



# INTERNATIONAL FRANCHISE ASSOCIATION

# CODE OF ETHICS

## **PREFACE:**

The International Franchise Association Code of Ethics is intended to establish a framework for the implementation of best practices in the franchise relationships of IFA members. The Code represents the ideals to which all IFA members agree to subscribe in their franchise relationships. The Code is one component of the IFA's self-regulation program, which also includes the IFA Ombudsman and revisions to the IFA bylaws that will streamline the enforcement mechanism for the Code. The Code is not intended to anticipate the solution to every challenge that may arise in a franchise relationship, but rather to provide a set of core values that are the basis for the resolution of the challenges that may arise in franchise relationships. Also the Code is not intended to establish standards to be applied by third parties, such as the courts, but to create a framework under which IFA and its members will govern themselves. The IFA's members believe that adherence to the values expressed in the IFA Code will result in healthy, productive and mutually beneficial franchise relationships. The Code, like franchising, is dynamic and may be revised to reflect the most current developments in structuring and maintaining franchise relationships.

## **TRUST, TRUTH AND HONESTY: Foundations of Franchising**

Every franchise relationship is founded on the mutual commitment of both parties to fulfill their obligations under the franchise agreement. Each party will fulfill its obligations, will act consistent with the interests of the brand and will not act so as to harm the brand and system. This willing interdependence between franchisors and franchisees, and the trust and honesty upon which it is founded, has made franchising a worldwide success as a strategy for business growth.

Honesty embodies openness, candor and truthfulness. Franchisees and franchisors commit to sharing ideas and information and to face challenges in clear and direct terms. IFA members will be sincere in word, act and character — reputable and without deception.

The public image and reputation of the franchise system is one of its most valuable and enduring assets. A positive image and reputation will create value for franchisors and franchisees, attract investment in existing and new outlets from franchisees and from new franchise operators, help capture additional market share and enhance consumer loyalty and satisfaction. This can only be achieved with trust, truth and honesty between franchisors and franchisees.

## **MUTUAL RESPECT AND REWARD: Winning Together, As A Team**

The success of franchise systems depends upon both franchisors and franchisees attaining their goals. The IFA's members believe that franchisors cannot be successful unless their franchisees are also successful, and conversely, that franchisees will not succeed unless their franchisor is also successful. IFA members believe that a franchise system should be committed to help its franchisees succeed, and that such efforts are likely to create value for the system and attract new investment in the system.

IFA's members are committed to showing respect and consideration for each other and to those with whom they do business. Mutual respect includes recognizing and honoring extraordinary achievement and exemplary commitment to the system. IFA members believe that franchisors and franchisees share the responsibility for improving their franchise system in a manner that rewards both franchisors and franchisees.

## **OPEN AND FREQUENT COMMUNICATION: Successful franchise systems thrive on it**

IFA's members believe that franchising is a unique form of business relationship. Nowhere else in the world does there exist a business relationship that embodies such a significant degree of mutual interdependence. IFA members believe that to be successful, this unique relationship requires continual and effective communication between franchisees and franchisors.

IFA's members recognize that misunderstanding and loss of trust and consensus on the direction of a franchise system can develop when franchisors and franchisees fail to communicate effectively. Effective communication requires openness, candor and trust and is an integral component of a successful franchise system. Effective communication is an essential predicate for consensus and collaboration, the resolution of differences, progress and innovation.

To foster franchising as a unique and enormously successful relationship, IFA's members commit to establishing and maintaining programs that promote effective communication within franchise systems. These programs should be widely publicized within systems, available to all members of the franchise system and should facilitate frequent dialogue within franchise systems. IFA members are encouraged to also utilize the IFA Ombudsman to assist in enhancing communication and collaboration about issues affecting the franchise system.

## **OBEY THE LAW:**

### **A responsibility to preserve the promise of franchising**

IFA's members enthusiastically support full compliance with, and vigorous enforcement of, all applicable federal and state franchise regulations. This commitment is fundamental to enhancing and safeguarding the business environment for franchising. IFA's members believe that the information provided during the presale disclosure process is the cornerstone of a positive business climate for franchising, and is the basis for successful and mutually beneficial franchise relationships.

## **CONFLICT RESOLUTION**

IFA's members are realistic about franchise relationships, and recognize that from time to time disputes will arise in those relationships. IFA's members are committed to the amicable and prompt resolution of these disputes. IFA members believe that franchise systems should establish a method for internal dispute resolution and should publicize and encourage use of such dispute resolution mechanisms. For these reasons, the IFA has created the IFA Ombudsman program, an independent third-party who can assist franchisors and franchisees by facilitating dialogue to avoid disputes and to work together to resolve disputes. The IFA also strongly recommends the use of the National Franchise Mediation Program (NFMP) when a more structured mediation service is needed to help resolve differences.

## **Support of IFA and the Member Code of Ethics**

Franchisees and franchisors have a responsibility to voice their concerns and offer suggestions on how the Code and the International Franchise Association can best meet the needs of its members. Franchisors and franchisees commit to supporting and promoting the initiatives of the IFA and advocating adherence to the letter and spirit of the Member Code of Ethics. Members who feel that another member has violated the Code in their U.S. operations may file a formal written complaint with the President of the IFA. ■

**For more information contact the IFA at  
(202) 628-8000 or visit our Web site at  
[www.franchise.org](http://www.franchise.org).**