offering time, resources and knowledge.

Strategy and Vision

Purpose

Mission: To create a pleasant shopping experience of fashion jewelry at affordable prices. We are committed to provide quality products to adorn the natural beauty of our customers to fully meet their expectations.

Vision: We want to serve the world fashion that emerges from Latin America. We understand that service to others is a strong pillar of our company. For this reason, we work to give by grace what we received by grace.

Business goals and objectives

- Expand the brand to the Caribbean and the Latin America Market.
- Develop franchise business model to be able to reproduce it in a BAM in a Box concept.
- Expand retail distribution.

Other facts and statistics

- Date business started: Oct 25, 2007
- Number of employees: 60
- Primary customers: Women 18-45 years old
- Gross Revenue 2011: \$1.7 million
- Profit margin: 66%

BAM Experiences

Failures

- We had to close two locations that were not profitable.
- As the business grows it is more challenging to balance values versus business needs. Learning how to do this is a challenge.

Successes

- We created a structure from scratch within five years of operating.
- We opened six locations on our own island, one in Dominican Republic and two more coming.
- We wholesale the line to neighboring islands with an incredible sell through rate.
- We created important partnerships in the fashion world and parent company.
- We designed a new brand of 'bridge jewelry'—a bridge between costume and fine jewelry—for Latin America.

The owner sees success with the opportunity to demonstrate to 60 employees her belief values and work ethics. The owner believes that God has blessed her to bless others.

Lessons learned

Why would this type of business be a successful BAM?

- Retail business of beauty and accessory products allows an intimate relation with customers.
- Profit margins allow relocating resources
- An increase interest in the market for branded luxury goods; this brand is focused on being an accessible fashion brand, which allows mass-market distribution and mass-market contact.

Future plans

Future plans include franchising. One new unit in the US in a kiosk is not doing well. The company plans to keep their commitment to the lease, rework the strategy and continue on.

Appendix L – Business Profile: Coffee Shop

Background

History

The 'Coffee Shop' was originally started in 2008 and owned by a missionary couple. In October 2009, the current Director bought it. In October 2011, a 50/50 partnership was formed between the current Director and Owner. In October 2012, the Coffee Shop Limited Hong Kong was formed.

When Coffee Shop originally opened, there was little market for coffee in that Province, so it was a risky operation as a business. It was so successful that in December of 2009 it had to be closed and remodeled to add a second floor with more seating. During this time 'Owner' performed demographics studies, cost analysis, competition surveys, and product sales ratio analysis. They reopened the coffee shop in February of 2010, and the shop sales volume doubled when compared to the volume before the remodel.

Business focus

Coffee Shop is located in a city that is the provincial center. Coffee Shop is a wholly foreign owned company. Coffee shop operation is at the core of the business model. They specialize in high quality products and detail oriented design spaces. The baristas are the highest trained baristas and have won national competitions.

Aside from only operating their own coffee shops, they established themselves as the one-stop shop for all coffee needs. They sell everything from franchises to espresso machines to coffee training to coffee beans.

They buy green coffee beans from importers known for their fair treatment of growers or import them and roast them. Selecting the right green coffee is important. Owner will go to different countries to visit their coffee suppliers. They buy seasonally to ensure freshness.

They own two stores, one roasting facility, an operations center, have an operating agreement with one franchise, and have received a deposit for an another franchise.

Coffee Shop is working in connection with a mission training school in their location. Mission training is provided for Christian staff working in the Coffee Shop and students in the training school can find employment in Coffee Shop.

Owner helps his coffee suppliers by providing guidance to grow their businesses. Some of them are Christians who use their coffee farm businesses to run mercy ministries. One of them is in Guatemala.

Faith background

Owner felt clearly God's call to BAM and to this particular location when he was studying the Perspectives of World Christian Movements Course. There he met his ministry trainer and future partner, the Director, who was missionary in that location doing ministry. In 2008, when the company he worked for closed, he decided to take a six month cross cultural training in which three months took place in US and three months in the location.

After the training, he joined his partner, Director, to run a coffee shop, which later became the current 'Coffee Shop'. Owner is under the accountability and covering of Asia Connect.

Owner and his partner, Director, wanted to use this business as mission (BAM) company to outreach, disciple and train people they come into contact, whether staff, customers, partners or other stakeholders. Director continues his ministry, which he was involved in before the start of the BAM. Owner's emphasis is the business side of the work while Director concentrates on ministry.

Professional background

Although Owner did not have formal business training, he is an entrepreneur with experiences leading many types of businesses. He is knowledgeable about all aspects of coffee, from farming to extraction and is trained as a roaster, barista, and coffee farm manager. Owner holds a Q Grader certification, which is the world's highest level of certification as a coffee cupper. He speaks English, Chinese, and Spanish.

They have a board of advisors of renowned businessmen and coffee experts. New board members were added at the time overseas holding company was formed in Hong Kong in late 2012.

Strategy and Vision

Purpose

Coffee Shop makes good coffee, but more than that, their mission is to have global influence by facilitating and incubating growth among their employees, partners, and community. They do this through fostering a passionate and contagious response to their values.

Values

Their values of innovation, healthiness, authenticity, excellence, and integration are expressed in their day-to-day business operations and drive all areas of the business. The most important part of any company is the people.

Business goals and objectives

2013 Goals:

They plan to open three to five new retail coffee shop locations. Opening and operating company owned stores are the best short-term strategy. This puts them in the position to have accurate data and market projects to narrow their long-term focus which will either be franchising, licensing agreements, or opening more company stores. This year will help them reach operational excellence for their systems and structures for 2014 and beyond.

They plan to provide an "incubation period" to other BAM startups by offering facilities, coaching, and networking. They are incubating two new ministry-minded BAM companies and will facilitate more new BAM startups in the future.

Additional facts and statistics

- An international team leads the company.
- When the business started, there were two families involved as the leadership team, 10 staff and two were believers. They have 50 employees, eight are expats, and five are managers. There are 10 believers.

- Baristas and bakers are of the highest quality. They ensure this through a month-long training, with rigorous testing. The barista or baker-in-training must achieve a minimum standard to pass and become a barista or baker. Among them is a team of deaf people.
- In October 2009, Coffee Shop was purchased for \$35K USD and since then \$520K USD has been invested into it.
- They re-opened the coffee shop in February of 2010, and the shop sales volume doubled compared to before the remodel. After the initial infrastructure investment their roasted coffee sales has reached the break-even point, and is more than doubling in sales every six months.

BAM Experiences

Coffee Shop has the competitive advantage because of their focus on customer experience and quality products. By focusing on product quality, price, ambiance, and service, they have achieved:

- Well-known proprietary recipes for baked goods.
- Supply of quality green coffee at a good price.
- Roasting knowledge.
- Best baristas in location.
- Best espresso machines available.
- Sales have continued to climb at a rate of 40-60%.
- The street where store one is located is now known as Coffee Shop Avenue. People come there to buy coffee, and Coffee Shop is the most renowned shop on Coffee Shop Avenue.

Bottom-line impacts (Social, Economic, Environmental, Spiritual)

The success of Coffee Shop threw them headfirst into making the cafe the best coffee experience possible, starting with coffee from ethical sources, then artisan roasting, and finally expert barista work.

Because of their success, they are able to give back to the people around them who make a good coffee possible, and even help those who need help. This includes employment and training for staff and economic income to coffee suppliers locally and overseas.

By employing the handicapped, they have helped them regain self-esteem, dignity and their rightful values in society. We do not just get decisions because of our long-term work relationships we can make disciples.

Lessons Learned

What went well:

- Maintained good coffee quality by giving great care and attention to each step along the supply chain, including farming, processing, storage, shipping, roasting, storage, and brewing.
- Have proprietary recipes on all baked goods, which are now sought after.
- Have settings unique in the market and attractive to Chinese people.
- Provided a warm, detail-orientated, and customer-focused service.
- Kept their prices competitive.

- Have creative brand strategy using roasted coffee sales to supplement the coffee shop operation, focusing on the experience of every customer, partnering with other business for events to increase impression in the market, sponsoring bike races and other events attended by their target market, joining coffee trade shows.
- Decisions are made with the target market in mind.
- Chosen strategic locations for coffee shops.
- Have a great leader training program that will allow them to grow and retain the talent that they train .
- All staff has an intimate knowledge of their product and knows how to ensure quality. The highest certification for green coffee selection is a Q grader. The Roast master is one of only four people in LOCATION that holds this certification.
- They have started to franchise. Their first franchise is open and doing 20% better than forecasted.
- Spiritually it is important to have believers at every level of our organization. It is a great thing to preach the gospel from the top of the organization, and much fruit to be seen from this type of Christian leadership. They have seen that sometimes employees will agree with the boss just to “save face”. Though it is good to have a man of faith leading from the top of the company, they have seen that their most influential spiritual employee is a 28-year-old local girl who works in the company. She holds the respect of the staff and the staff sees her as one of them. When she makes biblical references and talks about Jesus, there is great meaning attached to those conversations.

What did not go well and risks:

Competition was their main concern. To face the challenge, they analyzed how they compared in their priority areas of price, quality, ambiance, and service and continue to implement their best business practices. Even with the addition of competition, sales have continued to climb at a rate of 40-60%.

Another risk is limited points of reference to study historical data. They keep careful records, but only have experience with two locations, so they do not know precisely what to expect at other locations. To mitigate this risk, they gathered as much supporting data as possible.

At the two locations the sales increases have been rapid. It is hard to know how long that will continue, where it will stop, or how other locations will compare. The experience and data from the three new locations will provide a better handle on how we can continue growing healthy margins as we proceed with future location expansion.

One of the issues spiritually is that aside from one-to-one sharing of faith from the owners of the company and staff who are believers, praying before meetings, etc. there has not been any official communication of why the company exists. They recently clearly defined their vision, mission, and values. This serves to be a communication point to employees of why the company exists—which is to glorify God.

Recommendations:

Teams are important. A team helps to share different responsibilities. Think long term and do not rush to start. Invest time in the beginning. A strong business foundation is important to lead to success and would allow more time for ministry later. Think in terms of second and third generations and not just number of people saved, i.e. make disciples who can make disciples and do not stop at making believers. Knowing the language and culture are important preparation.

Success

Coffee Shop defines success as:

- Financial flourishing, providing a return in relation to size of sales and investment (financial statements)
- Value for *all stakeholders*: neighbors, community, suppliers, investors, employees, and customers (internal audits)
- Discipline the nations (internal surveys)
- Help those in need (internal audits)
- Environmental responsible (internal audits)

Future plans

In five years, they plan to operate 20 coffee shops across the country and together with the sales of roasted coffee they expect to have an annual profit of \$1.5 million USD.

In 10 years, there will be 200 trained staff that can produce 500 more second-generation staff. Out of the 200 trained staff, 50 of them are qualified to go out to start their own reproducible programs and at least 10 of them would be outside of the country with a focus on “back to Jerusalem”.

Conclusion

Coffee Shop has grasped the timely opportunity in their location. The world’s largest nation is starting to drink coffee. The competition that does exist is uneducated in coffee shop operation and coffee quality. Getting in on the front end of this growth allows them to expand as the market grows.

The number of coffee drinkers is doubling every two years, and projections show that this growth will continue for the next 10-20 years. This is a great opportunity to gain market share and brand recognition in the coffee shop market while the market is growing and customers are refining their tastes and making brand choices in coffee.

Appendix M – Business Profile: Lighting Company

Background

History

Lighting Company started off as a design consulting company in 2009. This was easy to start but hard to scale. The company doubled in sales every year and ended with 15 customers by the end of 2011. In 2012 the decided to implement a change in 2012 and 'Lighting Company' is now establishing a model to cooperate with mission organizations and like-minded workers to create Business4Transformation (B4T) business opportunities throughout the developing world. The model centers on a franchise concept. This involves the distribution of designed or sourced products that make a difference in the lives of people living in the developing world. Lighting Company is in an ideal position to leverage the extensive supply chain in China to create viable B4T franchises. The B4T franchises will provide affordable goods to people in the developing world.

Business focus

'Lighting Product A' is a unique LED inspired audio content delivering platform. The team at Lighting Company has combined the latest advances in technology to create Lighting Product A. It consists of a battery powered LED light and an audio player. It is the first of its kind and it will help create a brighter tomorrow for millions living in the developing world.

Professional Background

Lighting Company consists of a multinational team from six countries. The team is continuously striving to deliver service and products with excellence through continued innovation. Offices are located in Hong Kong and Beijing, China. The company was registered in Hong Kong in January 2009 and has several private investors from Australia, New Zealand, South Africa and USA. The primary research and development center is in Beijing. Lighting Company has partner offices in Cape Town, South Africa, Bilboa, Spain, and Yaounde, Cameroon.

Strategy and Vision

Purpose

Lighting Company is all about helping people in the developing world through leveraging the electronics supply chain resources in China on a global scale. Lighting Company, its people, and its products embody hope. One of the most significant challenges in helping people living in the developing world is to go the last mile and get reasonable products and services to them. Corrupt border officials, greedy middlemen and too many hands in the middle drive prices up tremendously and cause the people who need the products to pay the most.

Values

Lighting Company was founded upon five core values, which represent the heart and vision of the company:

- **Honesty** - Uncompromising standard of honesty committed even if it results in financial setback.
- **Service** – Long-term success depends upon providing outstanding services to customers, partners, suppliers and team members.

- **Excellence** - We pay attention to the details and deliver results that meet and exceed our customer expectations. We continuously strive to improve the company with its procedures, environment and world impact.
- **Growth** - Deliver growth to clients, the company, and each team member.
- **Innovation** – Pursue a culture of innovation. We are committed to finding new solutions, products, systems and markets for every one of our products and services.

Business goals and objectives

Lighting Company will test a franchise plan of the business in early 2013.

Lighting Company is looking for partners to kick start distribution efforts:

- Organizations working in the Developing World. Organizations can either buy or sponsor 100 / 500 units. Lighting Product is an innovative tool that can help get Audio Content like out to the people. Content could be the Good News, training or health related education. Lighting Product will be used daily and it helps a family in many practical ways by providing lighting, ability to recharge a phone and access to audio content.
- Corporate sponsors that would like to sponsor 100 / 500 units of Lighting Product. Benefit for corporations is a CSR, corporate branding, marketing and advertising opportunity.

They are particularly seeking distributors in North America, for example, camping stores.

Currently they have a Swedish client that will distribute in the Nordic countries. Lighting Company is looking for more opportunities like this.

They are building general awareness of Lighting Product by sharing with interested people, networks or press. They are running a crowd-funding campaign and the momentum built with this will help scale mass manufacturing for next batch.

They are seeking a like-minded investor that understands our core mission and will not dilute our BAM focus.

BAM Experiences

Lessons Learned

The problem with the previous design consulting business model was that the more the company succeeded the more complicated it became to scale the business. Complexity was due to the extensive engineering required to complete a project, the customer acquisition model and the challenge of consistently recruiting and retaining the right type of engineers. The lack of scalability affected the potential to impact. Impact was limited to work with suppliers and the distribution of GC related items.

The management team decided to shift gears in 2012 to move the company to a products based business that makes better use of its resources, IP and network to:

1. Help people in the Developing World through creating innovative products that is optimized for cost, function and quality.
2. Empower like-minded entrepreneurs to operate a sales and distribution franchise that ensure the people in the developing world have access to the products at the best price.

This model is more scalable, reproducible, and creates a greater impact.

Future plans

Lighting Company will work with B4T sales and distribution franchises. The Lighting Company Country 'Hub', which is an in-country Lighting Company office, will support the franchises. Hub model benefits:

- Hub will make it easier for the B4T franchises to operate.
- Hub enables a simple form of the B4T franchise to exist.
- Hub will provide a legal covering for operations.
- Hub will ensure that B4T franchises stay accountable concerning business and Kingdom goals.
- Hub will centrally consolidate and customize strategies for a country.
- Hub will perform complex business functions (implementing a manufacturing process or importing directly from China).
- Hub will be a central place for training and development of B4T franchise leaders.
- Hub will consolidate large shipments.
- Hub will be managed by passionate people dedicated to supporting new B4T franchises.
- Hub will give visas to Chinese workers.

Success criteria

Success criteria for the B4T Franchises and Hubs.

Practical Strategies to enable Kingdom Impact:

- Distribution of Great Commission gifts like books during business trips
- Distribution of Great Commission gifts during special holidays
- Company prayer groups
- Company bible studies
- Company one-on-one discipleship
- Support of local church or m-workers
- Provide access to foreign like-minded workers
- Part time employment to enable flexibility to share
- Sharing of testimonies during 1:1 times or when encountering corruption
- Provide training, resources and flexibility to enable workers to start small home groups

Metrics used:

- Great Commission Items distributed
- Active small groups
- One-to-one discipleship
- Amount of money generated for local church or mission workers

B4T franchises will be audited to ensure the entities conform to original Kingdom goals. Audits will include: financial check and Great Commission impact check.

Success or failure of impact in a country is not dependent on a single B4T franchise. Lighting Company seeks to share ownership with a partner or organization. The initially focus is to establish hubs in a few key countries that allow for strategic access into the surrounding region of countries.

Appendix N – Business Profile: Cake Restaurant

Background

History

In 2002, the 'Owner' started making cheesecakes and other goods from her home kitchen. It was a hobby but in 2004 she attended a conference and was inspired to make it into a real BAM business. Before going on home leave in 2005, she bought some handmade scarves from some village women. They were pleased with the amount of business. She sold them in USA at a profit and used the proceeds to buy a commercial stove and food mixer. At the beginning of 2006, the Owner opened her first café. Shortly afterwards, the police closed it down because she did not have the correct work permit. Three months later the paperwork was complete. She reopened the café and hired her first employee. By 2008, it was too small and she borrowed money and moved across the street to a larger premises. This location is now a production center and a café.

By 2012 the Owner had two cafés and a growing wholesale business. Sales have increased by 40% each year to more than TKL500k (US\$275k). The business has been profitable every year and has generated enough cash to repay most of the loans. The business employs seven local women and they occasionally have volunteers.

Business focus

The Owner's objective was to sell a top quality cheesecake. It is not cheap but, almost without exception, customers appreciate the quality and many are prepared to travel some distance to buy a quality product. Rigorously checking raw materials and maintaining relationships with a range of suppliers maintains the quality of the ingredients. Production staff are carefully trained and mentored.

Personal service is important. A customer waiting for a whole cheesecake to be topped with their preferred flavor will be offered a coffee, giving the Owner the opportunity to engage in conversation. The business also offers home delivery.

Additional facts and statistics

Customers are generally middle-class Turks and businesses. Retail sales dip in July and August (the holiday season) and peak in December. The wholesale business is even more seasonal with 20% of sales arising in December, mainly from corporate customers. Over a year, the wholesale business accounts for 32% of turnover.

Faith background

At the age of 34, the Owner rededicated her life to God. Around 1990, she made her first visit to Turkey and in 1995 moved there with her husband, a teacher. She started her business in faith because she knew God would use her gifts to serve the Turkish people in all levels of society, starting in the market place.

Professional background

The Owner was born in Massachusetts, USA. Professionally the Owner was a gemologist working in direct sales. She was a freelance artist and understood business. As well as being a certificated gem expert, she has also attended various pastry courses. She started making great cakes by combining her pastry dressing education with the recipes passed on from her mother. She owns and also manages the current business.

Strategy and Vision

Business goals and objectives

- To be a viable business that provides a clean, comfortable environment that blends Turkish culture decor with pastries from the West.
- To provide a safe workplace for women.
- To train and provide a good occupation to women who cannot afford the expensive culinary school courses necessary for this type of occupation.
- To see spiritual impact in the lives of the employees, community, vendors, and customers.

Additional facts and statistics

Annual sales have increased by around 40% per annum since the Owner started and will exceed TKL 500k (US\$275) in 2012. Profitability depends critically on maintaining the gross margin (sales minus raw material costs). Labor costs are significant at around 20% of sales. Although the business has always been profitable, the rapid expansion combined with loan repayments has created constant pressure on cash flow. Consequently neither Owner, nor her husband, has drawn any salary from the business.

This BAM can be considered a hybrid replication BAM business. The Owner is not following a common business model, but has implemented a mix of franchise, license, and business opportunity models.

BAM Experiences

Successes

- Maintaining profitable growth.
- Training employees to be responsible for day-to-day operations.
- Employment for seven women.
- Repaying loans on time.
- Building good personal relationships across the whole community (a) a Muslim neighbor lent me much of the money to buy the larger café, (b) the police who closed her down in 2006, attended the party at the opening of the larger café, bringing presents, (c) securing extended credit from suppliers, when needed.
- Consistently good PR with independent magazine articles and a strong web presence.
- Keeping BAM in the forefront of her objectives.

Failures

- Management of project to expand production and storage facilities—it is about six months late and has disrupted existing production
- The Owner not consulting the board before making strategic decisions.
- Failing in cross-cultural situations i.e. behaving like an American where Turkish manners are expected.

Lessons learned

What went well was the acceptance by the customers for the quality of the product and the increases in sales each year. A success is employment for the seven women who work and are employed because of the business. What may go well is a second branch business that has started where the Owner is supporting and coaching new manager. After

one year the Owner will then determine if she will franchise the business. The Owner calls this 'backwards franchising'.

Often the Owner is asked to franchise her business, she relates, "It is not that easy, you cannot find quality ingredients and quality baking pans in every location."

Future plans

Future plans include determining if the second location should be a franchise and if the quality of the second location is up to brand standards. The Owner gave the second location her brand name and signage to do business under her brand. There is an agreement that the manager sells a minimum number of cheesecakes each day.

The Owner is interested in helping BAMpreneurs get into business in Turkey by opening and running a branded Cheesecake Café.

The requirements are:

- The applicant is to be accepted by Owner as a well-qualified individual or couple to operate a Cheesecake Café (qualifications are available from Owner).
- The applicant must spend two years in language training and cafe operations before opening their own Cheesecake Café. Fluency in Turkish is essential.
- The applicant must be able to finance the furniture, fixtures and equipment (FFE) plus all Cheesecake Café decors per to Owner specifications. The investment will range between \$50,000-\$75,000 USD.
- The applicant must have the proposed approved in writing by Owner.
- The applicant must sign a contract with Owner to:
 - Purchase cheesecakes only from Owner and only purchase other products that are approved or supplied by Owner
 - Operate their cafe only in accordance with the Owner's "standard operating procedures".
 - Display brand sign and only use Owner boxes and packaging
- The applicant is not required to pay a percentage (royalty) on sales.
- The applicant is required to pay a "signing" fee, which is to offset Owner's expense for the signs and for training.

Appendix O – Article: BAM in a Box by Mats Tunehag

One may talk about three phases in the global BAM movement:

1. Developing the concept
2. Selling the concept
3. Applying the concept

There is of course not one book, one event, one person or one organisation that can be credited with the development of the concept in our day and age. We believe it is a Biblical concept and thus as old as the foundational stories of creation. It is based on theology and anthropology; who God is and what he does, and who we are as human beings and what we are called to do. Good and godly principle of work and value adding processes are found in the first chapters of the book of Genesis.

We also acknowledge that God has used women and men throughout history to serve God and nations in and through business.

Developing the Concept

Nevertheless it is also true to say that there is a new awakening of the concept – today often called Business as Mission, BAM. The Global Think Tank on BAM, under the auspices of Lausanne 2002 – 2004, was an unparalleled global assessment of BAM practices and a key to the development of the BAM concept as understood and embraced by most today.

Selling the Concept

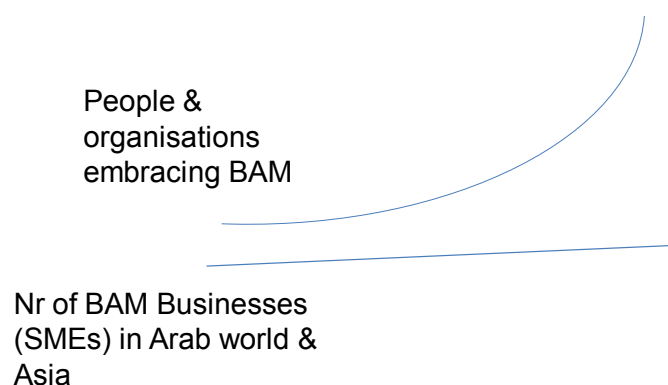
There is a growing global movement of people, organisations, churches and businesses who are embracing the concept. Thus we may look back at the last 15 years and see how the concept has developed and been sold, as it were, and embraced all over the world.

Applying the Concept

But there are more who accept the concept than those who are actually applying it. See graph enclosed below. There is more BAM talk than BAMers. The number of BAM businesses in the Arab world and Asia have been growing quite slowly, albeit steadily.

In the global BAM movement since the mid-90s, many gifted entrepreneurs have started and developed BAM businesses. These BAMers are highly entrepreneurial.

How to bridge the gap? BAM in a Box?



There have also been many failures, often related to the wrong people trying to do the right thing, i.e. it has been people with limited passion and skills for business trying to start and run businesses. But that's not the whole picture.

High and Medium Entrepreneurs

In any given context there are more medium-level entrepreneurs than high-level entrepreneurs. There are just a few Bill Gates, Microsoft, and Ingvar Kamprad, IKEA, who can start from scratch and build big. There are a few others who can start from an idea and develop a growing business small to medium size.

But how are we to tap into the many medium-level entrepreneurial people who also are good managers, but won't start from nothing, as it were?

People in this category can often run a franchise successfully, a McDonalds, a Starbucks, a Chick-fil-A, etc... These are businesses in a box: unpack, read the manual and go.

BAM in a Box

I recently met a fellow BAMer who has a background in franchising in the US. Now he is in the Middle East and among other things responsible for BAM for his organisation. He mentioned about a gathering of BAMers in a country and that most were aspiring BAMers with little or no prospect of succeeding. I asked: is it because we are assuming everybody can start from scratch? Are we missing an opportunity to tap into this pool of committed people because we don't have a BAM in a Box to offer? Could these people become good BAMers if there were franchising options?

Many people are:

- Medium-level entrepreneurs
- Medium risk takers
- But good managers

These are good qualifications for franchise operators.

BAM in a Box could actually engage more people in applying BAM. It would also mean more opportunities to serve people and nations by providing employment and good services and products, et cetera.

BAM in a Box & Human Trafficking

BAM in a Box is also worth exploring and pursuing as we deal with human trafficking. We know that areas with unemployment are high risk areas for human trafficking and that unemployment makes people vulnerable to traffickers cunning schemes.

Rescuing people out of trafficking and prostitution is insufficient unless there is a job with dignity at the other end. Thus BAM in a Box can be an answer to relevant and scalable job creation measures for prevention and restoration.

BAM and Scalability

The social, demographic and economic challenges of the Arab world and Asia are enormous and growing. How can we meet the many needs and be true to our CSR+ mission? Would we be satisfied with a similar growth curve of BAM businesses as in the past ten years in Asia and the Arab world?

The global BAM movement must seriously consider scalability options when it comes to applying the BAM concept in this region. I believe BAM in a Box could be one answer.

What's next?

There are several gifted and experienced people in the global BAM movement that have significant firsthand knowledge of major brand franchising companies. There are existing BAM businesses that can be franchised.

It would be worth organizing a small global consultation on BAM in a Box to explore the concept, and assess the needs, the opportunities and the challenges, as well as suggest ways forward.

Mats Tunehag

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