Franchising, Knowledge Transfer Practices, and Institutions

Perspectives from Emerging Markets

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To the memory of my late mother Joyce Ernest and my grandmother Esnath John Msosa

Preface

The popularity of franchising as a method for businesses expansion is increasing, from small, medium-sized, and large firms to social enterprises. To enjoy the benefits of franchising experienced by Western countries, Africa, through the African Development Bank, has put more effort in using the franchising model to promote SME development and the private sector with the goal of creating wealth and reducing poverty. Identifying the core practices of franchising is therefore essential in order to promote the general understanding of franchising among entrepreneurs, bankers, lawyers, management consultants, investors, donors, governments, and policymakers.

By conducting three independent but related studies, this thesis contributes to the building of knowledge concerning knowledge management in franchising firms. Study 1 reviews the research on knowledge management for over two decades to provide an overview of what has been done and determine the gaps that need to be filled to advance theory and practice.

I conducted two empirical studies to investigate the knowledge transfer practices of franchising firms in Africa. Study 2 investigates the factors that contribute to the choice of knowledge transfer mechanisms. I found that the successful transfer of knowledge depends not only on the choice of the correct transfer mechanisms but also on the use of such mechanisms to transfer the relevant knowledge to franchisees.

Study 3 explores institutional factors and how they impede knowledge transfer practices. In this study I used a company that has utilized the franchising model successfully to grow in African countries regarded as having weak institutions. I found that franchising firms expand into different institutional environments by adapting knowledge transfer practices without altering the core practices of the model.

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List of Studies

This dissertation consists of the following three studies:

1. Iddy, J. J., & Alon, I. (2019). Knowledge Management in Franchising: A Research Agenda. *Journal of Knowledge Management, 23*(4), 763-785.
2. Iddy, J. J. (2020). Knowledge Transfer Mechanisms in Franchise Network. *Journal of Knowledge Management*.
3. Iddy, J. J, Alon, I., & Litalien, B. C. Knowledge Transfer, Institutions, and Franchising: A Case of Social Enterprise in Africa.

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Overview of the Dissertation

Franchising, Knowledge Transfer Practices, and Institutions: Perspectives from Emerging Markets

1. Introduction

Franchising emerged in the 1950s as a method of distribution in the U.S (Hackett, 1976). Since then, franchising has been recognized worldwide as a mode of expansion into domestic and international markets (Alon & McKee, 1999; Nijmeijer, Fabbricotti, & Huijsman, 2014; Rosado-Serrano, Paul, & Dikova, 2018). Studies have focused on the subsequent impact on the development of individuals and countries (Alon, 2004; Dant, Grünhagen, & Windsperger, 2011; Hua & Dalbor, 2013). Business format franchising, the common form of franchising, consists of the sale of a business format (technical know-how, operational knowledge, and business routines) by a franchisor to a franchisee (Alon, 2001; Rosado-Serrano et al., 2018).

Researchers have explored various conditions for the survival and sustainability of the franchising industry. For instance, researchers have investigated on the antecedents and consequences of franchising (Combs, Ketchen, Shook, & Short, 2011), emphasizing areas such as partner selection, knowledge transfer, governance mode, and franchisor-franchisee relationships (Jell-Ojobor & Windsperger, 2017; Rosado-Serrano & Paul, 2018; Rosado-Serrano et al., 2018; Szulanski & Jensen, 2006). Most of these studies have been conducted in developed countries, especially in the U.S and Western Europe, where franchising is common (Alon, 2001; Frazer, Merrilees, & Bodey, 2007; Grünhagen, Mumdžiev, Harča, MilenkovićKerković, & Dlačić, 2020; Perrigot, Lopez-Fernandez, & Basset, 2020).

Franchising has also been used in several emerging countries such as China, South Africa, and Russia, but has received little attention (Alon & Banai, 2000; Anttonen, Tuunamen, & Alon, 2005; Dant, Jeon, Mumdziev, & Windsperger, 2016). However, more knowledge is still needed on how to advance the frontier of franchising research in developing countries where franchising is not yet common. This dissertation examines knowledge management in franchising firms in Africa.

Likewise, since the franchising method has been used at the micro-level (micro franchising) and by social enterprises (social franchising) to expand the social impact in developing countries with the goal of reducing poverty, this dissertation also examines training practices in social franchising. Since the sustainability of franchising relies, in part, on knowledge management, the growth of social franchising, which largely depends on tacit knowledge, is determined by successful knowledge management practices (Granados, 2015; Kistruck, Webb, Sutter, & Ireland, 2011; Naatu & Alon, 2019).

Similarly, regulatory frameworks are important to provide the necessary conditions for the franchising model (Aliouche, Fernandez, Chanut, & Gharbi, 2015; Brookes & Altinay, 2017). For instance, the protection of property rights ensures the protection of innovation and the transfer of tacit knowledge within a social franchise network (Granados, Mohamed, & Hlupic, 2017). Operating in countries whose institutions are dominated by informal ways of doing business might present a challenge for a contract-based business model like franchising. Nevertheless, in this dissertation, I investigate how knowledge transfer practices in franchising can be adapted to foster the growth of social franchises.

The success of international franchises relates to the unique expansion model of franchising. Researchers maintain that the franchising model can have a major impact on reducing poverty in African countries ("Franchise Indices," 2020; Siggel, Maisonneuve, & Fortin, 2006). Conditions such as poor access to education, illiteracy, corruption, lack of general understanding of franchising, and weak contract enforcement that prevail in Africa impact the knowledge management activities of franchising companies (Alon, 2006; Alon & McKee, 1999; Zoogah, 2018). Therefore, more knowledge is needed to investigate the franchising model in a new context.

The structure of this introductory chapter is as follows. Section 2 presents an overview of knowledge management in the franchising literature, followed by the theoretical frameworks in Section 3. In Section 4 I present a comprehensive outline of the research context. Section 5 describes the methodology used in this dissertation. Finally, I provide a summary of each study in Section 6.

2. Overview of knowledge management in the franchising literature

In franchising, knowledge is very important. Franchising is an arrangement where a business owner (franchisor) grants a local entrepreneur (franchisee) the right to use its brand name, trademarks, business processes, and routines to sell and market goods or services (Nijmeijer, Fabbricotti, et al., 2014; Rosado-Serrano et al., 2018). In this process, a franchisor transfers the business format (technique knowledge, operational knowledge, and routines) to a franchisee, who, in return, pays a one-time fee and ongoing royalty fees, which is a percentage of the sales revenue, and shares local knowledge with the franchisor. Knowledge management, therefore, consists of knowledge creation, knowledge transfer/sharing, and knowledge usage/integration (Iddy & Alon, 2019).

Knowledge creation involves the development of new content, products, or procedures by either the franchisee or franchisor for value creation (Badrinarayanan, Suh, & Kim, 2016; Darr, Argote, & Epple, 1995). Empirical evidence shows that the more time franchisors invest in developing and strengthening their brands, technical knowledge, operational routines, codebooks, and marketing knowledge prior to franchising, the more positive the impact on the franchise's growth and performance (Lafontaine & Shaw, 1998). The franchisors' knowledge is improved continuously through their franchisees' local knowledge and feedback from customers (Paswan, D'Souza, & Rajamma, 2014; Weaven, Grace, Dant, & Brown, 2014).

Knowledge transfer is the flow of knowledge from the sender to the receiver. Knowledge transfer occurs when the franchise system is affected by the flow of knowledge between franchisor and franchisee (Argote & Ingram, 2000; Badrinarayanan et al., 2016; Darr et al., 1995). Although the competitive advantage comes from possessing unique knowledge, knowledge resource has no effect if it is not shared within the chain (Badrinarayanan et al., 2016; El Akremi, Perrigot, & Piot-Lepetit, 2015; Lim, 2012), and thus, change in performance is used as a construct to measure knowledge sharing among chain members (Baum & Ingram, 1998; Swift, Balkin, & Matusik, 2010). Knowledge management literature has distinguished knowledge transfer mechanisms based on explicit and tacit knowledge. Explicit knowledge is transferred through written mechanisms, while tacit is transferred through face-to-face mechanisms (Ferrary, 2015; Knott, 2003; Windsperger & Gorovaia, 2011).

Knowledge integration is the utilization of acquired knowledge for business purposes (Paswan et al., 2014). A competitive advantage does not depend solely on the ownership of knowledge but rather on the application of it (Cummings, 2003; Lim, 2012; Moffett, Conn, Reid, & Hutchinson, 2014). Therefore, it is very important for the partners to have the capabilities to create, transfer or receive, interpret, and apply knowledge in order to improve the performance of the chain (Moffett et al., 2014). I focus on knowledge transfer.

This dissertation contributes to the literature of knowledge management in franchising in three ways. First, it examines the role of knowledge in franchising (Study 1). To review the literature on knowledge management in franchising, I searched the ISI Web of Science database from 1990 to 2018 using the keywords "franchise," "knowledge management," "knowledge creation," "knowledge transfer," and knowledge integration." The analysis revealed that knowledge transfer is the most studied dimension of knowledge management in the franchising literature.

The performance of franchisees depends on the successful transfer of the franchisor's knowledge. Knowledge transfer, however, can be affected by internal or external factors. The existing literature contains research mainly on the internal factors including trust (Cumberland, 2012; Gorovaia & Windsperger, 2013; Okoroafor, 2014), the nature of the knowledge (Khan, 2016; Minguela-Rata, Lopez-Sanchez, & Rodriguez-Benavides, 2009), the distance between outlets (Butt, Antia, Murtha, & Kashyap, 2018; Cummings, 2003; Hutzscgenreuter, Kleindienst, & Lange, 2016), absorptive capabilities (Jeon, Dant, & Baker, 2016; Moffett et al., 2014), and the mechanisms used (Iyengar, Sweeney, & Montealegre, 2015; Perrigot, Herrbach, Cliquet, & Basset, 2017; Yang, 2015). Little is known so far about the effect of context on knowledge transfer activities.

Second, this dissertation contributes to the literature on knowledge management in franchising by investigating the relationship between knowledge transfer mechanisms and the knowledge transfer process (Study 2). The franchising literature focuses mainly on the selection of the knowledge transfer mechanisms based on the tacitness of the knowledge and level of trust (Gorovaia & Windsperger, 2010; Minguela-Rata, Lopez-Sanchez, & Rodriguez-Benavides, 2010). Most of these studies use findings from Western countries. However, research in developing countries such as those in Africa might produce different results. This research gap must be filled, particularly considering the rapid expansion of franchising companies in emerging economies and developing countries (Aliouche et al., 2015; Alon, 2004; Brookes, 2014), where franchising is still new.

Finally, this dissertation contributes to the literature on knowledge management in franchising by investigating the effect of the institutional environment on the knowledge transfer practices of social franchising (Study 3). In the knowledge transfer literature, an institutional environment where knowledge is embedded influences successful knowledge transfer practices (Karagoz, Whiteside, & Korthaus, 2020; Peng, 2004; Zoogah, 2018). For instance, institutions of higher education and not-for-profit organizations handle knowledge differently. Internal/micro factors, as well as external/macro factors, are important determinants of successful knowledge transfer. Franchising companies, therefore, will expand in countries that promote knowledge transfer (Alon & McKee, 1999; Baena, 2012; Baena & Cervino, 2014). This dissertation specifically investigates the effect of formal/strong and informal/weak institutions on the knowledge transfer practices of social franchising companies operating in African countries. The findings will also add to the existing debate on whether a governance structure such as master franchising is suitable in countries with weak institutions (Jell-Ojobor & Windsperger, 2014) or strong institutions (Alon, 2006).

Thus, I respond to the call for more knowledge management studies in franchising by investigating knowledge management activities in the new contexts of developing and emerging economies (Brand, Croonen, & Leenders, 2018; Brookes & Altinay, 2017; Zoogah, Peng, & Woldu, 2015) and the emerging field of social franchising (Kistruck et al., 2011; Naatu & Alon, 2019).

3. Theoretical frameworks

This chapter presents the theories and/or conceptual frameworks used in each study in this dissertation.

In the first study, “Knowledge Management in Franchising: A Research Agenda,” which is a literature review, I present the theories in the franchising literature used to investigate knowledge management. These theoretical frameworks include: (1) knowledge-based theories such as the resource-based view (Barney, 1991; Penrose, 1959), knowledge-based view (Grant, 1996), dynamic capabilities (Teece, Pisano, & Shuen, 1997), and organizational learning (Fiol & Lyles, 1985; Levitt & March, 1988); (2) replication strategies (Prahalad & Doz, 1987; Winter & Szulanski, 2001) and the structure of inertia (Gilbert, 2005); (3) social network theories such as the social exchange theory (Emerson, 1976), relational governance theory (MacNeil, 1978), and network theory (Granovetter, 1983); and (4) the property rights theory (Demsetz, 1966). I argue that other theoretical frameworks beyond agency and resource scarcity might help explain knowledge management behaviors in franchising.

In Study 2, “Knowledge Transfer Mechanisms in Franchise Network,” I use a knowledge-based view, organizational learning, a relevance-based view, and social network theory to show how the mechanisms used to transfer knowledge can influence the success of knowledge transfer processes. I begin with a knowledge-based view. According to Grant (1996), unique and hard to imitate knowledge influences a firm's performance. Polanyi (1966) categorizes knowledge into two dimensions: tacit and explicit. Tacit knowledge is embedded in humans and is more difficult to share (Nonaka, 1991). Therefore, specific transfer mechanisms such as training, workshops, meetings, and conferences are more efficient in transferring this knowledge (Spender, 2003). Tacit knowledge in other taxonomies is referred to as sticky (Szulanski, 1995;1996), embodied and embedded (Blackler, 2002), and not teachable and complex (Grant, 2002). Explicit knowledge, on the other hand, is simple, teachable, easily articulated (Grant, 2002), codified and encultured (Blackler, 2002; Dinur, 2011). Therefore, it can be stored and transferred through written documents such as contracts, text messages, emails, and newsletters (Windsperger & Gorovaia, 2011).

Training has been used in franchising to transfer the tacit knowledge that is crucial for a competitive advantage (Perrigot et al., 2017). To ensure the effectiveness of training in transferring knowledge, I use Moore and Dutton

(1978)'s Training Needs Assessment (TNA) to show the importance of identifying franchisees' training needs and delivering relevant knowledge. The Training Needs Assessment can be most effective during ongoing training because as franchisees gain experience, they can identify the gaps in their knowledge. Franchisors can use formal or informal methods (Brown, 2002), depending on which format yields the maximum results, to prepare a training program that will achieve the desired performance.

I also utilize Rui and colleagues' (2016) recently developed framework of a relevance-based view to investigate the transfer of relevant knowledge to franchisees according to their experience and market profiles. The relevance-based view posits that franchisors should transfer the knowledge that the franchisees need, not what the franchisors *think* franchisees need. Therefore, the franchisors must determine the gaps in the franchisees' knowledge, their experience in a franchise business, and the types of customers they serve.

Another factor that the franchisor should consider is the stage of learning of the franchisee. I demonstrate this point using Adler and Clark's (1991) learning curve perspective, according to which franchisees pass through three learning experiences. Stage one is when a franchisee learns everything from a franchisor during the initial training. In stage two, a franchisee knows his/her customers and might want to adapt the franchisor's practice to increase sales. In stage three, a franchisee needs training to develop strategies to increase the customer base. I argue that franchisees in the network are in different learning stages, and therefore their training must be adapted accordingly.

Additionally, I apply the theory of social networks to show the importance of social relationships in franchising networks in the successful sharing of knowledge. The critical aspect of social relation theories is trust, which develops easily in a social environment (Young-Ybarra & Wiersema, 1999; Zhong & Sun, 2020). Furthermore, a social environment allows its members to identify who has knowledge. I maintain that social relationships among franchisees might help them share best practices, strengthen their cooperation, and reduce their competition.

In Study 3, "Knowledge Transfer, Institutions, and Franchising: A Case of Social Enterprise in Africa," I rely mainly on institutional theory to show how the institutional environment can affect the transfer of tacit knowledge in the franchise network. While Study 2 shows how internal structures can affect knowledge transfer practices, Study 3 demonstrates that such practices in a franchise network largely depend on the situation outside the company itself (Peng, 2004). My findings concur with existing research that lack of a strong regulatory framework (formal institutions) and prevalence of the weak rule of law, as well as norms and tradition that might take many years to change (North, 1990; Williamson, 2000), affect the successful operation of franchise networks (Norton, 1989; Pfister, 2006). However, the firm's expansion in environments with weak institutions calls for more theoretical development. Williams and Shahid (2016) and Chaux and Haugh (2020) show that businesses will follow the format of the institutions (whether formal or informal) of the society in which they operate. Indeed, entrepreneurs will prevent any change that might influence the existing institutions to protect their own interests (Meyer, Estrin, Bhaumik, & Peng, 2009; Williams & Vorley, 2015).

4. Research context

This section explains the rising importance of African markets, development of franchising method in African markets, and institutional environment of African countries.

4.1 The Importance of African Markets

In the past two decades, business practitioners, politicians, and academics have focused increasingly on Africa (Bernard, Cuervo-Cazurra, & Manning, 2017; UNCTAD, 2019; Withers, 2019; Zoogah et al., 2015). During the nineteenth century, the struggle to occupy Africa was based on colonial regimes seeking access to natural resources (Withers, 2019). However, in the twenty-first century, Africa has become important not only for its natural resources but also for its potential for business opportunities and markets (August, 2013; Withers, 2019).

More recently, Africa has experienced exponential growth in the number of foreign embassies, military deals, and trade ties (BBC, 2020b; Chaudhury, 2019). For example, since 2018 several summits have held to discuss potential relations with African countries. Examples include the Tokyo international conference on Africa development, also known as the Japan-Africa summit, the China-Africa summit, the Europe-Africa summit, the United States-Africa summit, and the Russia-Africa summit. The rise of the middle class in some African countries has also spurred the new interest in Africa (Lopes, 2013; Serajuddin & Hamadeh, 2020).

4.2 Development of Franchising in African Markets

Franchising companies have not lagged behind in this scramble for the African market. Various franchising networks have extended their expansion strategy to African countries (Aliouche et al., 2015; Siggel et al., 2006). Africa has recently experienced a massive wave of foreign international franchise companies. In less than five years, various franchising companies have signed contracts to open franchises in African countries.

Since franchising is still new to many African countries that lack a franchising regulatory framework, the presence of foreign franchises and the development of local franchises necessitate the establishment of franchise associations that will educate and disseminate franchising information to practitioners and the general public. A few countries, including South Africa, Nigeria, Morocco, and Egypt, have already established franchise associations to promote the franchise sector. The names of these associations are the Franchise Association of South Africa (FASA), Nigeria International Franchise Association, Moroccan Association of Franchises, and Egyptian Franchise Development Association (EFDA), respectively.

The role of these franchise associations is to promote the general understanding of the concept, issue guidelines for sound franchise systems, establish standards for best practices, collect and publicize franchising information, represent the franchising sector with the government, legislators, and the media; and explain the benefits of franchising to business entrepreneurs, potential franchisees and the public (FASA, 2020; ITA, 2019). Established in 1979, the Franchise Association of South Africa (FASA) is the oldest and among the most active franchise associations in Africa (FASA, 2020). FASA not only promotes the franchising concept in South Africa, but also has been its champion in Africa.

There are several factors that present opportunities for the franchising sector in the Africa. The first is potential economic growth. Since 2000, Africa's annual growth rate grew, matched, and exceeded the global GDP growth rate (BBC, 2007). This rate continued to grow until 2013, when Africa became the world's fastest-growing continent (August, 2013). Coupled with this increase, the move of African countries such as Benin, Mauritius, and Tanzania into a higher category of income indicates the economic growth and reduction in poverty in many African countries (Serajuddin & Hamadeh, 2020). The increase in its growth rate has led to a rise in trade and FDI in the tourism sector, explaining the increase in hotel franchises in Africa. The second factor is the rise in brand awareness of customers due to the increase in young entrepreneurs and Africans in diaspora who have been educated in Western countries (BBC, 2020a; Zeleza, 2005). The third factor is the growth in population, which creates markets, especially for consumer goods. Africa is currently the world's second-largest continent by population, accounting for an approximately 1.2 billion-person market with the potential to increase by 2050 ("World Bank," 2020).

However, the franchising sector also faces some challenges that might limit its growth in Africa. First, the continent is composed of countries with vast differences in economic growth and performance. For instance, two countries alone--South Africa and Nigeria--account for 29 percent and 19 percent of Africa's

GDP growth rate, respectively (AfDB, 2017). In addition, out of 54 countries, 18 are affected by war and political conflicts, and 13 countries have small populations and limited human capital ("World Bank," 2020). Second, corruption is still the major challenge in the African context, limiting investment (BBC, 2007). Other factors include limited financial assistance, as most loans from banks do not cover franchise fees, limited protection of patent rights, the production of counterfeit goods, limited purchasing power, as poverty tends to increase with the increase in population, and a weak judicial system that limits the ability to enforce contracts (ITA, 2019).

4.3 The institutional environment in African countries

Despite being attractive to franchising companies, African countries have institutional environments that hinder business operations (Kastner, Mahmoud, Buame, & Gabrah, 2019; Zoogah, 2018; Zoogah et al., 2015). In most African countries, business is conducted based on informally developed and accepted social norms and cultural values rather than formal, established, regulatory frameworks (Brookes & Altinay, 2017; Zoogah et al., 2015). Several aspects of the informality of Africa's institutions make conducting business there difficult.

First, the lack of well-functioning institutions that protect property rights and enforce contracts, as well as corruption and judicial red tape, creates a challenging environment for business to register and operate in the African market (Rivera-Santos, Holt, Littlewood, & Kolk, 2015; Roxas, Chadee, & Erwee, 2012; Zoogah, 2018; Zoogah & Nkomo, 2013; Zoogah et al., 2015). Franchising is a contract-based relationship, and for the franchise model to operate successfully, the government must provide a legal infrastructure (Aliouche et al., 2015; Kistruck et al., 2011). The degree of variability in legal systems is one of the major determining factors for a franchise network trying to operate in different countries simultaneously (Kamoche & Harvey, 2006; Rosado-Serrano et al., 2018).

The second factor is the scarcity of resources, particularly human resources and intellectual capacity. Poor access to formal education makes it difficult to find employees or managers with professional experience (Chliova & Ringov, 2017), making knowledge replication difficult (Håkanson, 2010). Given that the performance of a franchise depends mostly on knowledge sharing, the poor educational backgrounds of potential franchisees hinder knowledge management activities both internally and externally (Minguela-Rata et al., 2009; Winter, Szulanski, Ringov, & Jensen, 2012). In 2020 of the 25 most illiterate countries in the world, 21 are from Africa. In addition, the lack of employment that prevails in Africa hinders managers from developing managerial experience and capabilities in managing businesses (AfDB, 2020; Chliova & Ringov, 2017). In 2017, 11 out of 20 countries with the highest employment rates were from Africa, with Burkina Faso in the first position (Statista, 2019).

Lastly, although franchising has the potential to expand in Africa, commercial franchising, especially foreign brands, is very expensive to operate in Africa (Kistruck et al., 2011). Investment fees for many famous brands are high. For instance, the average investment fee for Burger King, McDonald's, KFC, Marriott, and Hyatt hotels is at least $2 million. Furthermore, poverty levels have a strong effect on business investment in two ways. First, African entrepreneurs lack financial capital to invest. Second, consumers in African countries have little disposable income (AfDB, 2020). Similarly, unemployment affects the ability of potential entrepreneurs to obtain loans and the purchasing power of consumers. Additionally, approximately 60 percent of the population of sub-Saharan Africa lives in rural areas, far above the world average of 44 percent. A report by the United Nations indicates that Africa's growth rate is inadequate for meaningful development due to rising numbers of people in extreme poverty (UN, 2020).

A study conducted by the AfDB in South Africa, Egypt, Morocco, and Côte d'Ivoire found a strong positive correlation between franchising and the rule of law, income per capita, urbanization, and literacy but a negative correlation with corruption. Given the institutional environment of the African context, Chliova and Ringov (2017), for instance, suggested that for business to thrive in Africa and other BOP markets, emphasis should be placed on addressing social needs while making a marginal profit.

5. Research methodology

The methodology section presents the philosophical assumptions, research design, data collection methods, data analysis approach, and validity and reliability of the studies in this dissertation.

5.1Philosophical assumptions

Researchers make philosophical assumptions about three questions: (1) ontological assumptions, "what is the nature of reality?" (2) epistemological assumptions, "what is the nature of knowledge and how do we know the reality?" and (3) methodological assumptions, "how can we ensure that the knowledge is valid?" (Guba, 1990; Miles & Huberman, 1994; Ralph, Birks, & Chapman, 2015). These assumptions determine the researcher's choice of the strategy used to create and interpret knowledge about reality (Myers, 2009). Of the four epistemological paradigms of qualitative research--postmodern, positivist, critical, and interpretive--(Burrell & Morgan, 1979; Hassard, 1993), most business studies have used positivism and interpretivism (Gephart, 2004;2018).

The qualitative positivism approach has its roots in the natural sciences within the philosophy of science known as logical positivism (Lee, 1991). Positivists emphasize that knowledge is generated only from objective and observable realities (Lincoln, Lynham, & Guba, 2011). The main concern in the positivism approach is to ensure that theoretical propositions satisfy four requirements. First, they can be confirmed or rejected. Second, they must be related in a hypothetical deductive way. Third, they must demonstrate enough explanatory power to create a generalizable theory. Fourth, they must survive ongoing empirical testing (Lee, 1991). Qualitative positivists adopt this approach to mirror the methods of quantitative positivism used to determine causal relationships among variables (Gephart, 2013)

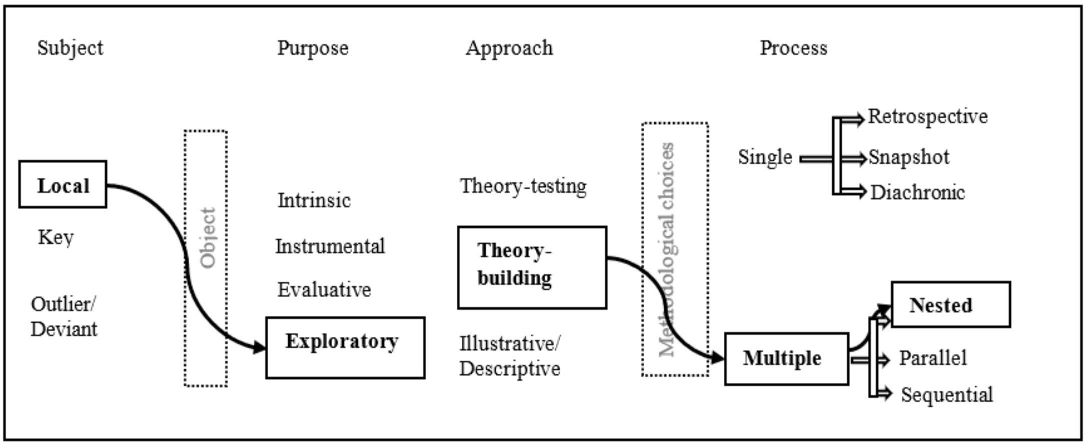
On the other hand, Sandberg (2005) claims that the methodological approaches and procedures such as quantitative analysis that positivist advocates use have a theoretical shortcoming in understanding human actions and organizational phenomena. The interpretive approach, therefore, considers the subjective nature of creating knowledge by studying how people understand and attach meaning to the social phenomena and environment surrounding them (Lincoln et al., 2011; Sandberg, 2005). The interpretive paradigm scientifically and systematically creates theory and concepts (second-order) from people's subjective interpretation of actions and meaning (first-order) (Gephart, 2018; Gioia, Corley, & Hamilton, 2012). In addition, to comply with the scientific procedure for theory development, the interpretive approach produces theory to "agree with experience and explain the common sense of nature" (Gephart, 2018; Schutz, 1973). In this study, I found the interpretive approach to be the most appropriate to investigate knowledge transfer practices in the African context.

5.2 Research design

Given the dearth of research in the franchising literature about Africa, the shortage of commercial franchising, and the increasing number of social franchises, I adopted an interpretive qualitative case study design (Gephart, 2018; Yin, 2018). As Thomas and Myers (2015) suggested, I selected the case based on local knowledge (Zigler & Muenchow, 1992). Through the literature review in Study 1, I identified the topics I wanted to research. The results of Study 1 can be called "plausibility probes" (George & Bennett, 2005; Thomas, 2011) into areas that warranted further research. Having identified these areas, I created Studies 2 and 3 to research knowledge transfer practices in franchising networks in the African context. As a result, I selected the social franchise Alpha to research in depth.

I adopted the grounded theory strategy to explore the under-researched area of knowledge training practices within African franchising networks (Gioia et al., 2012; Walsh et al., 2015). I used a wide range of methods: interviews, field visits, observations, secondary sources and company archives. Although the data collection involved a single franchising network, the case study in this dissertation is known as a nested study (Thomas & Myers, 2015) or a single-embedded case (Yin, 1989) due to the embeddedness of independently owned franchisees in a franchise network. Nested case study involves the breakdown of the principal unit of analysis into sub-units, but its completeness is drawn from the wider case (Thomas & Myers, 2015; Yin, 1989). I interviewed franchisors and franchisees to develop a conceptual framework and propositions. For example, as Study 2 indicates, data analysis in the first-order and the second-order compared the narratives of the franchisor and franchisees. Nevertheless, the aggregate themes integrate the findings from the whole network. The research design is presented in Figure 1.

Figure 1 A typology of case study design



Source: Adapted from Thomas and Myers (2015)

5.3 *Data collection*

The selection of one company for two studies was purposeful and theoretically based (Corbin & Strauss, 2015; Seawright & Gerring, 2008). The selection process started with the social sector task force made up of members of the International Franchise Association (IFA) to help social enterprises and other non-government entities scale up their social impact through franchising rules. Most social franchises operating in BOP markets deal with healthcare and have many years of experience as non-government entities. Examples include Child and Family Wellness clinics, Marie Stopes International and Living Good. Others began in North America or Europe and spread to Africa. Sidai is a non-healthcare social franchise but operates only in Kenya. I chose one company that I called Alpha. It was established in Africa as a social franchise in 2014 and has expanded to seven countries using the franchising model. The data collection methods are explained below.

- ***Semi-structured interviews***

The interview was the main source of data collection in all of the empirical studies. Before the interviews, I developed a few structured questions as leading questions. Based on the responses, I focused on areas I considered important for my research. However, I allowed the participants to explain their experiences freely without imposing my preconceived ideas on the subject matter. On the franchisor's side, I interviewed the founder, the CEOs of the operations in Uganda and Rwanda, the franchise relationship managers, training directors, front desk receptionists, and corporate managers. On the franchisees' side, I interviewed the owners of the franchised stores, the front desk managers, sales managers, and production managers. Interviews lasted for an average of 52 minutes and were all audio-recorded and later transcribed into the NVivo software program.

I conducted 24 face-to-face interviews. Nevertheless, additional interviews were conducted later with the training director and a few franchisees to clarify the information provided during the face-to-face interviews or to obtain answers to further questions that emerged during the data analysis. Interviews were stopped when I observed that no new information was emerging about the subject (Bowen, 2008; Eisenhardt, 1989; Saunders et al., 2018).

- ***Field visits***

Prior to the face-to-face interviews, I joined the company's consultant on field visits to franchisees and managers of company-owned stores. Usually, I was an observer, but occasionally I was given a chance to ask questions on any matter I considered important. I used this chance to ask questions concerning my research and also to establish contact with participants for further interviews. Preliminary data collected during this time were integrated with the rest of the data for analysis.

- ***Observations***

Apart from observations during the field visits, I was given permission to attend the franchisees' monthly training as a non-participant observer. During this meeting, I observed how the trainer conducted the training, the interaction between the franchisees and the trainer, and among the franchisees, the content of the training, the modes of delivery, and the environment of the training room. At the end of the meeting, I was able to arrange for interviews with the franchisees. During these face-to-face interviews, when explaining about the training practices, the respondents referred to this meeting as an example of many others they had had in the past.

- ***Company's archival data and secondary sources***

Before and after conducting the interviews and field visits, I collected data about the company from various sources. Given that Alpha is among the social enterprises that has used the franchising model from the inception, it has received coverage in a number of news sources as an example of a successful expansion model. Some of these sources include the IFA's Social Sector Forces, Global Franchise Magazine, the World Food Bank, BBC News, Global News Wire, Digest Africa, the Guardian, and Forbes. Additional information was obtained from the company's archival records, such as franchise contracts, promotion documents, and training modules following a special request to the founder.

5.4 Data analysis

The transcribed data were imported into NVivo software, where open codes were created from the information. I analyzed the data following grounded theory techniques and Gioia's qualitative data analysis template. Gioia's template is the systematic presentation of findings from qualitative data that shows the links between data, theoretical concepts from the extant literature, and the resulting concepts (Gioia et al., 2012).

The first stage of data analysis involved a thematic analysis of each interview into open codes and memos without establishing any preordained hypotheses (Miles, Huberman, & Saldana, 2019). I repeated this process several times to ensure that all data were encoded to create concepts that gave general meaning to the data based on my research idea (Corbin & Strauss, 2015). Without excluding any interview quotes, I started to form links and patterns by closely examining common and repeated themes.

Codes were classified into different categories: first-order, second-order, and aggregate (Gioia et al., 2012). The first-order category presents the interview quotes, while the second-order depicts theoretical codes from the existing literature that explain first-order data. Aggregate themes demonstrate high-level constructs such as emerging concepts or theories, which form the basis for the development of the propositions in Studies 2 and 3 (Eisenhardt, 1989).

To ensure the reliability of the coding process, I repeated the analysis using the traditional method of sheets of paper, colored markers, sticky notes, and display boards (Maher, Hadfield, Hutchings, & Eyto, 2018). The use of the traditional method allowed me to have more interaction with the data and visualize all of the open and axial codes on one large display board, which enabled the easy mapping and establishing of links (Maher et al., 2018). I found few discrepancies between these two methods and reconciled them before I continued with the analysis.

5.5 Validity and reliability of the data

Collecting data from multiple sources, conducting interviews with different respondents, and systematic analysis of the data ensure the reliability and validity of research findings (Gibbert, Ruigrok, & Wicki, 2008; Yin, 2018). The use of different sources of data, known as data triangulation, ensures construct validity (Yin, 1989;2018). I began my search with all publicly available information about the company to avoid asking questions whose answers were available. I started with the company's social media Facebook page, which led me to additional sources. For instance, when the World Food Program (WFP) announced its partnership with the company to expand into the Ethiopian market to make clean water more accessible, the company shared this news on their Facebook page and website. I also obtained access to other resources through social task force meetings of which I am a member.

After analyzing the data and writing an initial research report, I shared my findings with the company's training director, the founder, and a few franchisees for their critical review. The training director and the founder agreed with the findings with a few changes, which did not distort the main findings. However, they asked me to make the company anonymous. Additionally, this process ensures construct validity (Yin, 2018).

According to Yin (1989), in all empirical studies analytical generalization is achieved through the development of propositions, which ensures external validity. Furthermore, identifying patterns from matching data from different sources results in internal validity (Gibbert & Ruigrok, 2010; Meijer, Verloop, & Beijaard, 2002).

Table 1 Validity and reliability of the data

Elements	Description
Internal validity	I collected data from different respondents from the franchisor' side and franchisees. Franchisees are separate legal entities that form a franchise network. The propositions developed resulted from the iterative process of pattern matching across different data sources, including observations and secondary sources.
External validity	To choose the sample that best fit my research topic, I used focused and theoretical sampling. I provide a comprehensive description of my research contexts, respondents, and knowledge transfer practices in each study. The information about how the company struggled with the franchising model in the beginning, the funding process, the innovation, recruiting of franchisees, initial training of new franchisees, and the institutional environment where the company is embedded might help test the propositions I developed in another context.
Construct validity	I collected information about the company from all available sources before the data collection. This process helped me formulate the initial interview questions. I used multiple sources to collect information (interviews, field visits, company archives, secondary sources, and observations). I also conducted interviews with different respondents in a franchisee store and at the franchisor's headquarters. I obtained information from multiple sources and multiple respondents to reduce bias in the research findings. Moreover, I presented my findings to key informants and franchising experts. Their insights helped me correct and improve the theoretical model I developed.
Reliability	The use of the Gioia template enables the systematic analysis and presentation of results. I also ensured the consistency of the results by repeating the computerized analysis with a traditional qualitative data analysis method.

6. Summary of each study and conclusion

This thesis consists of a collection of three studies that investigate knowledge management activities in franchising firms. Study 1 is a literature review. It is the foundation for Studies 2 and 3, which share a similar structure and methodology. The summary of each article is presented below.

Study 1, “Knowledge Management in Franchising: A Research Agenda” published in the *Journal of Knowledge Management,* was the basis for the other studies included in this dissertation. Using bibliometric analysis, this study investigated the current research and the gaps in it regarding the role of knowledge in franchising. Using citation analysis of published academic articles, the citation map produced three research clusters based on the similarities of the studied articles: governance structure, performance outcomes, and growth of the franchise network. The content analysis of the research articles in each cluster revealed the dimensions of knowledge management, the theories used in the knowledge management literature in franchising, and the conflicting results. These findings led me to propose 18 questions to advance future research.

Study 2, “Knowledge Transfer Mechanisms in the Franchise Network,” also published in the *Journal of Knowledge Management,* was identified from Study 1 as a gap in the literature that warranted further research. While knowledge transfer has been the most studied dimension of knowledge management in franchising, the relationship between the type of knowledge and its transfer mechanism calls for further research. Due to the lack of a well-established theoretical framework that explains the process of knowledge transfer and the choice of transfer mechanisms, I used a qualitative case study research design to explore the use of knowledge transfer mechanisms in franchise networks in the African context.

Due to the newness of franchising and franchisees' knowledge base in Africa, the findings of this paper suggest that franchisees prefer training as the best method for acquiring knowledge. The results go beyond the use of knowledge transfer mechanisms to convey tacit and explicit types of knowledge that dominate the franchising literature in that they also consider the context and knowledge base of the knowledge recipients. In addition, for training to transfer knowledge effectively, a franchisor should consider the identified training needs of each franchisee based on their experience and market profile. The franchisor should also encourage collaboration among the franchisees for peer knowledge sharing of best practices.

Study 3 titled “Knowledge Transfer, Institutions, and Franchising: A Case of Social Enterprise in Africa” also developed from the research gap identified in Study 1. It investigates how the external environment hinders knowledge practices in an emerging social franchising field. Social enterprises have been searching for ways to scale up their social impact. While franchising offers the possibility of replicating social solutions, the institutional environment, which does not support contract-based business operations, hinders the successful replication of social knowledge in social franchises.

I suggested that adapting the franchising model to Africa’s weak institutional environment might be a solution to overcoming this obstacle to expanding social franchising in Africa. The findings pointed to Alpha’s success in adapting knowledge transfer practices in a manner that allowed it to share sufficient knowledge for expansion while protecting its unique strategic knowledge. The study concludes by presenting propositions that will further the research on the impact of context in knowledge management activities in franchising.

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Studies in full

Study 1

Knowledge Management in Franchising: A Research Agenda

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Knowledge Management in Franchising: A Research Agenda

Abstract

This paper offers a comprehensive systematic review of Knowledge Management in franchising literature over the past 29 years. By means of bibliometric citation analysis, ISI Web of Science (WoS) database is used to analyze articles from 1990-2018. A total of 169 articles by 369 authors across 40 countries published in 113 journals from 200 institutions were clustered and examined through HistCites and VOSviewer. The findings indicate that the exploration of knowledge management in franchising is associated with 3 factors: (1) governance structure; (2) performance outcome; and (3) franchise network growth. The findings also reveal that KM in franchising is still an emerging discipline encompassing conflicting results which offer potential for future research. Identified research gaps and contradicting views in the literature offer opportunities for researchers to contribute to this research domain by empirically testing the role of absorptive capacity, replication vs. adaptation strategies, and new franchising formats, such as micro/social franchising. This study is unique in its examination of knowledge management in franchising. It also highlights the value of knowledge in franchise chain performance.

Keywords

Franchising, knowledge management, knowledge transfer, absorptive capacity, social franchising, bibliometric citation.

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1 Introduction

Knowledge plays a central role in firms' ability to identify opportunities and respond to changes in the business environment. As a result, knowledge transfer and management have emerged as two main areas of interest to practitioners and academics. For instance, academics (Tang, 2011; Tsai, 2001; Weigelt & Miller, 2013) have focused on the role of Knowledge management (KM) in achieving competitive advantage at the intra-organizational level. Others (Easterby-Smith, Lyles, & Tsang, 2008; Gravier, Randall, & Strutton, 2008; Khamseh & Jolly, 2008; Kostova, 1999; Van Wijk, Jansen, & Lyles, 2008) have examined the role of knowledge management in the multinational and inter-organizational level. Given the heterogenous nature of the international business environment, knowledge-based research have largely focused on the dynamic role of local knowledge in the performance of MNCs (Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Nooteboom, 2000; Reus, Ranft, Lamont, & Adams, 2009).

More recently, the role of knowledge transfer and innovation in achieving competitive advantage has become a subject of significant interest in strategic alliances (Korbi & Chouki, 2017; Nair, Demirbag, Mellahi, & Pillai, 2018; Rui, Zhang, & Shipman, 2016). Minbaeva, Park, Vertinsky, and Cho (2018) claim that knowledge acquired from a parent organization affects firm survival in fiercely competitive markets. However, Krammer (2018) and Wong, Wei, Yang, and Tjosvold (2017) suggest that knowledge transfer in strategic alliances may decrease when partners are incompatible. Thus, to mitigate the challenge of incompatibility, partners in strategic alliance must evaluate each other in terms of absorptive capacity and business experience in the selection process (Antia, Mani, & Wathne, 2017; Beamish & Lupton, 2016).

Theoretically, a firm's competitive advantage depends on how it consolidates and utilizes intangible asset (knowledge) rendered by parties to a strategic alliance (Barney, 1991; Grant, 1996; Teece et al., 1997). The literature identifies two types of knowledge: explicit, which can be easily codified and transferred through manual, electronic and other mechanism; and tacit, which is imbedded in people and cannot easily be codified because it is acquired by learning (Darr et al., 1995; Nonaka & Konno, 1998; Nonaka & Takeuchi, 1995; Pan & Yang, 2010). Firms can control physical assets but knowledge, which lies within individuals, can pose different challenges related to ownership, control and proprietary nature (Ferrary, 2015). Therefore, the integration of individual goals, business objectives and knowledge management strategies is essential for organization performance (Sharp, 2006; Yang, 2007).

The value of knowledge is particularly crucial in the case of business format franchising given that it involves knowledge transfer from the franchisor to franchisee, making knowledge management a key factor (Madanoglu, Alon, & Shoham, 2017; Perrigot et al., 2017). Franchising involves a contractual agreement between one party (franchisor) passing authority to another party (franchisee) to use the proven business format over a long period of time in return for franchise fees and ongoing payments such as royalties and advertising (Hackett, 1976; Perdreau, Nadant, & Cliquet, 2015; Vázquez, 2008). Successful franchisor-franchisee knowledge-sharing requires partners to be collaborators rather than competitors (Butt et al., 2018; Kashyap, Antia, & Frazier, 2012; Minbaeva et al., 2018; Wong et al., 2017).

Knowledge Management, though vital, receives little attention in the franchising context (Alavi & Leidner, 2001; Perrigot et al., 2017). A recent article by Rosado-Serrano and Paul (2018) reveals that the lack of knowledge transfer impairs franchising relationships and leads to poor performance. Despite the integral role of knowledge management in franchising, existing synthesis of KM literature have largely focused on the fields of management (Jakubik, 2007; Kakabadse, Kakabadse, & Kouzmin, 2003; Qiu & Lv, 2014), open innovation (Natalicchio, Ardito, Savino, & Albino, 2017) and information technologies (Iyengar et al., 2015). Arguably, the existing reviews in franchising have not focused on KM (Combs, Ketchen, et al., 2011; Combs, Michael, & Castrogiovanni, 2004; Nijmeijer, Fabbricotti, et al., 2014; Rosado-Serrano & Paul, 2018; Rosado-Serrano et al., 2018), thus, questions pertaining to the systematic and integrated relationship between the two concepts of knowledge management and franchising remain largely unanswered.

This paper contributes to the literature of KM and franchising by integrating these two concepts and systematically reviews the literature to explore and shape our understanding of KM in franchising. This study seeks to answer the following questions:

1. What theories explain KM in franchising?
2. How does the literature on KM in franchising cluster?
3. Which research questions provide the most promise for the future?

Knowledge management is still an emerging field which needs further development (Metaxiotis, Ergazakis, & Psarras, 2005). This research has implications for both academics and practitioners. Identifying research gaps and emerging views should promote further research in the field. Practically, this study also provides reference information for managers and practitioners involve in managing franchising networks.

The paper is organized as follows: the next sections present an overview of KM in franchising, followed by methodology, findings from the most influential papers in the field, the discussion, future research directions and conclusion.

2 Knowledge Management in Franchising

Franchising firms hold patent rights for the unique business format they possess (Antia et al., 2017; Ferrary, 2015), making knowledge a key part of the equation (Perrigot et al., 2017). Franchising is a legal agreement that involve the granting of a business format by the franchisor to the franchisee for monetary compensation and ongoing payment (Combs & David, 1999; Lafontaine, 1992). The franchising contract contains the transfer of both tacit and explicit knowledge (Ghantous & Das, 2018; Windsperger & Dant, 2006). Since knowledge accounts for a major part of franchising, it must be inimitable in order to provide competitive advantage (Argote & Ingram, 2000) but it must also be understandable for franchisees to decode (Brookes, 2014; Perrigot et al., 2017).

Prior studies indicate that franchisees can modify products using local knowledge to enhance the competitiveness of the brand, this often leads to improve network performance (Darr et al., 1995; Ferrary, 2015; Nair et al., 2018). The modification must, however, be done with the explicit permission of the franchisor aimed at adapting knowledge to fit the local environment (Kaufman & Eroglu, 1999; Lopez-Bayon & Lopez-Fernandez, 2016). The success of franchise networks depends on the nature of the knowledge transferred, whether tacit or explicit (Brookes & Altinay, 2017; Darr et al., 1995; Lim, 2012); the mechanisms of the knowledge transfer (Gorovaia & Windsperger, 2013; Minguela-Rata et al., 2010; Perrigot et al., 2017) ; and the absorptive capacity of the parties to identify, transfer, integrate and apply the knowledge (Apriliyanti & Alon, 2017; Casillas et al., 2009; Mangematin & Nesta, 1999).

Knowledge transfer in multinational subsidiaries and joint ventures is different from that in franchising because franchisees are not employees since they make the full investment. They are residual claimants of the profits and therefore have an incentive to deviate from the original knowledge (standard product) to increase profits (Kashyap & Murtha, 2017; Kidwell, Nygaard, & Silkoset, 2007). Since franchisor performance depends on the success of franchisees, the former should effectively transfer knowledge to the latter for overall performance growth (Ghantous & Das, 2018).

Knowledge transfer in international franchising is more complex than within countries due to institutional and cultural barriers between countries (Boh, Nguyen, & Xu, 2013; Ghantous & Das, 2018; Korbi & Chouki, 2017). Successful knowledge transfer has potential positive effects on chain performance. However, it is often hindered by various factors including trust, nature of knowledge, distance, absorptive capacity, transfer mechanisms, partner compatibility and cultural differences (Cumberland, 2012; Gorovaia & Windsperger, 2013; Iyengar et al., 2015; Khan, 2016; Ko, 2010; Minguela-Rata et al., 2009; Okoroafor, 2014). Characterized by a high risk of employee turnover, free riding (Antia et al., 2017) and relationship conflicts (Antia, Zheng, & Fraizier, 2013), franchising firms must find ways to effectively utilize, store and transfer knowledge between individuals for sustainable competitive advantage (Ferrary, 2015; Simon, 1991).

3 Research Methodology

The present research is a systematic literature review of knowledge management in franchising using bibliometric methodology, a quantitative analysis of literature that uses citation and co-citation to examine the interconnections of literature in a research domain (Ma & Yu, 2010). In this approach, the focus of the analysis is on articles and their corresponding citations (Alon, Anderson, Munim, & Ho, 2018). It involves the use of software such as HistCite, VOSviewer, CiteSpace, BibExcel, and Sitkis which alleviate bias during the selection, analysis and evaluation of articles.

Prior reviews in the fields of sociology (Lin & Neldon, 1969), International Banking (Apriliyanti & Alon, 2017; Øyna & Alon, 2018), finance (Zamore, Djan, Alon, & Hobdari, 2018), accounting (Uysal, 2010)and transportation (Munim & Saeed, 2016) have applied the bibliometric techniques to systematically synthesized the extant literature in their respective fields of study. Compared to other techniques, the bibliometric approach relies on citation records and cited references to identify the similarities and patterns of scientific inquiry in a given field. Motivated by its extensive application in prior studies and the associated advantages, this paper uses HistCite and VOSviewer to analyze articles extracted from the Web of Science (WoS) database. The HistCite software is used to analyze the evolution of KM in franchising while VOSviewer is used to construct bibliometric maps based on distance and categorize articles into different research streams.

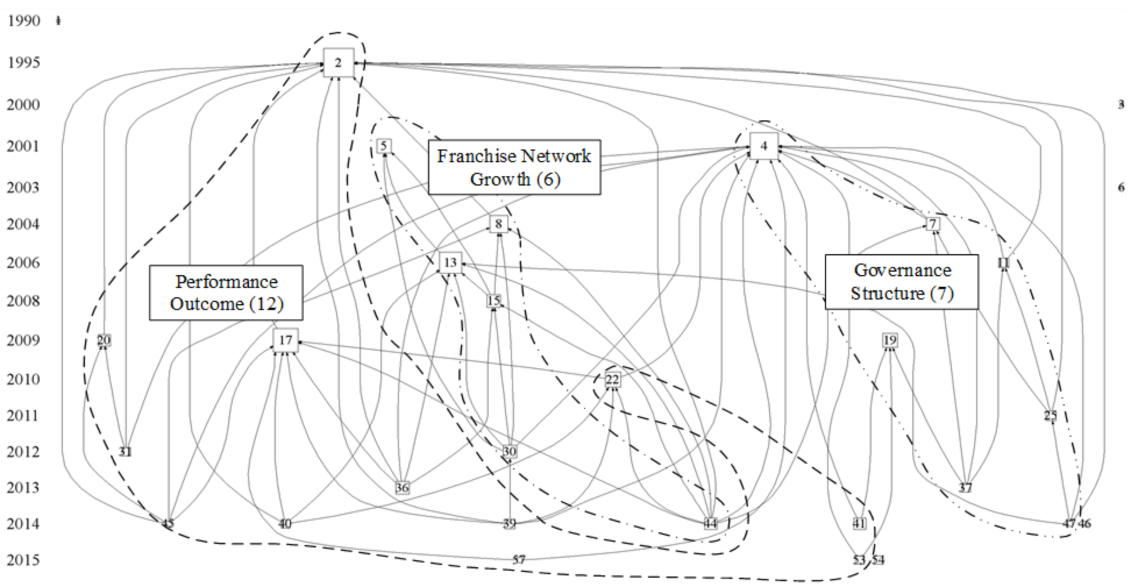
The articles were selected from the *ISI Web of Sciences Citation Index (SSCI)* database published by Clavariate (previously Thomson Reuters). The database includes leading journals across different fields of study spanning from year 1945 to the present. Four different keywords (found in author keywords, abstract or title), as summarized in Table 1, were used to search for articles. The search was limited to articles written in English. This process yielded 169 articles, forming the sample for this review. A total of 169 articles published between 1990 and 2018 by 369 authors from 40 countries in 113 journals across 200 different universities were exported to HistCites for analysis.

Table 1: Keywords used to search for analytic database

Keyword	Alternative/synonymous
Franchis*	Franchise, franchisee, franchisor, franchising, franchiser
Knowledge Management	N/A
Knowledge Creation	Know-how, knowledge building
Knowledge Transfer	Knowledge sharing, knowledge flow, knowledge exchange, knowledge spillover, knowledge distribution
Knowledge Integration	Absorptive capacity, knowledge application, knowledge acquisition

HistCites links articles, based on how they cite each other, into graphic diagrams called historiographs (Apriliyanti & Alon, 2017; Garfield, Paris, & Stock, 2006) as shown in Figure 1, with the vertical axis displaying the year of article publication. Each box represents an article, with the size of the box demonstrating the influence of an article based on the number of citations. Historiograph shows the interconnections of the most cited articles within the research domain (Garfield et al., 2006). HistCites also provides information about authors, journals, cited references, yearly output of publications, type of documents, institutions, and countries.

Figure 1: Historiography of 30 most cited paper



In additional to HistCite, VOSviewer was used to construct bibliometric networks and cluster articles into different research streams (Perianes-Rodriguez, Waltman, & Eck, 2016). VOSviewer visualizes similarities among articles based on the distance, as indicated by Figure 2. It also visualizes research streams grouped by similar colors and identifies the number of articles in each cluster (Figure 3).

Figure 2: Citation mapping in VOSviewer

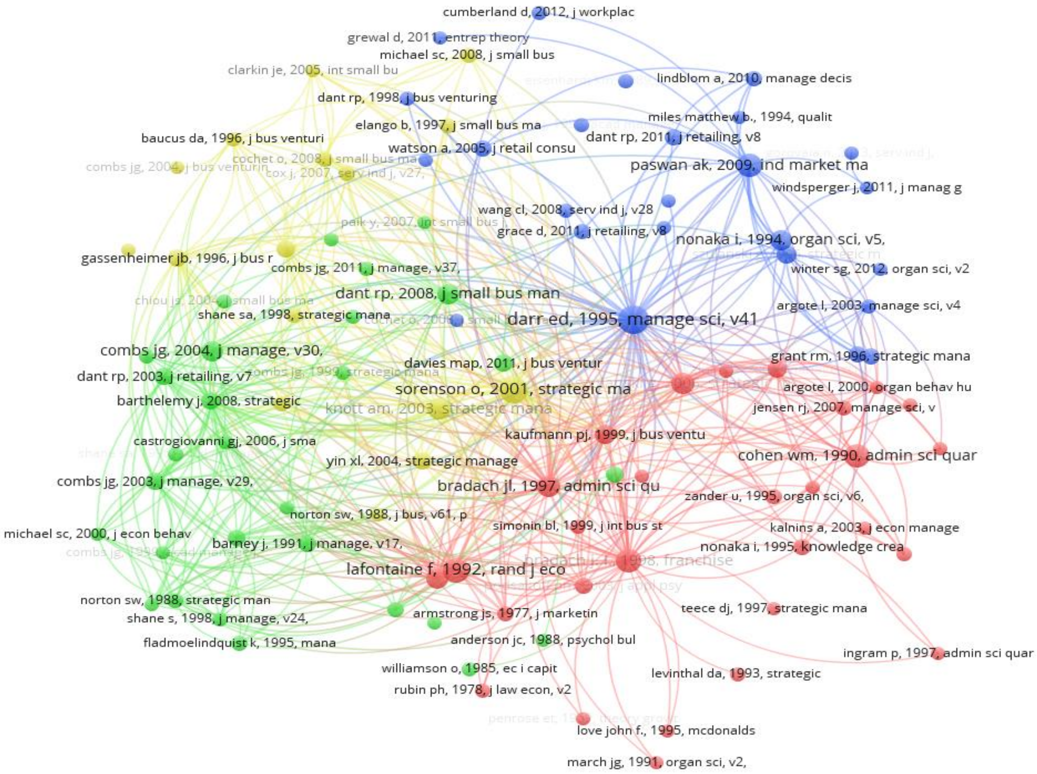
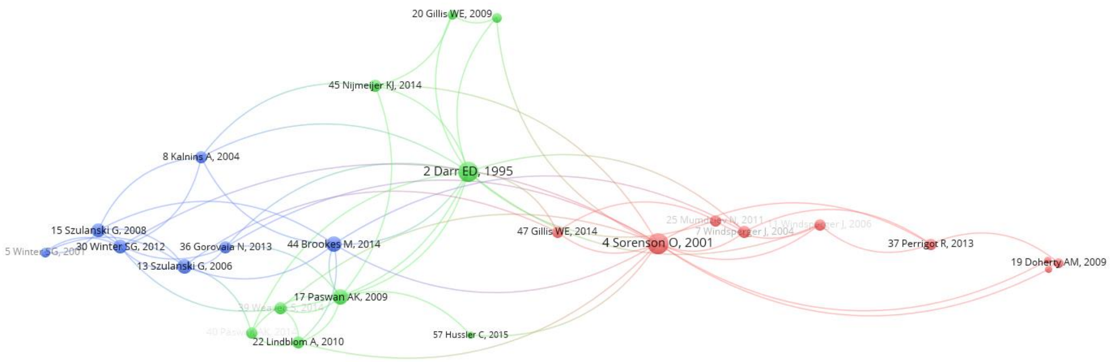


Figure 3: Knowledge Management Citation mapping and Clustering



The use of HistCite limits access to articles of the *ISI WoS* database only, which may exclude articles with major impact from other databases. But *WoS* is a more reliable database, with more than 3000 leading journals. The database is reliably used by previous research and used in this analysis following previous researchers (Alon et al., 2018), despite some methodological limitations (Dzikowski, 2018; Øyna & Alon, 2018; Zamore et al., 2018). Future research should consider the use of other software that utilizes multiple databases to provide wide coverage of the literature.

Results from HistCite and VOSviewer cluster articles into different research streams. Content analysis from each stream identifies findings, as presented in the next section.

4 Findings

4.1 Dimensions of Knowledge Management

Franchising presents a unique setting for KM studies due to the role strategic assets (i.e., knowledge) play in the success of the franchising relationship (Alon, 2006; Jeon et al., 2016). In franchising, knowledge includes operational routines (explicit) and technological know-how (tacit) passed from the franchisor to franchisee (Alon, 2001;2005; Jakubik, 2007; Rubin, 1978). Because knowledge accounts for a significant part of franchising, it must be inimitable and unique to provide competitive advantage (Alavi & Leidner, 2001; Argote & Ingram, 2000). Knowledge management in franchising is measured by three dimensions: creation, transfer and integration/application (Table 2). Other recent KM research also uses these dimensions (Martelo-Landroguez & Cepeda-Carrion, 2016; Migdadi & Abu Zaid, 2016; Ramadan, Dahiyat, Bontis, & Al-Dalahmeh, 2017).

Following the content analysis of the most-cited papers in current research, Table 2 shows the definition of each dimension and its measures. Both the franchisor and franchisee contribute to knowledge creation. Knowledge-based theories assert that continuous learning is necessary for the creation and improvement of knowledge for superior performance (Darr et al., 1995; Sorenson & Sorensen, 2001; Windsperger & Dant, 2006). The source of competitive advantage does not solely depend on the ownership of unique knowledge but rather on sharing knowledge with chain members for better performance outcomes (Brookes, 2014; Darr et al., 1995; Gillis, Combs, & Ketchen, 2014). Partners must have the capability to create, transfer or receive, and apply knowledge for performance (Darr et al., 1995; Moffett et al., 2014; Perrigot, Lopez-Fernandez, & Eroglu, 2013; Wu, 2015).

Table 2: Dimensions of Knowledge Management

Dimension	Definition	Measures	Citation
Knowledge Creation	Knowledge creation in franchising involves the creation of new contents, updating products or procedures by either franchisee or franchisor for value creation. Firm's ability to recognize new ability and innovation are necessary for continual knowledge creation	Innovation, local market knowledge, change of routines	Windsperger (2004), Windsperger and Dant (2006), Darr et al. (1995)
Knowledge Transfer	Knowledge transfer is the flow of knowledge in a codified mechanism or face-to-face meetings between franchisors and franchisees. Knowledge transfer is realized when franchise system is affected by the knowledge shared. The transferring ability is crucial for successful knowledge transfer.	Training duration, communication (email, phone, fax), codified documents, freedom of expressing new ideas, individual competence.	Gillis et al. (2014), Windsperger and Dant (2006), Altinay, Brookes, Yeung, and Aktas (2014), Wu (2015), Darr et al. (1995), Brookes (2014)
Knowledge Integration	Knowledge integration is the process of synchronizing the new acquired knowledge with the existing knowledge for business performance. This requires a franchisor or franchisee to have the absorptive capacity for successful knowledge integration.	Prior industry experience, individual competence, intellectual curiosity.	Brookes (2014), Perrigot et al. (2013)

4.2 Theoretical Application

Traditionally, most franchising studies rely on agency and resource scarcity theories to explain franchising behaviors. While resource scarcity argues that firms use franchising to exploit scarce resources (Castrogiovanni, Combs, & Justis, 2006; Oxenfeldt & Kelly, 1969), agency theorists postulate that firms franchise to reduce monitoring costs in dispersed locations (Alon, Ni, & Wang, 2012; Barthélemy, 2011). Though Alon (2001) explains these theories as competing, other researchers such as (Carney & Gedajlovic, 1991; Combs et al., 2004) find the latter supplements the former. However, these theories have gained no attention in explaining knowledge management in franchising. Knowledge-based theory, replication strategy theory, network theories and property right theory are thus the theories considered in this review.

Knowledge is the core part of business format franchising, as noted. Knowledge-based theories generally investigate knowledge management in franchising relationships. The resource-based view (Barney, 1991; Brookes, 2014; Gillis et al., 2014; Wu, 2015), the knowledge-based view (Gorovaia & Windsperger, 2013; Grant, 1996; Hussler & Ronde, 2015; Paswan et al., 2014) and dynamic capabilities theory (El Akremi et al., 2015; Teece et al., 1997) consider knowledge the most strategic resource for competitive advantage. It must be unique and inimitable (Barney, 1991; Grant, 1996) while not being too complex for franchisees to replicate (Enz, Canina, & Palacios-Marques, 2013; Minguela-Rata et al., 2009; Rivkin, 2001). From an organizational learning perspective (Brookes, 2014; Fiol & Lyles, 1985; Hussler & Ronde, 2015; Lindblom & Tikkanen, 2010), knowledge gain influences performance (Darr et al., 1995). The plural form of franchising considers franchising strategy as a way for new knowledge from franchisees to align with a new environment for performance and network growth (Kalnins & Mayer, 2004; Szulanski & Jensen, 2006). However, knowledge created by franchisees must be communicated to the franchisor and tested before being transferred to the rest of the franchisees to avoid negative outcomes (Darr et al., 1995).

Replication strategy and the structure of inertia theory assess the implications of adaptation and exploitation of original knowledge for strategic competence across dynamic contexts (Szulanski & Jensen, 2008; Winter & Szulanski, 2001; Winter et al., 2012). The standardization strategy constitutes the strength of franchising and thus the flexibility to adapt must be communicated during contract formulation to avoid conflicts and failure (Lopez-Bayon & Lopez-Fernandez, 2016; Meiseberg, Mignonac, Perrigot, & El Akremi, 2017). Deviations from franchisor's knowledge is assessed by evaluating the extent of compliance in implementing agreed contractual terms (Brookes, 2014; Szulanski & Jensen, 2008; Winter & Szulanski, 2001) and selling other non-standard products (Winter et al., 2012).

Social network theories, which have been integrated to investigate their influence in KM, include social exchange theory (Altinay et al., 2014), relation governance theory (Gorovaia & Windsperger, 2013; Wu, 2015), and network theory (Dada, Watson, & Kirby, 2012; Paswan & Wittmann, 2009). Trust plays a central role in the transfer of tacit knowledge within the franchise chain, as a result, the relational theory has been used to understand the dynamic role of trust in successful knowledge transfer (Gorovaia & Windsperger, 2013; Weaven et al., 2014).

Given the dominant role of brand name and local knowledge in franchise chains, (Windsperger, 2004) applied the property right theory to explain the allocation of decision rights in the distribution of knowledge. For instance, decision right can entail either centralization or decentralization in franchise chain. Centralization occurs when the residual surplus in the chain arises from the franchisor's specific assets (Windsperger, 2004). The property right is also used to explain the governance structure where the decision to franchise depends on the contractibility of franchisor and franchisee knowledge (Windsperger & Dant, 2006). Oxenfeldt and Kelly (1969) , Mumdziev and Windsperger (2011) and Windsperger and Dant (2006) found that franchisors will continue to franchise if the local knowledge becomes non-contractible.

4.3 Research streams

The analysis of 169 articles in HistCite produces a map of the 30 most influential articles (Fig. 1), which represent about 17 percent of the total 169 articles.

Following the content analysis strategy of (Gaur & Kumar, 2018), five out of the 30 most-cited articles (also displayed in the historiograph) are disconnected from the remaining 25 articles and therefore disregarded in the analysis. VOSviewer identified three clusters and after content analysis of each cluster, the names of clusters were assigned based on the similarities of their topics, context or unit of analysis. Content analysis found three articles not related to the cluster where they are located in VOSviewer and therefore they were reallocated to their corresponding cluster. The three clusters (list of articles in Table 3) are governance structure (7 articles); performance outcome (12 articles); and franchise network growth (6 articles).

Table 3: List of articles in each cluster resulted from the most 25 cited articles

Governance Structure	**Performance Outcome**	**Franchise Network Growth**
Perrigot et al. (2013)	Weaven et al. (2014)	Kalnins and Mayer (2004)
Gillis et al. (2014)	Paswan et al. (2014)	Brookes (2014)
Sorenson and Sorensen (2001)	Paswan and Wittmann (2009)	Szulanski and Jensen (2008)
Doherty (2009)	Darr et al. (1995)	Winter and Szulanski (2001)
Windsperger (2004)	Gillis and Combs (2009)	Winter et al. (2012)
Windsperger and Dant (2006)	Lindblom and Tikkanen (2010)	Szulanski and Jensen (2006)
Mumdziev and Windsperger (2011)	Hussler and Ronde (2015)	
	Nijmeijer, Fabbricotti, et al. (2014)	
	Altinay et al. (2014)	
	Dada et al. (2012)	
	Gorovaia and Windsperger (2013)	
	Wu (2015)	

4.3.1 Governance structure

This stream focuses on franchising versus company-owned outlets (Gillis et al., 2014; Perrigot et al., 2013; Sorenson & Sorensen, 2001). Studies in this stream emphasize that knowledge influences decision of franchising. Perrigot et al. (2013) and Sorenson and Sorensen (2001) explain that franchising involves selling a business format to franchisees so they replicate the standard knowledge from the franchisor to operate their business. Adaptation of local knowledge among franchisees to fit their environment makes using the original template difficult because standardization is the strength of the franchising model. The difficulty in adaptation may lower the benefits of organizational learning across the chain (Sorenson & Sorensen, 2001).

The governance structure depends on the need for adaptation and standardization (Doherty, 2009; Gillis et al., 2014; Perrigot et al., 2013; Sorenson & Sorensen, 2001); ownership and contractibility of specific knowledge

(Mumdziev & Windsperger, 2011; Windsperger & Dant, 2006); and the cost of knowledge transfer (Windsperger, 2004). Franchisors tend to own outlets in the same environment as franchisees in order to maintain standardization (Perrigot et al., 2013; Sorenson & Sorensen, 2001) because franchisees with high incentives to maximize profit add little to chain performance by exploitative behavior.

However, Gillis et al. (2014) state that having the right mix of franchising and company-owned outlets facilitates both standardization and innovation environments for chain performance. Franchisees can play a major role in innovation when they are knowledgeable about local markets (Doherty, 2009). But when this local knowledge is tacit and non-contractible (Mumdziev & Windsperger, 2011; Windsperger & Dant, 2006) or the cost of transferring is high (Windsperger, 2004), the franchising decision is preferred by franchisors. Due to heterogeneity and the competitive nature of franchisees in the chain, knowledge or innovation acquired by franchisees must be transferred to the franchisor (Mumdziev & Windsperger, 2011), where it can be developed and tested through company-owned outlets (Gillis et al., 2014; Sorenson & Sorensen, 2001) and then standardized and transferred to the rest of the chain members.

4.3.2 Performance Outcome

This stream focuses on the performance results of franchise actors. Weaven et al. (2014) and Paswan et al. (2014) investigate the value creation of knowledge management (*creation, synthesis, transfer, application*) in franchising from the perspective of franchisor, franchisee and customer wellbeing. Knowledge sharing between franchisors and franchisees is considered the most crucial factor in franchising relationships because firms franchise to share strategic resources (brand name and local knowledge) for competitive advantage (Paswan & Wittmann, 2009; Wu, 2015). To ensure that knowledge extends across the franchise chain, the franchisor must communicate through a channel that transfers it to all the beneficiaries (Darr et al., 1995; Gillis & Combs, 2009).

In their study of learning by doing, Darr et al. (1995) find that knowledge can be shared more easily between outlets owned by the same franchisee than between outlets owned by different franchisees, highlighting the need to manage the knowledge flow for the benefit of the whole chain (Hussler & Ronde, 2015; Lindblom & Tikkanen, 2010). Hussler and Ronde (2015) suggest that knowledge only flows vertically from franchisor to franchisees even if its creation may have occurred among one of the franchisees. Other franchising literature criticizes this suggestion based on the importance of local knowledge learned or experienced by franchisees (Darr et al., 1995) and places the emphasis on knowledge sharing rather than top-down knowledge transfer (Darr et al., 1995; Gillis & Combs, 2009).

Value creation (Paswan et al., 2014; Paswan & Wittmann, 2009) and financial performance (Nijmeijer, Fabbricotti, et al., 2014) of franchising chains come from benefits as a result of shared knowledge among partners. Moreover, trust (Nijmeijer, Fabbricotti, et al. (2014) and absorptive capacity (Paswan et al., 2014) have been identified as the most essential elements that facilitate the transfer of knowledge and they strengthen the franchising relationship (Altinay et al., 2014; Gillis & Combs, 2009; Wu, 2015). The more the franchisee and franchisor trust one another, the higher the tendency that they will share rich information (Dada et al., 2012; Gorovaia & Windsperger, 2013; Lindblom & Tikkanen, 2010).

4.3.3 Franchise Network Growth

Replication strategy and adaptation dominate in this stream. Research offers conflicting results, for instance while (Brookes, 2014) and (Kalnins & Mayer, 2004) find that adaptation of local knowledge is needed immediately for a quick fit with local environments, Winter and Szulanski (2001), Winter et al. (2012) and Szulanski and Jensen (2008) recognize the importance of precisely copying knowledge from franchisors for fast network growth. Winter et al. (2012) find significant results for replicating franchisor knowledge in the US and believe that international markets may have different results. Testing the replication strategy in international markets, Szulanski and Jensen (2006) and Szulanski and Jensen (2008) provide empirical evidence that even in international settings, franchisees must replicate exactly the knowledge transferred from franchisors to get the original knowledge base before adapting for local fit. In their study, Szulanski and Jensen (2008) confirm that exact copying is significant until the eighth year. Therefore, on average, based on their study, firms must use the same knowledge from the franchisor for the first eight years before making significant changes to fit local markets.

Additionally, Szulanski and Jensen (2006) show that the franchise chain growth is dependent on the extent to which outlets successful replicate the original franchisor's template. Thus, poor replication of the original template often leads to failure. In contrast, Brookes (2014) conducts a single case study in the hotel industry and finds that instant adaptation, especially in international markets, is crucial for firm survival. Further, the results show that both franchisor and franchisee admit the need for adaptation but question the appropriate timing and extent of needed adaptation in local markets.

More research is needed in this area to indicate when and where replication is most essential; the role of absorptive capacity of franchisees to replicate the knowledge; the influence of culture in adaptation strategy; the extent of local knowledge necessary in the adaptation strategy; and mechanisms through which franchisor knowledge can shape local environments for maximum growth.

The results of content analysis also show how constructs are operationalized in each research stream (table 4). For instance, governance structure is often operationalized using propensity to franchise which is a ration of franchised outlets to total outlets owned by franchisors (Gillis et al., 2014; Sorenson & Sorensen, 2001). Performance outcomes are also operationalized using measures of economic benefits, innovation and strategic performance (Brookes, 2014; Darr et al., 1995; Gillis et al., 2014). Franchisee failure rate is used to study network growth by investigating the effect of replication and adaptation strategy.

Table 4: Measurement of constructs in each research stream

Measures/Items	**Citations**
Governance Structure (Cluster 1) *Propensity to franchise*	
Brand-name recognition	Doherty (2009)
Contractibility of intangible knowledge	Windsperger (2004), Windsperger and Dant (2006)
Number of franchisee and franchisor-owned outlets	Gillis et al. (2014), Sorenson and Sorensen (2001)
Intangible know-how allocation	Windsperger (2004), Mumdziev and Windsperger (2011)
Centralization of franchising network	Windsperger (2004)
Performance Outcome (Cluster 2) *Economic Benefit and Value creation*	
Brand reputation, number of outlets	Gillis and Combs (2009), Wu (2015)
Reduced cost and revenue increase	Wu (2015), Darr et al. (1995), Dada et al. (2012)
Expertise	Paswan et al. (2014)
Quality time	Paswan et al. (2014), Wu (2015)
Risk taking abilities	Paswan et al. (2014)

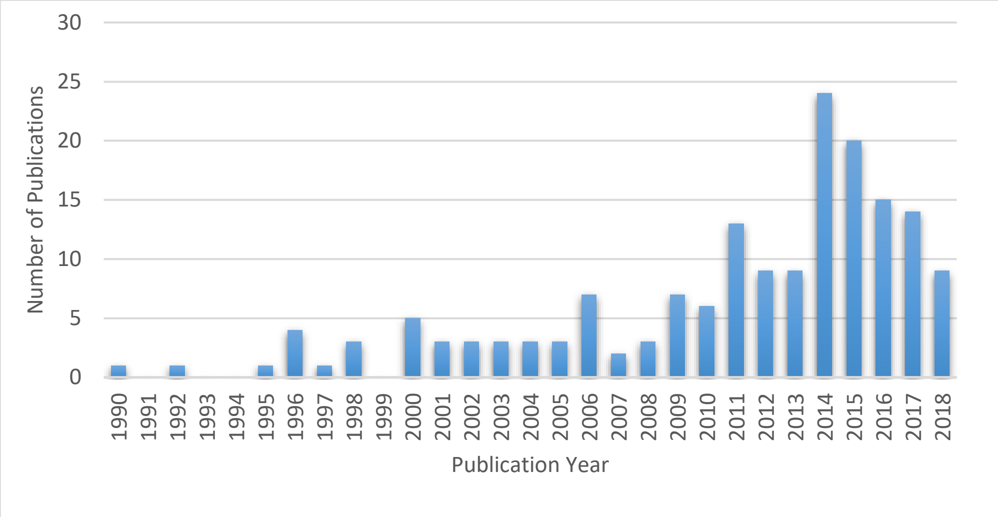
Innovation	
System adaptations	Dada et al. (2012)
Solution to business problems	Dada et al. (2012)
Product development	Dada et al. (2012), Paswan et al. (2014)
Strategic	
Market leadership	Dada et al. (2012)
Satisfaction of customers	Altinay et al. (2014)
Relationship development	Gorovaia and Windsperger (2013)
Quality of service	Wu (2015)
Franchise Network Growth (Cluster 3) *Survival and Failure rate*	
Copy exactly the original knowledge	Szulanski and Jensen (2006), Szulanski and Jensen (2008), Winter and Szulanski (2001)
Adaptation to local knowledge	Brookes (2014), Kalnins and Mayer (2004)
Selling of non-standard products	Winter et al. (2012)

4.4 Evolution and Growth of Knowledge Management in Franchising

4.4.1 By publications

Figure 4 shows the growth of knowledge management in franchising over the last 15 years. The graph shows the trend in publications from 1990 to 2018. KM in franchising is still an emerging field, thus, more research is needed to analyze the management of this strategic resources (knowledge) in business format franchising. The current study sorts and synthesizes the literature and offers suggestions for future research.

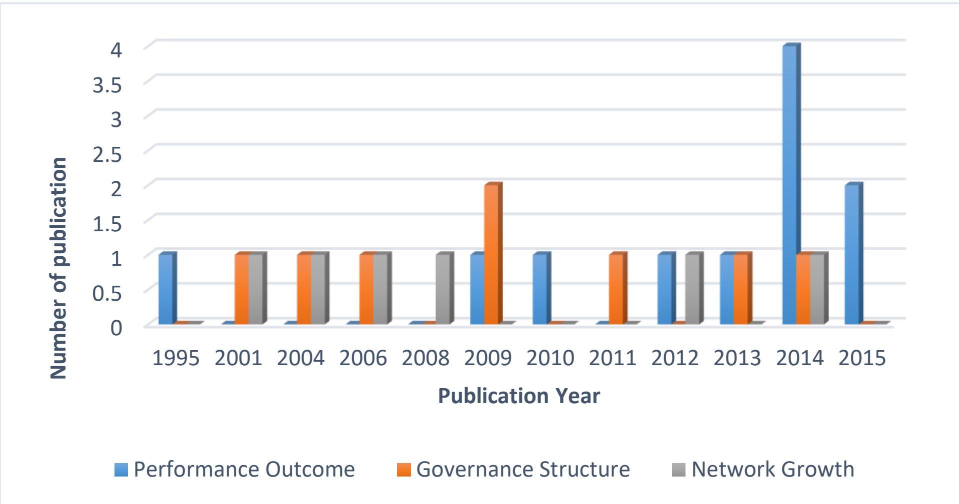
Figure 4: Total number of publications per year



4.4.2 By research streams

Figure 5 shows the development and publication trend of each stream from 1995 to 2015. Some years (1996-2000, 2002, 2003, 2005 and 2007) have no publications in any stream. Figure 5 also shows that in recent years research in performance outcomes comprises the most publications.

Figure 5: Number of Publications by stream



The dimension of KM, the theories used, research streams and evolution of the field show how KM variables are operationalized (Tables 2 and 4), how articles are clustered together (Table 3) and how the field has evolved over time (Figures 4 and 5). These results help to identify research gaps and suggest areas for future research as indicated in the next section (Table 5).

5 Discussion and Future Research

This bibliometric analysis research uses articles to analyze KM in franchising, with different results concerning the theories applied, the evolution of the field, measurement of constructs and research streams from the sample of the 30 most-cited articles.

The first research question in this paper asks about the theories used to explain KM in franchising. Based on the theoretical arguments of the most-cited articles, knowledge-based theories (RBV, KBV and dynamic capabilities); replication strategy and structure of inertia; social network theories and property rights were mostly used. Knowledge-based theories argue that performance and competitive advantage come from possessing unique knowledge. These theories fail to ascertain the characteristic of uniqueness and difficult-to-imitate knowledge that leads to performance. Also, these theories do not indicate how firm knowledge can be measured. This is also indicated in Tables 2 and 4 where knowledge dimension is measured by proxy but not directly by knowledge resource. For example, innovation is used to measure knowledge creation, but this does not show how this knowledge is unique, as explained by theories. We find that owning knowledge by itself does not bring competitive advantage. Rather, the application of knowledge for commercial ends brings performance and competitive advantage. This can be explained by the concept of absorptive capacity, which is not fully explained in this field.

Replication strategy explains growth in franchising but needs more research to identify reasons for possible franchisee failure to replicate franchisor knowledge. The only empirical explanation is the fact that franchisees adapt local knowledge for environmental fit. More research is needed to assess the absorptive capacity of franchisees to copy the exact knowledge from franchisors or to integrate it with specific local needs. Social network theories (social exchange, relational governance and network theory) were applied by researchers analyzed in the present article to assess the successful transfer of knowledge between partners since trust and relational governance within the network facilitate the ease and broad sharing of knowledge. However, property right theory was also applied to explain that firms will franchise if local knowledge is difficult to contract or costly to transfer. In this situation the decision rights will reside with the franchisee due to the specific knowledge ownership.

The second question concerns factors that cluster articles together and streams that receive more attention in publications. With the aid of citation mapping in HistCite and VOSviewer, 25 articles were identified to form research streams and names were assigned based on topic or contextual similarities. These three research streams are governance structure, performance outcome, and network growth.

Governance structure (7 articles) relates to the role of knowledge in the decision to franchise. The influence of local knowledge and innovation determine whether the franchisor should franchise or own outlet. Largely, articles in this stream suggest that the plural form of franchising is driven by the need for standardization and adaptation especially in international markets. If local knowledge is essential for firm success, the franchisor will franchise outlets. Additionally, franchise also results from the need for innovation because the franchisor-owned outlet managers do not have an incentive to innovate compared to franchisees. However, these innovations must be monitored by franchisors, who use their own outlets to test new knowledge before communicating it to all partners. Also, to ensure sustainable competitive advantage, franchisors transferring knowledge to franchisees and company-owned outlets need to have the disseminative capacity to reduce business failure (Antia et al., 2017).

The performance research stream (12 articles) analyzes the role of KM in the strategic and financial performance of franchise chains. This cluster shows that performance in franchise chains is driven by sharing strategic knowledge among partners. Traditionally, knowledge flows from franchisor to franchisees, but the term knowledge-sharing is widely used to indicate that franchisees also transfer knowledge to the franchisor (Darr et al., 1995; Kashyap & Murtha, 2017). As governance structure literature in cross-border knowledge transfer indicates, performance improves if franchisees are able to increase their competitive advantage through innovation and a full exploitation of local knowledge (Contractor & Woodley, 2015; Evanschitzky, Caemmerer, & Backhaus, 2016). Although competitive advantage comes from possessing unique knowledge, knowledge resources have no effect if they are not shared within the chain (Badrinarayanan et al., 2016; Blomkvist, 2012). Changes in firm performance (especially financial performance) is used as a proxy to measure the effect of knowledge sharing (Baum & Ingram, 1998; Swift et al., 2010). Consistently, this review also reveals a lack of empirical evidence to directly test knowledge variables that influence performance. As indicated in Table 2, only face-to-face training and documents are used to measure knowledge transfer. More direct knowledge-specific measures are needed for theory testing and theory building research on knowledge transfer.

The network stream (6 articles) analyzes the importance of knowledge transfer for chain survival and network growth. More attention in this stream was given to replication and adaptation strategy to reduce failure rates in franchises. The content analysis indicates that replicating franchisor knowledge ensures the growth of franchise chains. This stream offers conflicting empirical results on whether adaptation is necessary and, if so, when does adaptation yield optimal results and total growth. The findings in this stream are consistent with those streams concerning other types of inter-firm alliances (Gielens & Dekimpe, 2001; Ingram & Baum, 1997; Kapoor & Lim, 2007; Kostova, 1999; Kostova & Roth, 2002). However, more empirical research is needed. In line with this argument, Kashyap and Murtha (2017) empirical work in the hotel industry suggests that franchisee flexibility beyond knowledge stipulated in the contract may lead to better performance by increasing customer satisfaction. Gielens and Dekimpe (2001) and Szulanski and Jensen (2006) also highlight the importance of both strategies if adopted in the right time and context.

The performance outcome research stream (12 articles) has received more attention compared to governance structure (7 articles) and network growth (6 articles). Figure 5 shows the total number of publications in each stream, with performance having more publications, which indicates research opportunities in the other streams.

5.1 Direction for Future Research

This subsection answers the third question about suggested future research questions. Content analysis of the most influential articles suggests research questions for future studies (Table 5).

Table 5: Suggested Future Research Questions

#	Research Stream	Future Research Questions	Authors
1.	Governance structure	What other organizational variables can be used for exploration and exploitation in franchising?	Sorenson and Sorensen (2001)
2.		What is the optimal number of franchising outlets for chain's performance?	Windsperger (2004)
3.		How does knowledge distribution affect franchise chain's performance?	Windsperger (2004)
4.		What knowledge attributes are considered in franchising partner selection?	Doherty (2009)
5.		What are the effects of trust and knowledge-sharing routines in plural form franchising?	Gillis et al. (2014)
6.	Performance outcome	What are the dynamic processes involved in creating knowledge chain competitive advantage?	Lindblom and Tikkanen (2010)
7.		How do franchisee create new knowledge for both strategic and financial performance?	Lindblom and Tikkanen (2010)
8.		How can franchisees maximize their knowledge innovation without jeopardizing the standardized franchisor's knowledge?	Dada et al. (2012)
9.		What are the performance consequences of the partners' absorptive capacity?	Gorovaia and Windsperger (2013)
10.		What is the impact of culture on the successful transfer of knowledge?	Gorovaia and Windsperger (2013)
11.		How does the process of knowledge management affect the franchisors, franchisees and customers wellbeing?	Weaven et al. (2014); Paswan et al. (2014)
12.		To what extent is chain performance influenced by specific knowledge and competences among franchisees?	Hussler and Ronde (2015)
13.	Franchise Network Growth	What is the importance of local knowledge in firm's survival and franchise growth rate?	Kalnins and Mayer (2004)

14.		What are the necessary conditions for successful local knowledge adaptation?	Szulanski and Jensen (2006)
15.		Do copy exactly lead to high growth of franchise network? If yes, at what stage and where is exact adaptation most pertinent?	Szulanski and Jensen (2008)
16.		How can large-scale franchising organization shape and influence local environment?	Winter et al. (2012)
17.		How does the absorptive capacity of franchising partner affect replication and adaptation strategy?	Winter et al. (2012)
18.		What are the knowledge-specific variables that should be considered under KM in franchising?	Brookes (2014)

Research questions suggested here may further develop the field of KM in franchising. Articles in this field concentrate more on knowledge transfer and less on how franchisors, franchisees and customers create knowledge and whether the capacity to recognize and use this knowledge (absorptive capacity) matters.

In governance structure, the required local knowledge of franchisees determines the proportion of franchising outlets, as identified in this research stream (Perrigot et al., 2013). Standardization is the primary goal of franchisors, but environmental heterogeneity requires innovation for local market fit (Gillis & Combs, 2009). Knowledge and cultural-specific constructs are used to explain the need for standardization and adaptation in franchising, but further research is required to 1) identify the optimal number of franchises if adaptation is necessary for performance; 2) how much knowledge to share under adaptation given different local contexts; and 3) what and how much of the local knowledge are considered advantageous during franchisee selection. Also, governance strategy affects the choice of governance mode as explained by (Jell-Ojobor & Windsperger, 2017). The choice between different forms of franchising (joint venture, wholly-owned subsidiary or master franchising) in overseas markets depends on the nature of knowledge transferred and the degree of local partners' contributions to strategic resources. Thus, future research should also focus on the dynamics in these emerging forms of governance in franchise agreement. Future research should also focus on reviewing the contributions of recent articles not included in this analysis due to a low number of citations.

The strategic and financial performance outcome stream includes studies on the importance of knowledge creation, sharing and application for the success of franchising chains. For the chain to succeed, both franchisor and franchisee knowledge are important for competitive advantage as well as for financial performance (Wu, 2015). This is the most studied area of KM in franchising (figure 5), as firms argue that knowledge exchange between parties is vital for the success of franchise chains. This research area also analyzes the importance of trust and close relationships between parties for the transfer of tacit knowledge. Further research is still needed to analyze the contribution of information technology in knowledge transfer mechanisms, customer involvement in knowledge creation and absorptive capabilities of partners to transfer knowledge.

The franchise network growth research stream develops the argument of replication versus adaptation strategy in franchising. The research area debates the impact of exact copying and adaptation on the growth of franchise networks. While some researchers have empirically argued for exact copying from the beginning of the franchise or after several years (Szulanski & Jensen, 2006; Winter et al., 2012), others have argued against it by providing empirical evidence in the international context (Szulanski & Jensen, 2008). Even those who argue for a gradual adaptation process specify no exact time where adaptation can begin (Kalnins & Mayer, 2004; Szulanski & Jensen, 2008). Recently, Kashyap and Murtha (2017) find that franchisees who added additional value beyond what franchisors provide recorded higher customer satisfaction. Their results show that many innovations that bring changes to particular brands come from franchisees. This lack of consensus calls for more research to establish the time, the processes and the environment where replication and adaptation can work for maximum growth, as supported by (Lopez-Bayon & Lopez-Fernandez, 2016). In addition, more empirical insight is needed on how much adaptation franchisees can make to fit the local context. Furthermore, more empirical research is needed to indicate at which point the adaptation is enough to allow for the replication of newly innovated knowledge by other franchisees in the chain (Jonsson & Foss, 2011).

Knowledge management in social and born-global franchising is one emerging domain that is yet to receive empirical inquiry, thus, future research should shed light on this subject. Social franchising and micro-franchising (Christensen, Parsons, & Fairbourne, 2010), like commercial franchising, are forms of franchising that operate mainly in base-of-pyramid (BOP) markets (developing countries) where franchisors' main focus is to solve social needs while making profit (Kistruck et al., 2011). It is a new model in BOP markets for social enterprise expansion (Crawford-Spencer & Cantatore, 2016; Machackova, 2013). In some instances, social or micro-franchisors provide investment capital to franchisees to help them establish an outlet (Combs, David, & Jeremy, 2011). Arguably, this is a new phenomenon in franchising with few academic articles (Kistruck et al., 2011; Tracey & Jarvis, 2007), thus, it presents an opportunity for further research on how knowledge is transferred within social franchising.

Born-global companies start to franchise overseas within three years of their establishment (Cavusgil & Knight, 2015; Øyna & Alon, 2018). Research is needed in this area to show how born-global franchisors can transfer knowledge in the international market given their absorptive capacity and knowledge competency as new firms (Mohr & Batsakis, 2014; Park & Rhee, 2012).

The authors of this paper are interested in the role of absorptive capacity in successful knowledge transfer for performance and growth as an area for future research. Tacit and explicit knowledge are transferred through different mechanisms. More personal and high rich information transfer strategies such as training, conferences and meetings are used to transfer tacit knowledge while codified strategy such as emails and manuals are preferred in transferring explicit knowledge. Tacit knowledge which cannot easily be codified has been identified as the source of competitive advantage because it is difficult for competitors to copy. To improve performance, franchisors must make sure that tacit knowledge is successfully transferred to franchisees. Since trust facilitates the use of rich information to transfer knowledge (Gorovaia & Windsperger, 2013), the authors want to investigate the role of absorptive capacity in franchise performance from both franchisor and franchisee viewpoints. From the franchisor perspective, absorptive capacity will be measured as the capacity to transfer both tacit and explicit knowledge while from the franchisee perspective absorptive capacity will be measured as the ability to recognize, understand, receive and apply knowledge for commercial ends.

Additionally, the role of absorptive capacity can be measured under replication strategy to investigate the survival of franchise chains. This concerns the capacity and capability of franchisees to replicate tacit knowledge through training and codified methods. This will provide empirical evidence on whether deviations from standard franchisor knowledge a matter of adaptation or the absorptive capacity of franchisees to replicate the knowledge. Following the work of (Minbaeva et al., 2018; Wang, Tong, & Koh, 2004), research on franchisor capacity to transfer knowledge in addition to franchisee absorptive capacity will shed light on the assessment of KM in franchise chains.

6 Conclusions

This study is a bibliometric analysis of KM in franchising using Histcite and VOSviewer. The concept of knowledge management has been studied in strategic management from the early 1990s but only widely examined in the franchising literature since early 2000, as indicated in our study (fig. 4). Our findings reveal three major research streams, based on the most influential articles in the field. These streams are 1) governance structure studies which state that plural franchising depends on the balance between exploration and exploitation; 2) performance outcome studies which posit that franchise performance depends on the successful transfer of tacit and explicit knowledge; and 3) franchise network growth studies that examine replication or adaptation for firm survival.

The findings show that more research is needed to establish knowledge-specific variables in franchising literature; to examine knowledge factors influencing franchising performance; and to investigate the role of absorptive capacity in KM for franchise growth and performance. Results also points to born-global and social franchising as potential blue-ocean areas for future research. Absorptive capacity in franchising is important to measure the capability of a firm or individual to create, store, transform, receive, replicate and apply knowledge.

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Study 2

Knowledge Transfer Mechanisms in the Franchise Network

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Abstract

This paper investigates the use of knowledge transfer mechanisms in a franchise network by using qualitative and grounded theory technique to collect and analyze data from a franchise network based in Africa. This approach enables the triangulation of data from different sources including field visits, observation, interviews, and company reports. The findings suggest that training is the most preferred mechanisms for transferring localized knowledge. The results highlight the importance of identifying franchisees' training needs for transferring relevant knowledge according to experience and market profile of franchisees. Additionally, collaborative environment within the network facilitates sharing of best practices. Insight from Africa in this study provides both theoretical and practical implications. Propositions presented can help advance knowledge transfer and franchise research. Franchising and knowledge management research in emerging markets especially in Africa is rare. This paper provides valuable insights for understanding knowledge transfer practices in the African franchise market.

Keywords

Knowledge Transfer Mechanisms, Knowledge transfer, Training, Relevant Training Content, Franchising

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1 Introduction

Knowledge transfer (KT), an outcome of organizational training, refers to the process of a unit to learn or organization learning from the experience and skills of another unit (Easterby-Smith et al., 2008; Rui et al., 2016). It consists of a knowledge sender, mechanisms, actual knowledge, a receiver and context (Szulanski, 1996). Although these elements are collectively important for a successful transfer of knowledge, little academic insight exist on the use of knowledge transfer mechanisms in franchising (Khan, 2016). Knowledge transfer mechanisms (KTMs) are the tools or systems used to transfer knowledge within and across organizations (Darr et al., 1995; Perrigot et al., 2017; Windsperger & Gorovaia, 2011).

Since franchising consists of transferring a proven business format (brand name, technical know-how, business routines and operational knowledge) from one firm (franchisor) to another legal entity (franchisee) for ongoing monetary reward, knowledge transfer is a core aspect of the business (Gillis et al., 2014). The success of franchising networks relies on the ability to generate and disseminate knowledge within the network, and thus makes the transfer capability of franchisor essential to knowledge dissemination (Minbaeva et al., 2018). The mechanisms for knowledge dissemination have received attention in interorganizational (Perrigot et al., 2017; Rui et al., 2016) and interindustry (Fabiano, Marcellusi, & Favato, 2020) research. Researchers have investigated knowledge management in franchise networks (see review by Iddy & Alon, 2019), but little is known yet on how knowledge is transferred in developing economies (Khan, 2016; Perrigot et al., 2017). Following the call by (Nijmeijer, Huijsman, & Fabbricotti, 2014) to investigate knowledge transfer mechanisms in franchising, this study seeks to answer the question: How is knowledge transferred within franchise networks in emerging markets?

The success of the franchise business model depends on the successful transfer of business formats (technical and operational knowledge) from franchisor to franchisee. Africa was selected because it provides a valuable context for theory development since franchising is in an early stage (Aliouche et al., 2015; Bernard et al., 2017; Shumba & Zindiye, 2018). Little is known on how knowledge is transferred in franchise networks in the Africa since most of the research applies to western countries (Iddy & Alon, 2019).

Research suggest that training is the basis for transferring both types of knowledge, tacit and explicit, especially where franchising is still a new practice. In line with the prior research which emphasizes the use of training to transfer tacit knowledge (Gorovaia & Windsperger, 2013; Perrigot et al., 2017), this paper acknowledges the economic point of view that organizing training is much costlier for franchisors than sending manuals. But in Africa, where franchising is still in its nascent stage, training offers a foundation for successful business growth. This study contributes to the knowledge transfer and franchising literature by offering new insights about developing countries.

The paper is organized as follows: The second section presents a theoretical framework and a literature review on knowledge transfer mechanisms in franchising. Section 3 explains the research design, research setting, data collection and analysis followed by section 4 on results and discussion. Finally, based on the findings and discussion, section 5 offers contributions, implications, and conclusions.

2 Conceptual Background

2.1 Theoretical Framework

Both the knowledge-based view (KBV) and the resource-based view (RBV) agree that unique, valuable, inimitable and non-substitutable knowledge is a vital resource for developing firm competitive advantage (Barney, 1991; Grant, 1996). However, competitive advantage for franchises does not come solely from the ownership of superior and unique knowledge but rather from transferring the knowledge to franchisees (Cohen & Levinthal, 1990; Minbaeva & Michailova, 2004) and applying the knowledge in a different environment (Eisenhardt & Martin, 2000; Teece et al., 1997). The literature on absorptive capacity and dynamic capabilities addresses this theoretical approach.

The process of franchisees' acquiring knowledge and translating it into actions that bring competitive advantage has also been discussed by organizational learning scholars (Dyer & Nobeoka, 2000; Iyengar et al., 2015). Knowledge can be acquired by different means depending on the type of knowledge (Windsperger & Gorovaia, 2011). After the franchisor's knowledge has been extended through company-owned outlets, it is then transferred to franchisees through rich information-sharing, especially training (Gorovaia & Windsperger, 2013). The motivation and willingness to teach by the franchisor affects the outcomes of knowledge transfer (Easterby-Smith et al., 2008). Skills such as quality of teaching are equally important (Minbaeva et al., 2018) and depend on prior knowledge and business experience within the local environment (Bilgilia, Kediab, & Bilgilic, 2016).

Additionally, new theoretical findings suggest that knowledge transfer by Chinese companies which involves simple technology that receivers can adopt easily (the relevance-based view) increases the competitive advantage of companies operating in Africa (Rui et al., 2016). Rui et al. (2016) find that technology transfer mainly through face-to-face mechanisms such as workshops and site visits is preferable in Africa based on the state of the art of technological development level in many of African countries.

Knowledge-based theorists also recognize social relations as an important dimension of knowledge transfer within and across organizations (Del Giudice & Maggioni, 2014; Gorovaia & Windsperger, 2013; Van Wijk et al., 2008). Strong relational ties are believed to create more collaborative learning environments

(Nair et al., 2018; Van Wijk et al., 2008) and help eliminate cultural differences that might impede the flow of knowledge (Easterby-Smith et al., 2008).

2.2 Overview of knowledge transfer and transfer mechanisms in franchising

The mechanisms of transfer differ depending on the type of knowledge being transferred (Grant, 1996). Explicit knowledge is less complex and can be codified and transferred through manuals, intranets, email, personal letters, and text messages. The transfer of explicit knowledge allows the recipient to use the knowledge in standardized ways to improve existing activities (Hsiao, Chen, & Choi, 2017). During the initial training of new franchisees, explicit knowledge is codified in the franchise contract, and franchisees are expected to adopt franchisor knowledge (Perrigot et al., 2017).

In contrast, tacit knowledge, due to its complexity Minguela-Rata et al. (2009), requires personalized information-sharing mechanisms such as training, meetings, workshops, seminars, telephone calls, conferences, and field visits (Gorovaia & Windsperger, 2010). The knowledge transfer literature suggests that successful interorganizational relationships (joint ventures, franchising and MNCs) come from successful transfer of tacit knowledge (Gorovaia & Windsperger, 2010; Minguela-Rata et al., 2010; Nonaka & Konno, 1998; Xue, 2017). Apart from the initial training that franchisees get before the official opening of the business, franchisors offer ongoing training as part of franchisees' support. Ongoing training helps both franchisor and franchisee to expand their knowledge and adapt to the local markets to increase competitive advantage (Perrigot et al., 2017). Therefore, it requires exploratory and exploitative capabilities to share new experiences (Ferraris, Santoro, & Dezi, 2017; Hsiao et al., 2017).

Franchise networks comprise different entities operating in different markets, making the transfer of relevant knowledge from the franchisor the key determinant of franchisee performance (Paswan et al., 2014). The term "relevant knowledge" here refers to customized knowledge that fits specific market segments. To ensure effective knowledge transfer, franchisors use different mechanisms to pass along information and knowledge. For example, Darr et al. (1995) document that firms use mechanisms such as reports, personal associations, regional meetings and phone calls to transfer knowledge. Gorovaia and

Windsperger (2010) and Windsperger and Gorovaia (2011) examine the use of different mechanisms in transferring tacit and explicit knowledge. Similarly, Perrigot et al. (2017) investigate the perceptions of franchisees in using different mechanisms. Both findings indicate that rich mechanisms such as training, workshops, seminars, and meetings are used to transfer tacit knowledge while low information-rich mechanisms such as written documents and computerized systems are used to transfer explicit knowledge.

Face-to-face meetings allow for franchise members to form personal connections that lead to an exchange of relevant experience on how to run the business (Perrigot et al., 2017). Training and workshops allow franchise members to discuss what is happening in their areas and give the trainer the chance to frame content that can be adapted to different local markets. Frequent communication and personal gatherings increase social ties between members which create friendly atmospheres for sharing best practices (Gorovaia & Windsperger, 2013).

Even though face-to-face mechanisms lead to more successful knowledge transfer, little is known on how each mechanism works. Motivated by this void, this paper explores how face-to-face training can transfer adaptable knowledge to franchisees in different market segments.

3 Research Methodology

3.1 Research design

This study follows from the previous work of Iddy and Alon (2019) where findings indicate that, although knowledge transfer is the area most researched in franchising, little is known concerning knowledge transfer mechanisms. A qualitative case study is therefore employed in this study due to the relatively new and unexplored nature of the concept (Yin, 1989). Inductive research generates an in-depth analysis of the new concept, which is hard to unveil by means of survey research design (Eisenhardt, 1989). Therefore, findings from this research seek theoretical generalization (Yin, 2014). Nevertheless, multiple data sources allow cross-analysis of results, hence, an increase of construct validity (Yin, 2014). Additionally, the paper was sent to key franchisors to review, leading to some changes without distorting the key concepts of the paper.

A single case study approach was employed in this study, allowing for a deeper understanding of the concept (Dyer & Wilkins, 1991). It has been recently applied in the franchising literature (Giudici, Combs, Cannatelli, & Smith, 2018; Perrigot, 2018). Since KT is a core practice in the franchise model, the franchising context is most suitable for the study of knowledge transfer mechanisms (KTMs). Moreover, the company in this paper was purposely selected given its emergence in a setting where little is known about franchises. For instance, the subject firm (here referred to as Alpha) started in one country and used the franchise model to expand across five other countries within Africa where franchising is still a new business practice and absorptive capacity is considered low (Rui et al., 2016; Seawright & Gerring, 2008; Yin, 1989). The face-to-face interviews were conducted with both the franchisor and franchisees. The franchisees were selected during field visits and from recommendations by the franchisor based on their experience and availability to get rich information (Table 1). One franchisee was ready to participate but since he just joined the network (with two weeks' experience), he was omitted from the study.

Table 1: Characteristics of franchisees in the sample

Characteristics	**Franchisees**					
	A	B	C	D	E	F
Experience with franchisor (In Years)	4	2	1 year and 9 months	2 years and 9 months	1 year and 4 months	3 years and 4 months
Number of Employees	4	5	5	6	5	4
Type of market served	Offices Retail points Walk-ins Domestic	Offices Domestic	Offices Retail points	Offices Retail points Domestic	Retail points Walk-ins Domestic	Offices domestic

Africa is a suitable context for modifying and extending theories developed in advanced economies (Bernard et al., 2017). Given the paucity of literature on KT in franchising, especially in emerging markets, this paper aims for an in-depth analysis of a single-embedded case study in the African context (Dyer & Wilkins, 1991; Yin, 1989). As franchising firms are now rapidly expanding to African markets, research needs to shed light on franchising practices and theoretical contributions.

3.2 Research setting

Alpha is a franchise network established and currently operated in six African countries. Eager to solve water problems in many areas across Africa with a model that can spur growth and be locally-driven, Alpha started to franchise soon after the original business was established, with assistance from franchising experts from the international franchising association (IFA) in the US. Franchising experts from the IFA also assisted the company by training the local trainer responsible for franchisees and other employees. Trainers and other employees such as country directors have mentors from the IFA for continuous learning. They also attend IFA workshops for skills development. In his interview with the local magazine, Alpha's founder explained his intention to create an approach where local people will invest in and run their own business, but not entirely by themselves. Franchising is one of the approaches that help ensure growth and encourage local entrepreneurs. This enables local owners with no experience to replicate already-proven business models and avoid business failure. However, the replicability of the model by franchisees requires the effective transfer of know-how.

Alpha franchisor co-invests with franchisee by equipping them with the appropriate technology that enables the filtration of water from any source (mainly national water company). The water is first stored in the tanks and subsequently pumped into the machines. Franchisees get the license to operate Alpha brand by paying franchisee fee. Investment fee is paid to cover expenses during opening of the store and other on-going supports including trainings. Franchisees buy other essential material such as bottles, tabs, lids, and logos from franchisor. Franchisees make profit as the clients pay for each liter of water sold; while franchisor makes profit through royalty payment for each liter sold by the franchisee. Customers do not pay for plastic bottles every time they purchase water. When customers purchase Alpha water for the first time, they pay bottle deposit then keep on paying for refills.

Alpha is currently serving commercial areas (such as retail points, offices, shopping centers, sports centers) and residential/domestic market with four different water bottles: 20 litre with tap, 20 litre for dispenser, 18.9 litre and 5 litre. Of these products, the 20 litre with tap is the company's competitive advantage in the market as most domestic and commercial users prefer it for convenience. Most sales are based on delivery with a few walk-ins. Franchisee markets are divided into territories which have at least one of the market profiles specified above. Therefore, franchisees require knowledge that fits the profile of their markets. For example, serving retailers might require different techniques compared to serving domestic clients.

During the initial training, franchisees of the Alpha network learn about the franchising model, the company's operational routines and technical know-how. Initial training begins after a franchisee signs the contract but before opening the store. Franchisees and their employees receive two weeks of training at the company headquarters. As part of the two-week training session, the franchisee's front desk manager undergoes a shadowing where he/she is made to perform the duties of a front desk manager at the headquarters. The two weeks' initial training includes theory and practical sessions. Next, the franchisor conducts one week of field training to help franchisees during the store launch as well as to provide practical learning to marketing and sales employees.

In addition to the initial and field training, franchisees continue to get ongoing training every month as one of the support services specified in the contract. During the monthly training sessions, franchisees share their local knowledge with the franchisor for inclusion in future training programs. The content is normally based on what is happening in the network but also includes updates about products or changes to the business model. Franchisees are encouraged to share their experiences during the meetings for group learning. To ensure successful knowledge transfer and business performance, franchisors select franchisees with business experience and help them recruit suitable employees.

Apart from initial and monthly training, franchisees gain knowledge through mechanisms like emails, text messages, phone calls and WhatsApp group chats.

3.3 Data collection

Initially, data collection strategy involved semi-structured interviews, company archives and news articles. However, during the introductory meeting, the franchise CEO gave permission for field visits and researcher to attend the franchisee monthly meeting. The addition to data sources increased the depth of understanding of the context and provided a broader picture of the topic under investigation (Eisenhardt, 1989). Face-to-face interviews were conducted from the franchisor and franchisee side. A total of 11 participants comprising of 3 from the franchisor and 8 from the franchisees were interviewed. Based on the recommendation by (Eisenhardt, 1989), the researcher's choice of number of participants was motivated by whether the inclusion of more participants yielded new information.

Table 2: Interview overview and data sources

Source	**Unit of Analysis**	**Participants**	**Time**	**Used in Analysis**
Semi-structured Interviews	Franchisor-Alpha	A1	23 min	Understanding of effective knowledge management and sharing processes in the network.
		A2	38 min	
		A3	18 min	
	Franchisees	ZA	35 min	Understanding knowledge sharing process with franchisor. Understanding knowledge sharing mechanisms mostly used and the most preferred for effective transfer of knowledge.
		ZB	56 min	
		ZC	56 min	
		ZD	31 min	
		ZE	43min	
		Front desk manager	58 min	
		Production manager	20 min	
		ZF	43 min	
Observation				

Franchisee monthly meeting		All franchisees, company's consultant, CEO and the founder	1 meeting in December	Gaining insight about the training practice and franchisees' sharing of knowledge and experiences.
Field visits		Company's consultant, trainer, 1 corporate store manager and 4 franchisees	4 field visits	Gaining insight about franchisees markets and application of acquired knowledge
Secondary sources		Newspaper articles, Company's website, Company's training structure		Gaining further knowledge about the company's activities and triangulate with interviews and observation.

Semi-structured interview questions focused on knowledge sharing mechanisms between franchisor and franchisees. The initial questions were exploratory in nature. For example: *How is knowledge transferred?* and *How do you assess the means of knowledge transfer*? *How do you share knowledge with other franchisees*? These questions sought to assess the training style, techniques, and environment. Data from experienced franchisees (with at least 3 years' experience) show the evolution of the training process in terms of experiential learning and adaptation of training programs to market needs.

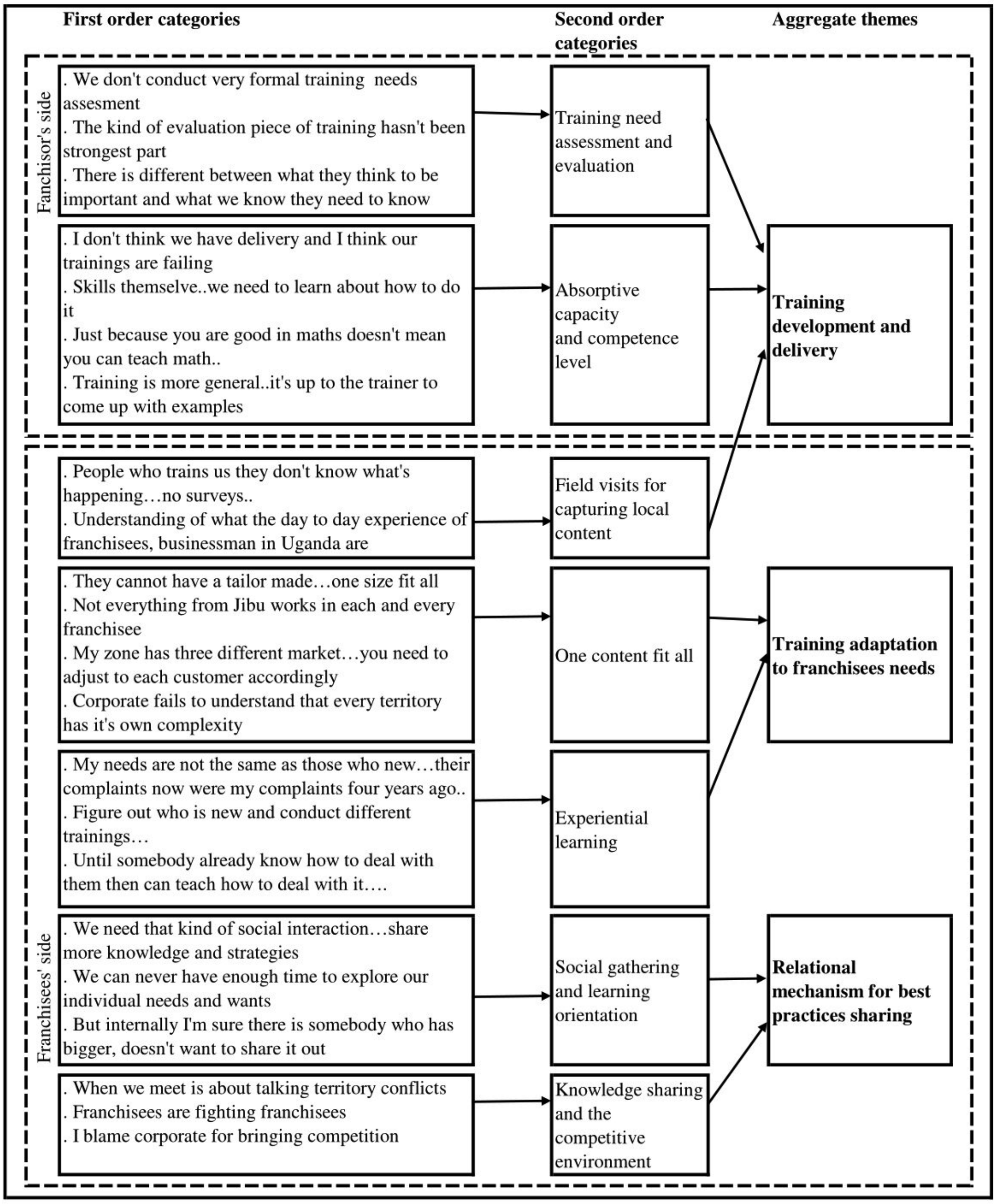
3.4 Data Analysis

All audio recorded interviews were transcribed and imported into NVivo, the software for qualitative data analysis which enables analytical coding and formulation of links and memos from different data sources based on emerging themes (Corbin & Strauss, 2015). As recommended by Miles et al. (2019), tables and figures are used in the analysis for easy visualization of data. Both franchisor and franchisees mentioned different mechanisms, including emails, text messages, WhatsApp group chats, manuals, and training, but more emphasis was placed on in-person training, especially monthly sessions, as the preferred mechanism for knowledge transfer. Interview questions were revised to focus more on monthly training.

The interviewer scripts started from the franchisor side to franchisees, analyse the mechanisms used to share knowledge. Continually comparing and analysing data from each side led to the formulation of the first order category based on the Gioa methodology, an approach that fits well when a new concept is at the establishment stage (Gioia et al., 2012).The inductive method systematically connects data, extant theoretical ideas and competing empirical evidence to identify emerging concepts or constructs (Gioia et al., 2012; Piekkari, Welch, & Paavilainen, 2009).

Overlapping concepts in the first order were then refined and grouped to form eight higher dimensions or the second order category (see Figure 1), which are "researchers' theoretical-induced concepts" (Gioia et al., 2012). Unlike the first order categories, which are taken directly from interviewee quotes, second order categories are based on theoretical codes from existing literature. Finally, second-order categories are grouped to form the aggregate themes used to derive propositions (Eisenhardt, 1989; Ragin, 1997). Figure 1 below shows the data structure:

Figure 1: Data structure



4 Results and Discussion

This section first presents the results based on the mechanisms used in the Alpha franchise network. Furthermore, the results are also analyzed focused on the monthly training sessions, which generate the data structure in figure 1 and form the basis of the propositions.

4.1 Knowledge transfer mechanisms

This subsection answers the initial questions on how knowledge is transferred. The aim was to know what kinds of mechanisms are used and the most preferable in terms of efficiency.

When asked about the type of mechanisms used in knowledge transfer, the franchisor responded: "*It depends on the kind of information. We have multiple channels. In monthly training we inform the franchisees about price changes, product changes and quality issues. If we want to communicate to the whole network then we use emails, documents, and letters*" (A3).

Several franchisees also agreed: "*It always depends on the information that is being passed on*. *If it's urgent then I prefer a phone call*" (ZC), making phone calls the preferred medium as shown in Table 3. Booklets and emails were ranked low because some of the franchisees do not read company booklets: "*To be honest, I have not taken time to read through it"* (ZD). But those who read admitted that they prefer in-person training because the level of understanding is different as "*face-to-face meetings and going through the procedure helps more than just sending a booklet. Sometimes we understand things differently*" (ZE's manager).

Some franchisees do not operate their stores personally and limit access to information to their employees. For instance, ZF's manager said that "*The owner comes once a week and is responsible for opening emails. He is the one in the WhatsApp group but is not working in the store*". Therefore, most employees prefer in-person training, as ZF's manager said employees learn things at in-person sessions that they could not understand or access through other mechanisms.

Additionally, franchisee social gatherings were most often mentioned as a preferred mechanism when it comes to sharing best practices. Franchisees believe the gatherings facilitate sharing information openly. Unfortunately, this is not current practice in the network. Table 3 summarizes the current and preferred mechanisms used.

Table 3: Current vs Preferred knowledge transfer mechanisms

KT mechanisms	**Current KTMs**	**Responses to the most preferred KTMs**
Ongoing (Monthly) training	3	All the cases responded as “the most preferred”
Franchisees social gathering	-	All the cases responded as “the second most preferred”
Audit check	4	All the cases responded as “the third most preferred”
Phone calls	1	All the cases responded as “still important”
WhatsApp	2	All the cases responded as “still important”
Booklet, Emails, text message and letters	5	All the cases responded as “still important”

Showing disparities in the preference for mechanisms, the results were intriguing. Thus, the focus of interview was shifted around monthly training. But training records show poor participation of franchisees in monthly training compared to what they say about preferences. This contrasts with prior research in franchising (Perrigot et al., 2017) and knowledge management (Oliva & Kotabe, 2019) which highlight the salient use of face-to-face meetings in the knowledge transfer process. Franchisees mostly prefer training sessions and workshops because they can obtain tacit knowledge from franchisors (Gorovaia & Windsperger, 2013) and thus reduce the time to recover their initial investment (Minguela-Rata et al., 2010) and minimize failure (Michael & Combs, 2008). The following section present the results from both franchisors and franchisees concerning monthly training.

4.2 Ongoing franchisee training

This section presents the empirical findings on franchisee monthly training sessions. The results are derived from franchisor and franchisee perspectives, as shown by the data structure in Figure 1. Overall, three dimensions aggregated from eight second-order categories, derive propositions presented in this section.

4.2.1 Training content development and delivery

While training is important in know-how transfer from franchisor to franchisees, Alpha faces several challenges as it develops a viable business model for local business owners.

Training needs assessment and evaluation (TNA). Developing training programs has become a challenge for Alpha since the trainer doesn't conduct TNAs from franchisees to learn about their individual needs. Instead, the franchisor develops content based on what is assumed to be important for franchisees. This has caused many franchisees not to come to the monthly meetings because they believe their needs are not considered. "*I think there is a difference between what franchisees think is important or interesting and what they need to know. So, just because what we discuss may not be the most exciting thing for them doesn't mean it's not relevant*" (A3). Nevertheless, training evaluations are not conducted at the end of each training session to assess whether the content was useful or what should be done to improve it "*That kind of evaluation piece of training hasn't been our strongest part. If our training is really very strong then we would expect to see improvements reflected in the audits*" (A3).

Field visits for capturing local content. Franchisees urge the franchisor to gain a *"better understanding of what the day-to-day experiences of a franchisee are as a businessman within the country.*" (ZA). This would enable the franchisor to develop strategic training programs. One franchisee said: *"The people who train us don't know what's happening. They should stop a lot of writing and have somebody on the ground. It's sad they do no surveys unless somebody calls and says that there is a problem*" (ZE).

Absorptive capacity and competence level. Respondents from the franchisor side all pointed to the company's capacity in developing training programs and transferring knowledge to franchisees. A company training director admitted "*We don't have a very structured mechanism built into our training, it's actually something that I'm working on.*" (A3). Dissemination is a challenge. One respondent said: "*I don't think we have delivery and I think our training programs are failing right now. They are very poor, and we are trying to improve. It is one of our strategic initiatives and we need to learn how to do it. Fundamental teaching skills are needed"* (A1). Another respondent added, *"Just because you are good in math doesn't mean you can teach math. Transferring to another person is a skill*" (A2).

Field visits by corporate staff to each franchisee can help the franchisor understand the marketplace better and capture the uniqueness of each market for developing training programs (Fan & Ku, 2010; Minbaeva et al., 2018; Perrigot et al., 2017). Field visits also allow the assessment of franchisee needs that can be incorporated into the training programs (Brown, 2002) as well as increase training capacity (Martin & Salomon, 2003). Training needs assessments and evaluations can be carried out by both formal and informal methods, including questionnaires, interviews, observations, analysis of projected business goals, training audits and focus group discussions (Brown, 2002). In this case, field visits can foster interactions between franchisor and franchisees to create an opportunity to assess training needs and evaluate the effectiveness of training programs (Minbaeva et al., 2018).

However, adapting training content to different contexts may involve high risk (Hsiao et al., 2017). Recognizing that customized programs for each franchisee market can be cost-inefficient to franchisors, the trainer can create standardize programs but use specific examples to reflect different markets. To contextualize training content in a highly efficient way, the franchisor needs strong training skills and personal motivation (Iyengar et al., 2015). This leads to the first proposition:

Proposition 1: The more important training is to franchisees, the more important are the franchisor's training abilities to adapt training programs to fit local franchisee needs.

4.2.2 Training adaptation

Standardization and adaptation in cross border transfer of organizational practices have common elements in franchising and international business literature. Training content must be quickly adapted to fit market realities (Teece et al., 1997). As conceptualized in the following set of second order categories, data in this case suggest that training should be developed based on franchisees' individual needs and experiences.

One content fit all. There is a big gap between what franchisors think they should teach and what franchisee want to learn: "*There is a huge disconnect in terms of what we really need to serve the markets and what corporate thinks or the marketing guy thinks we need. They cannot have a tailor made. They want to have one size that will fit all the franchisees*" (ZA). This is because "*the goals are* *manufactured in the boardroom without consultation from franchisees, who know what really works or does not work in their zones*" (ZA).

Franchisees serve different markets: "*My zone has three different markets. You need to adjust to each customer accordingly"* (ZB). As one respondent reflected back on some of the processes during the training program, he said, "*Corporate fails to understand that every territory has its own complexity* and *at times what comes from Alpha we need to discuss among us because not everything from Alpha works for each and every franchisee*" (ZA).

Different strategies for replication and adaptation have been identified in the franchising literature. Gradual adaptation to local markets is recommended following an initial deployment of standard original practices (Szulanski & Jensen, 2006;2008). But Brookes (2014) and Kalnins and Mayer (2004) suggest a quick adaptation to local needs. Based on the knowledge-based perspective, the data show that the differences in market profiles of franchisees necessitate the adaptation of knowledge to reflect franchisees' local needs. For instance, training on how to manage customers might require different content on how to handle commercial customers compared to residential customers. If the franchisor offers standardized content, strategies recommended during training sessions do not benefit many franchisees since such recommendations do not reflect their current challenges.

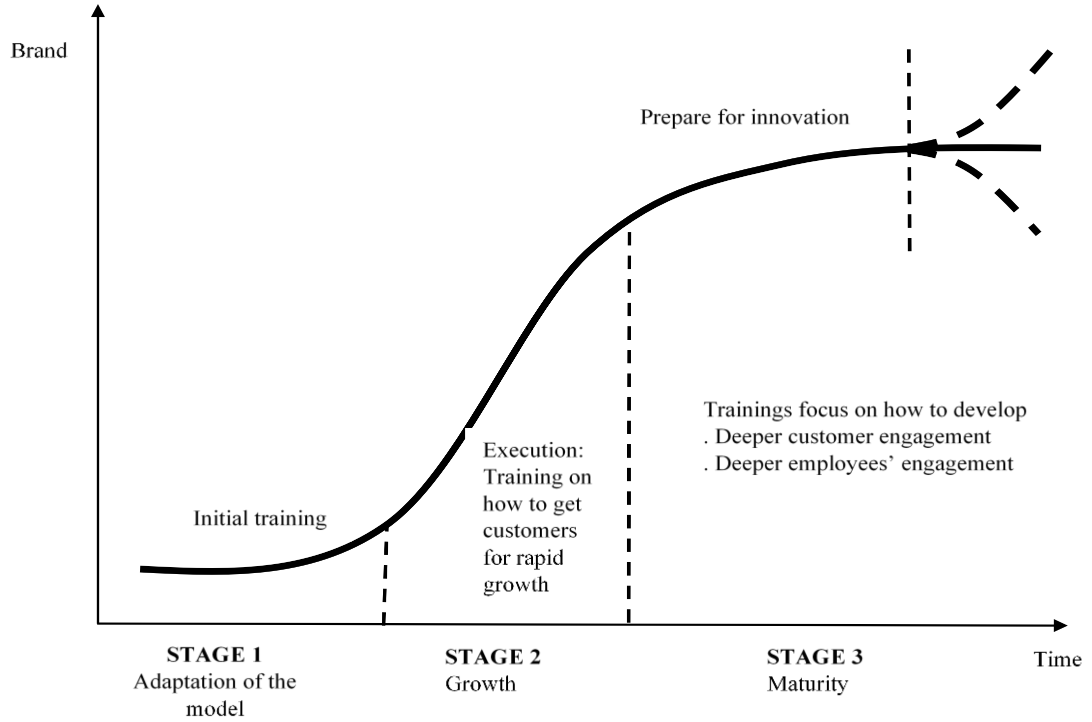
Proposition 2a: The more important the training is to franchisees the more important it is for franchisor training programs to reflect local market needs.

Experiential learning. At Alpha, after going through two weeks of initial training new franchisees join established franchisees for ongoing monthly training. One new franchisee declared: *"My needs are not the same as those of franchisees who are two months into the water service. I've been doing this for four years, so I just smile at what half the firms are saying and walk away. Their complaints right now were my complaints four years ago*" (ZA). It is not motivating for established franchisees to attend the meetings because no new knowledge is imparted "*It's been the same thing*" (ZD).

Learning from experienced people helps new franchisees to not make the same mistakes (Oliva, 2014). One respondent said, "*Until somebody already knows how to deal with them then they can teach how to deal with it*" (ZB). Even with business experience, franchisees need to follow the rules of the company "*Not everyone who has business experience selling fish, for example, can sell water. It's* *different*" (ZC). One respondent suggested that the company should separate franchisees according to their age and offer different training because "*When somebody new comes in, they cannot be experiencing the same issues as somebody who has been in business for five years"* (ZB). As experienced franchisees, they skip those meetings.

Adopted from a learning curve, Figure 2 below shows the learning experience of a franchisee.

Figure 2: Franchisee learning experience



Stage 1: Learning and franchisee dependency on franchisor knowledge is high in this stage because the franchisees' knowledge of running a business is minimal (Blut et al., 2011). During this stage, franchisees learn everything about the business and the franchising model to understand all the key deliverables. The initial training should be comprehensive enough to encompass all functional areas of a business, including tailored training for employees of franchisees who oversee specific areas of operations like sales, customer care, production, and human resource management.

Stage 2: This is the execution/growth stage where franchisees learn how to integrate the training received in the first stage in order to grow their business.

Since franchisees grow by increasing customers, they can increase sales by integrating the franchisor training and their actual experience of day-to-day business operations. Training at this stage is based on strategies to increase the customer base and identify different kinds of support that franchisees require during execution. For example, franchisees with support from franchisor could establish sales promotions to increase sales.

Stage 3: This stage requires franchisees to form deeper engagements with customers. After acquiring more customers in stage 2, franchisees in the maturity stage start to experience slower sales and dependency on franchisor knowledge is reduced, with low motivation for training (Blut et al., 2011). However, franchisees seek new knowledge and opportunities to grow their sales. Training at this stage should be modeled to equip franchisees with innovative ways to increase their sales and remain competitive. It should be framed to enable franchisees to develop deeper relationships and social connections with their customers in order to maintain existing sales.

For example, franchisees should be trained to identify the 20 percent of customers who drive 80 percent of their business and then know the details, including family members. They may need to engage in their social activities like birthday parties and weddings (Fan & Ku, 2010). The development of relational norms with customers will lessen customer concern about prices (Jap & Ganesan, 2000). When franchisees make mistakes like late deliveries, customers can more easily forgive them. Deeper engagements with each group of customers will help franchisees learn about the likes and dislikes of each group and formulate innovative strategies to stay relevant.

The data reveal that all franchisees get the same training because after the initial sessions they are all grouped together for ongoing training. But prior research recommends adjustments according to the what and when of the learning curve (Levin, 2000). For example, the training provided to franchisees at stage 2 (growth) should be different from training provided to franchisees at the maturity stage (prepare for innovation). Experiential learning facilitates tacit knowledge transfer (Ahammad, Tarba, Liu, & Glaister, 2016). The important question franchisors should ask themselves in this case is what to communicate (training content) to franchisees who are new, who are growing and who are not growing or declining. As franchisees move from one point to another (inflection point), training content must adapt.

Proposition 2b: The more important training is for knowledge transfer, the more the franchisor needs to adapt training based on franchisee experience.

4.2.3 Relational mechanism for best practice sharing

The willingness to share knowledge largely depends on the social connections between parties and therefore social relationships have become a primary research topic in the knowledge transfer literature (Ahammad et al., 2016; Dacin, Dacin, & Tracey, 2011; Gorovaia & Windsperger, 2013; Inkpen & Tsang, 2005). Data in this study indicate that the rich transfer of best practices was hindered by a lack of social connections among franchisees, as conceptualized in the following two set of second-order categories.

Social gatherings and learning orientation. Currently, the relationship among franchisees in Alpha "*is business-like.*" (ZC). Franchisees said that the monthly training is good and must continue but they "*would appreciate a quarterly franchising get-together like a workshop to share experiences.*" (ZA). The respondent added: "*We can never have enough time to explore our individual needs and wants but it would be nice to have more time to actually talk about individual issues.*" (ZA). Franchisees suggested that social gatherings will create more time to share and a platform to get rich content because "*if someone can sell 100,000 liters a day, he is doing a lot of things that I am not doing"* (ZC).

Social gatherings will make franchisees come together like a family and open up to each other on how to run a successful business. In December 2018 franchisees gathered at Alpha headquarters for one of their monthly training sessions. Each franchisee had three minutes to speak about three good and bad things that they experienced in their operations for the past month. A few spoke about very general things and the rest of the meeting involved listening to one speaker after the other (a consultant from the US and people from the corporate office). One franchisee commented "*There is no time where we allow franchisees to actually say what's on our minds. As you saw at the meeting, we actually act in 3-4 hours of talking. And we franchisees just listen and pick up what we can and then walk away and go back to the same mistakes*" (ZA).

Knowledge sharing and the competitive environment. To boost sales, Alpha created a competition among franchisees called refer-a-friend where a customer gets a small bottle of water with the Alpha brand when he or she brings in a new customer. This increased the number of customers (200 targeted Vs. 170 actual) but also created competition among franchisees. As a result, sharing strategies and knowledge became nearly impossible. "*Initially I blamed corporate for bringing competition. We didn't intend to do that. What we intended was, they wanted volumes to increase and because volumes should increase everyone would do whatever they have to do to increase volumes because there was a reward for growing volumes and the cost of those volumes growth was neglected"* (ZA).

Respondents said there was no sharing of knowledge because "*franchisees were fighting franchisees*" (ZE). Everyone wanted to become a winner so whenever franchisees met, instead of sharing new insights and strategies on how to increase sales, there was a conflict to resolve "*Whenever we meet, we talk about territory conflicts.*" (ZE). The situation generated a competitive environment where franchisees who performed well did not share what they did to increase customers because they wanted to remain in the lead.

Unlike Tsai (2002), who found that social relations increase knowledge sharing among competitive units, our data support other studies which find that social interactions among franchisees promote knowledge sharing in a cooperative environment (Darr et al., 1995; Goh, 2002; Hsu, Chou, Lee, & Kuo, 2019). The findings also indicate that competition among franchisees hinders sharing winning strategies during training at the expense of becoming a winner (Inkpen & Tsang, 2005). Discovering that competition blocked them from sharing best practices, franchisees agreed to seek more collaboration and knowledge sharing among themselves in order to compete with other water-producing companies in the market.

Franchisees insist that the franchisor consider relational aspects of network management for knowledge sharing. Sharing knowledge among peers of the same status reduces franchisee fear of being perceived as less knowledgeable or inexperienced by their franchisor (Borgatti & Cross, 2003; Del Giudice & Maggioni, 2014), thus enabling tacit knowledge transfer (Coun, Peters, & Blomme, 2019; Holste & Fields, 2010).

Proposition 3: The more important that knowledge transfer through social interactions among franchisees is, the more the franchisor needs to create collaborative learning environments among franchisees.

5 Contributions, Implications and Conclusion

This study examines training as one of the knowledge transfer mechanisms that enable tacit knowledge transfer from franchisor to franchisees. The training practices analysed in this study focus on the franchisor's ability to identify, deliver, and create social environments for knowledge sharing.

5.1 Theoretical contributions

This study contributes to the franchising and knowledge transfer literature in two ways. First, the study offers theoretical support that training is critical in effective knowledge transfer mechanisms. Providing relevant knowledge that fits local needs requires the sender to know the needs of recipients (Rui et al., 2016). Franchisors can identify franchisee local needs by conducting training needs assessments (P1). This requires the trainer's absorptive capacity to collect information from franchisees about local markets (Ishihara & Zolkiewski, 2017), and to develop and disseminate successful programs (Minbaeva et al., 2018). For example, a good training program on sales should identify different approaches on how to acquire customers in offices, residential, and retail market segments.

This study adds more insights to the relevance-based theory (Rui et al., 2016), by highlighting the importance of relevant training based on the market needs (P2a) and experience of franchisees (P2b).

The debate on standardization and adaptation is not new in the international business and franchising literature (Friesl & Larty, 2013; Jonsson & Foss, 2011; Winter et al., 2012). For instance, Szulanski and Jensen (2006) highlight the importance of gradual adaptation of franchisor knowledge. But the findings of this study urge franchisors to tailor their training to the franchisee experience in the networks and market profiles. Sharing key strategies requires a close relationship between knowledge sender and receiver, as argued by social network and relational governance theorists (Gorovaia & Windsperger, 2013; Inkpen & Tsang, 2005; Tsai & Ghoshal, 1998; Williamson, 1985). When parties in alliances perceive themselves as friends, trust is built which then facilitates not just knowledge transfer but the transfer of winning strategies (P3).

Second, the study contributes to the franchising context by showing the usefulness of training in transferring knowledge beyond the traditional sharing of tacit and explicit knowledge. Traditionally, the franchising model involves transferring knowledge from franchisor to franchisees (Oxenfeldt & Kelly, 1969).

As a result, training, especially in the early stages, was framed to help franchisees understand the company and his or her responsibility. On a continuing basis, franchisors offer ongoing training as part of support services to help franchisees grow their business (Minguela-Rata et al., 2010; Perrigot et al., 2017). Franchisors prepare training programs based on their knowledge, potentially disregarding the franchisees' local knowledge and market needs (Ishihara & Zolkiewski, 2017). Our study findings emphasize that training can be successfully used as a knowledge transfer mechanism when the content fits franchisee market needs.

As the findings reveal, franchisees serve different kinds of customers. Through training needs assessments, franchisors should be able to identify different needs and adjust training accordingly. The reconfiguration of training starts with the trainers' local market experiences and capacity to absorb local information and translate it into relevant content for local fit. Training needs assessments also help the trainer to know when and what to teach given differences of franchisee experiences in the network. Because mature franchisees have been in the network for a comparatively long time, their experiences may be useful for new franchisees (Coun et al., 2019). Experiential knowledge is easily transferred through social networks where franchisees can develop strong ties.

The theoretical contributions are summarized in table 4.

Table 4: Presentation of theoretical contribution

Propositions	**Contribution to extant theories and franchising literature**
Training development and delivery (P1)	Training needs assessment (TNA): by showing the need to conduct training needs assessment to identify franchisees knowledge gap and training needs that best fit their market profiles.
Training adaptation to franchisees' needs (P2a & P2b)	Relevance-Based View: by showing the need for adapting training programs to fit franchisees market/customers' needs. Organizational learning theory: by showing how knowledge content should be adapted according to different stages of franchisees' experiences.
Relational mechanism for rich content transfer (P3)	Social network: by indicating the importance of collaborative environment in sharing relevant strategies for competitive advantage of the whole network.

5.2 Implications

5.2.1 Implication for future franchising and knowledge transfer research

This study supports recent theoretical developments in the knowledge management literature that knowledge is key for competitive advantage and depends on transfer mechanisms (Rui et al., 2016).

This research provides an in-depth analysis of franchisors' ongoing training to franchisees. It demonstrates that training is a mechanism to transfer tacit knowledge (Perrigot et al., 2017; Windsperger & Gorovaia, 2011), but only if the knowledge is tailored to fit franchisee needs and experience. Future research might investigate how training needs assessments can capture variations in local markets. This may pave the way to identify the effect of institutional factors (e.g. legal system, culture etc), market competition and organizational factors (e.g. process and structure) in the development of training programs (Minbaeva et al., 2018). In addition, field visits will increase the trainer's knowledge of local markets and his/her ability to tailor training to each franchisee (Minbaeva et al., 2018). Therefore, examining factors that influence the trainer's ability to transfer knowledge might advance future research in franchising and how these factors might affect the trainer's selection by the franchisor. And, for franchisee local needs to be included in training programs, franchisors should place more emphasis on local needs and how to include them in the training program (Ishihara & Zolkiewski, 2017). Research could investigate franchisee capacity to communicate their training needs to franchisors (Martin & Salomon, 2003).

Recognizing that franchisee failure might result from failure to replicate the franchisor's complex knowledge (Winter & Szulanski, 2001; Winter et al., 2012); this paper calls for further research to examine how effective training facilitate the growth of a franchise network. This is particularly important given that the results show that the training programs for franchisees have diverse implications for their continuity and growth.

Similarly, future research might explore how adapting training content to franchisee needs and experience affects business performance. Since the development of training programs depends on the trainer's knowledge of local markets, future research should also investigate how the need for local knowledge affects the franchisor's market selection and consequently franchisee selection.

Social relations are not mechanism for knowledge transfer but rather they ease the transfer of tacit knowledge. New franchisees depend on the franchisor as a source of knowledge. However, over time, knowing that other franchisees have valuable experiential knowledge might motivate new franchisees to seek knowledge from their experienced colleagues (Borgatti & Cross, 2003). Although franchisees insist on separate training between established and new franchisees, future research should investigate how this practice may affect knowledge accessibility between the two groups (Del Giudice, Carayannis, & Maggioni, 2017). Moreover, peer-to-peer knowledge transfer is facilitated by trust, which is developed through social relations and collaboration among franchisees. If these franchisees are separated according to their experience or market profile, research needs to explore at what stage franchisees should join together for social ties and knowledge sharing.

Another important area for future research is comparing the use of KTMs between developed and developing countries. KTM research in franchising so far has been done mostly in western countries (Gorovaia & Windsperger, 2010; Minguela-Rata et al., 2010; Perrigot et al., 2017) and less in developing countries (Khan, 2016) which makes comparison with developing countries difficult. This is a research gap which needs to be addressed.

5.2.2 Implications for practitioners

Findings of this study provide a practical guide for franchising practitioners. The study assists new franchises trying to develop a franchise system. As the franchise business model expands rapidly in Africa, local franchisors should first experience the business through company-owned stores to understand different market segments before starting their own franchises. This will enable new entrants to understand local markets and adapt training programs for effective transfer as well as increase franchisee compliance (Lee, 2017). Also, given that knowledge about the franchising model in Africa is still new, franchisors should understand that the use of appropriate mechanisms is vital for successful knowledge transfer.

Secondly, to enhance knowledge transfer that fits their market segments, franchisees should communicate to franchisors about their customer base or any changes in their local markets. Failure of franchisees to communicate their local knowledge may lead to the exclusion of important information that should be part of a training program (Ishihara & Zolkiewski, 2017).

Lastly, franchisees should understand the importance of social relations in knowledge sharing for brand competitiveness (Del Giudice et al., 2017). Sharing best strategies increases brand competitive advantage that benefits the whole network (spill-over effect) and not just a single outlet.

5.3 Conclusion

This paper explores knowledge transfer mechanisms in African franchising markets using a single case study and inductive techniques. Results are applied to suggest theoretical propositions based on the training mechanisms most often used in knowledge transfer. Findings suggest that franchisors should develop skills to understand franchisee training needs and deliver the knowledge content that best fits franchisee market profiles and experience. In addition, franchisors should create social collaborative environments for franchisees to share best strategies.

Although training is crucial for building and maintaining a successful franchising business through transfer of tacit knowledge, the research investigating training and learning practices is nascent in the franchising literature. This paper suggests that further research is needed on the role of training in franchise performance.

5.4 Limitations

Despite the theoretical generalizability associated with case studies, the findings in this paper may be limited in generalization to other franchise networks. It is therefore recommended for future studies to use quantitative approaches that allow for generalization to the population of franchisee networks around the world. Specifically, survey and archival data can be used to empirically test the theoretical propositions in this paper by employing statistical techniques such as structural equation modelling (SEM).

Another limitation worth mentioning is the nature of the case. Although the case used in this paper is unique in many aspects given its institutional context of a developing market, the franchise network used is relatively new therefore some of the observations may not be applicable to similar franchise networks that are well established.

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Study 3

Knowledge Transfer, Institutions, and Franchising: A Case of Social Enterprise in Africa

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Abstract

Context is an important factor in the knowledge transfer process. Despite advances in the knowledge management literature, our understanding of the role of the institutional context in knowledge transfer within social entrepreneurship remains inadequate. In particular, further explanation is needed about the role of institutions and the adaptation of the franchise model by social entrepreneurs in Africa. Using the qualitative induction methodology, we examine a social franchise network operating in Africa. Our findings suggest that social franchises respond to institutional frameworks (both formal and informal) to scale up their social impact on African countries. In settings dominated by formal institutions, social franchises transfer and adopt strategic knowledge and expand rapidly through direct franchising. In contrast, in those dominated by informal institutions, social franchises adapt their training strategies and use indirect franchising such as area master franchising. We provide valuable insights into the expansion of a rapidly growing business model within social entrepreneurship, social franchises, and show how this model responds to institutional environments in Africa.

Keywords

Institutions, Social Franchising, Training, Franchising, Africa

1 Introduction

Franchising has been globally acknowledged as an engine for entrepreneurial growth in Western economies. It involves a contractual agreement between two independent parties to use the proven business format from the franchisor for a monetary fee paid by the franchisees (Alon, 2001). Due to its success, it has been adapted into smaller businesses and social enterprises mainly in developing countries as micro-franchising and social franchising, respectively (Crawford-Spencer & Cantatore, 2016; Giudici et al., 2018; Tracey & Jarvis, 2007). The franchise model involves the transfer of a business format from the franchisor to the franchisee, with the former providing training to the latter. However, less attention has been paid to the factors that promote and inhibit the transfer of knowledge in social franchises, despite its usefulness in having a social impact (Iddy & Alon, 2019).

Prior research indicates that we cannot generalize about the barriers to knowledge transfer (Karagoz et al., 2020). For example, existing studies have identified various factors that hinder knowledge transfer in the public sector (Amayah, 2013; Karagoz et al., 2020), higher education (Lockett, Cave, Kerr, & Robinson, 2009; Romano, Del Giudice, & Melita Nicotra, 2014), the oil and gas industries (Olaniran, 2017; Ranjbarfard, Aghdasi, López-Sáez, & López, 2014), ICT (Kukko, 2013), franchising (Iddy, 2020; Khan, 2016; Okoroafor, 2014) and social enterprises (Bloice & Burnett, 2016; Weerakoon, McMurray, Rametse, & Arenius, 2019). However, these studies present findings from developed economies with relatively stable institutional frameworks (Chliova & Ringov, 2017; Liao & Yu, 2012).

In developed economies, businesses thrive due to stable institutions that ensure fair play. The situation is different in Africa, which has weak and informal institutions (Chliova & Ringov, 2017). In this situation, social franchises that grow by replicating knowledge struggle to protect their unique knowledge to ensure their competitive advantage (Ringov, Liu, Jensen, & Szulanski, 2017). Most social franchises focus on scaling up their social impact overlooking the institutional limitations where they operate or expand (Desa & Koch, 2014). Informal institutions pose a challenge for contract-based relationships such as franchising in transferring patent knowledge (Baena, 2012; Baena & Cervino, 2014). The role of institutions in the performance of social entrepreneurship has been underexplored in emerging economies, particularly regarding knowledge management (Brookes & Altinay, 2017). While it can be easier to generalize some of the contextual characteristics across Africa (Zoogah & Nkomo, 2013), research exploring country-specific factors needs further attention. Our study, therefore, seeks to answer the questions: *How does the institutional environment in Africa affect knowledge transfer and how do social franchises respond to the institutional environment?*

When investigating these questions, we find that social franchises that expand successfully in Africa's different countries respond to the institutional environment. Some African countries have shown improvement in the formalization of laws and regulations, yet informal institutional frameworks still prevail to a large extent. As a result, we underscore the importance of examining the country-specific institutional environment and how it affects organizational practices. We contribute to a better understanding of how informal institutions in Africa affect social entrepreneurs' growth. We argue that the failure to adapt a business model to the existing formal and informal institutions will undermine a social entrepreneurship's growth strategy.

The following theoretical section precedes the study's empirical section, which discusses franchising in Africa, the rationale for social franchises in Africa, and the social franchise network where we collected our data. After that, the research method section is followed by the findings and a discussion about the study's contributions and limitations, and suggestions for future research.

2 Theoretical frameworks

2.1 Institutions

The neo-institutional theory has undergone developmental changes since its inception in the late 1970s (Jepperson, 2002). In early 2010, the theory gained momentum in the organizational and management field (Alvesson & Spicer, 2019; Scott, 2008a). In an earlier explanation of institutional structures, institutional forces were usually equated with formal regulatory frameworks (Meyer & Rowan, 1977). Later on, Scott divided institutions into three groups: cultural-cognitive or mimetic, regulatory (related to DiMaggio and Powell's (1983) notion of coercive), and normative (Scott, 2001;2005).

Organizations adopt new structures and practices when entering another country. They do so not necessarily to increase the efficiency or effectiveness of the firm, but rather to comply with the regulations of the country and with its moral and cultural norms (Scott, 2005;2008b). An organization's actions are considered legitimate when they correspond to a country's rules, laws, and monitoring system (Scott, 2008b). The normative element of the institutional environment comprises of socially accepted obligations, for example, through professional certification and accreditation (DiMaggio & Powell, 1983; Scott, 2005). The cultural-cognitive element emphasizes commonly shared beliefs of the society and taken-for-granted understandings 'through which meaning is made' (Scott, 2008b).

Similarly, institutional theorists categorize institutions into formal and informal structures (Morgan & Quack, 2005; North, 1990), which are the terms we shall adopt in this study. Formal and informal institutions include the political system, the legal system, and social and cultural beliefs (North, 1990). Regulatory elements that are formally composed and accepted to guide the legal framework and economic activities of society fall under the formal structures of institutions. Informal structures, on the other hand, comprise of cognitive and normative elements, which are unwritten codes of conduct (traditions, norms, culture, and customs) accepted by society to shape business activities (Scott, 2001). As North (1990) noted, organizations are constrained by either the formal or informal structures of institutions. These structures, however, tend to complement or substitute for each other (Estrin & Prevezer, 2011). Where informal and formal institutions are not incompatible, firms must deal with institutional misalignment (Chaux & Haugh, 2020; Williams & Vorley, 2015) or weak institutions when informal institutions dominate or substitute for formal ones (Estrin & Prevezer, 2011), as in the case of Africa and other developing countries (Zoogah, 2018).

Drawing on findings from modern institutions in Western countries, researchers have maintained that strong institutions support organizations, while weak institutions hinder organizational performance (Estrin, Mickiewicz, & Stephan, 2016). Gradually, however, expanding research in weak institutions has determined that, rather than acting as constraints (Zoogah et al., 2015), organizations sometimes use weak institutional elements such as corruption to speed up their activities (Bahooa, Alon, & Paltrinieri, 2020; Jiménez & Alon, 2018). For instance, (Mbaku, 2010) showed how corruption can be used to circumvent legislation that has a negative effect on an organization's profits. In countries with informal institutions, corruption has developed as a social norm to ease the cost of doing business (Zoogah, 2018). Others have gone further, demonstrating that the misalignment between formal and informal institutions might actually provide opportunities to entrepreneurs (Chaux & Haugh, 2020; Williams & Vorley, 2015) and a competitive advantage to MNC subsidiaries (Björkman, Fey, & Park, 2007; Clark & Lengnick-Hall, 2012).

2.2 Institutions in Africa

Institutional theory is becoming an important perspective in research on Africa due to the distinct aspects of its institutions. However, the extant literature about knowledge management in Africa lacks an institutional perspective (Chliova & Ringov, 2017; Littlewood & Holt, 2018; Rivera-Santos et al., 2015; Zoogah et al., 2015). Although prior research generalizes its findings, giving the impression of uniformity in African countries (Zoogah et al., 2015), recent studies have started to recognize the diversity of African countries with different traditions, languages, political, economic, and legal structures (Nkakleu & Biboum, 2019; Zoogah, 2018). Understanding the institutional parameters of each country and how they affect knowledge management in entrepreneurship is of particular interest to organizations seeking to enter the African market (Aliouche et al., 2015; Rivera-Santos et al., 2015).

Corruption and poverty are still major problems in Africa. The UNDP reports that almost all countries in sub-Saharan Africa suffer from extreme poverty. In 2018 Transparency International stated that 10 out of the 20 most corrupt countries are from sub-Saharan Africa. Corruption and tribalism influence the recruitment process in sub-Saharan African organizations, factors that have a strong effect on knowledge management practices (Parboteeah, Seriki, & Hoegl, 2014). Additionally, unstable rules and regulations, labor regulations, lack of societal and economic support, and the failure to protect property rights reduce entrepreneurial activities by prompting people to seek income from formal employment rather than becoming self-employed (Estrin et al., 2016; Luo, 2020). Deficiencies in contract enforcement, transparency, and corruption have lead organizations to prefer business arrangements such as equity joint ventures (Kamoche & Harvey, 2006; Nkakleu & Biboum, 2019) or low control modes of governance such as master franchising (Koch, Ludvigsson-Wallette, & Nilsson, 2020; Rosado-Serrano et al., 2018).

Youth unemployment and lack of access to quality education and training programs in Africa create challenges in finding competent managers with managerial experience (Yessoufou, Blok, & Omta, 2018; Zoogah, Gomes, & Cunha, 2020; Zoogah et al., 2015). The limited education of employees hinders the transfer of knowledge (Chliova & Ringov, 2017). Lack of employment opportunities force young people to engage in informal businesses that are not formally registered with the legal authorities. While corruption influences the quality of judicial procedures and contract enforcement (Dixit, 2015; Knott & Miller, 2006; Zoogah et al., 2015), the failure to register businesses with the authorities limits the extent to which contract terms can be legally enforced (Chliova & Ringov, 2017).

All organizations (franchises and non-franchises) in Africa are subject to the same institutional situation (Scott, 2005). The response to this situation might differ according to the size, origin (foreign or local), and political endorsement of the business. For instance, large firms may respond to both the formal and informal institutional environment by trying to lobby the government to change some of the regulations (Chliova & Ringov, 2017), bribe politicians to establish strong social networks (Zoogah, 2018), or use misalignment as an entrepreneurial opportunity for small entrepreneurs (Camenzuli & McKague, 2015; Chaux & Haugh, 2020). Since entrepreneurship always occurs in a cultural context, understanding the effect of informal African institutions on knowledge management practices is critical to fostering social entrepreneurial growth and eradicating poverty there (Littlewood & Holt, 2018).

3 Method

3.1 Empirical context

3.2 Franchising in Africa

The franchising sector in Africa is growing. Africa is becoming an important market for foreign investors due to the potential growth of the African market (Odusola, 2020; Siggel et al., 2006), evident in countries such as South Africa, Egypt, Nigeria, and Morocco (Aliouche et al., 2015; Kastner et al., 2019; Siggel et al., 2006). Furthermore, franchising companies such as Hyatt, Marriott, Radisson, and Keller Williams have recently announced their plans to expand to more than 21 African countries on average, in addition to South Africa, Egypt, and Morocco.

Although African entrepreneurs like international brands, being a foreign franchisor does not guarantee success. International franchises, however, face competition from locally developed franchises, which are also rapidly expanding across Africa. For example, in 2015, the Franchise Association of South Africa (FASA), which is the largest so far in Africa, reported that 88 percent of franchises in South Africa are domestic franchisors. This number is increasing and expanding across African countries. Apart from competition, foreign franchises often fail in Africa due to the lack of qualified franchisees, cultural misunderstandings, political instability, low per capita income, corruption, the weak rule of law, limited financial capital, and lack of franchise regulations (Aliouche et al., 2015; Alon, 2004; Siggel et al., 2006). Local franchises might have an added advantage over foreign franchises due to their ability to respond to institutional challenges.

Although regulations in this sector are not yet well established, Hyatt (2018) stated that Africa remains a focus for many companies, providing a promising business climate, especially in the tourism sector. To utilize the opportunities in the franchising sector, a few African countries (apart from South Africa, Morocco, Egypt) have started to establish associations solely for franchises. For example, the Rwanda Development Board (RDB) and Private Sector Federation (PSF) have founded a franchise association for franchises operating in Rwanda. Additionally, Rwanda took a step further by integrated social franchising into the country's vision for the development of the healthcare sector (Naatu, Alon, & Uwamahoro, 2020).

3.1.2 Social franchising

Although franchising is an inexpensive way to expand internationally (Rosado-Serrano et al., 2018), commercial franchising is very expensive (Kistruck et al., 2011). This factor might explain why most commercial franchises started to expand to Africa very late. For example, popular brands such as Burger King, McDonald's, KFC, and 7-Eleven, which require an average investment fee of approximately $2,146,511, are not yet common in Africa (Galic & Notaris, 2020). According to the Africa Development Bank (AfDB), the institutional environment of African countries accounts for the limited number of commercial franchises in Africa. Companies find it difficult to function in places where is there is no rule of law, poverty, corruption, illiteracy, and the lack of a general understanding of the franchising concept among policy makers, entrepreneurs, academics and the general population. For example, the World Bank reported in 2015 that 413 million people who live in sub-Saharan Africa subsist on less than $1.90 a day. However, a bucket of five pieces of chicken at KFC in Tanzania is approximately $13. Thus, the African Development Bank (AfDB) stated that the franchise concept must be tailored to satisfy basic needs and target a low-income, rural population.

Although the eradication of poverty is a concern for many sub-Saharan African countries and other international agencies, the World Bank also reported that the lack of sustainable solutions for solving social problems is linked to increased poverty. Both researchers and practitioners from different contexts have been inspired to come up with new innovations, know-how, and financial resources that will resolve this issue (Ciambotti & Pedrini, 2019; Desa & Koch, 2014; Si, Ahlstrom, Wei, & Cullen, 2020; Steinfield & Holt, 2019). Researchers in business model innovations have studied adapting the franchising model to not-for-profit organizations (NGOs) as a possible solution (Carril, 2014; Christensen et al., 2010; Crawford-Spencer & Cantatore, 2016; Kistruck et al., 2011; Perrigot, 2018).

Social franchising is the use of commercial franchising logics in social enterprises (Christensen et al., 2010; Crawford-Spencer & Cantatore, 2016). Social franchising involves transferring knowledge to replicate the social impact of a well-established social solution (the social franchisor) to another individual or enterprise (the social franchisee) with the same social goals (Cumberland & Litalien, 2019; Ziólkowska, 2018). It enables social enterprises to combat social problems while making social entrepreneurs financially sustainable (Alon & Misati, 2011; Christensen et al., 2010). Unlike commercial franchising, social franchisors help social franchisees with financial capital (Smuts, Beckwith, Nkonyeni, Scheepers, & Bonnici, 2019). Although some social franchises started operation in developed countries, studies indicate the successful adaptability of the social franchising model in the base-of-pyramid (BOP) market (Giudici et al., 2018; Kistruck et al., 2011; Maciejewski, Jaana, Keely, Crowe, & Liddy, 2018). Evidence from the Rosenberg International Franchise Center ("Franchise Indices," 2020) indicates that African countries rank high in the potential of social franchises and low in commercial franchises.

Social franchises offer a viable business approach to achieving the dual missions of having a social impact and making a profit (Alon, Wang, & Dugosh, 2014; Chliova & Ringov, 2017). The business model allows social franchisors to combine resources from donors and investors (Ciambotti & Pedrini, 2019). Resources collected from donors help social franchisors share knowledge and co-invest with social franchisees who are also beneficiaries (McBride, 2015) and generate a profit. Thus, social franchising is an innovative business model within social entrepreneurship that helps scale up social impacts (Pratono, Marciano, Suyanto., & Jeong, 2018). However, although social problems look similar in most countries in the BOP market, their institutional settings can yield different outcomes when replicating business templates in different countries (Chliova & Ringov, 2017).

3.1.3 The company: The Alpha social franchise

We explored the use of social franchises using a company that we refer to as Alpha. Alpha is a social franchise network in Africa that provides safe drinking water to underserved populations and business opportunities to local entrepreneurs. The company uses the franchise model to stimulate economic growth and create economic independence, while addressing the fundamental problems of unemployment and unsafe drinking water. To help many small entrepreneurs become social franchisees, Alpha co-invests with them by providing a water purification machine and guaranteeing them a start-up loan from micro-credit banks. It is currently operating in seven countries with 122 franchisees and at least 2000 retail points. The more Alpha sells water, the more it reaches a large population, while increasing sales. In doing so, it achieves its social and financial objectives. However, between 2017 and early 2019, Alpha started experiencing stagnation in performance. In an interview with the founder, he partly attributed this situation to inadequate training for franchisees.

As part of its support incentives, Alpha provides on-going monthly training to franchisees and periodically to other employees using the same modules in all countries. Monthly training in Alpha is designed for franchisees. This is because the Alpha franchise contract, like any other franchise contract, requires a franchisee to supervise the store's daily operation. For stores operated by a manager, it is the franchisees' responsibility to pass on the information to the manager after the meeting. The manager then communicates this information to the rest of the team members. Franchisees should gather information from managers and provide feedback to the franchisor (trainer) during the next meeting.

Although the empirical focus here is on the institutional environment of Rwanda and Uganda, Table 1 provides an overview of the institutional environment of the seven countries in which Alpha operates. The table indicates how the company is expanding (the number of franchised units) in an improved institutional setting such as Rwanda and a poor institutional environment such as the DRC in terms of corruption, contract enforcement, and ease of doing business. Additionally, the table also shows the rapid improvement in Tanzania with medium scores of ease-of-doing business through area master franchising.

Since 2014, when the company started its first franchisees in Rwanda and Uganda, there has been a difference in performance. Growth in Rwanda in terms of the number of franchisees and franchised units has increased compared to Uganda. The difference in performance might be influenced by, but not limited to, the quality of the countries' institutions. The ease of doing business index, which considers regulatory factors such as the quality of judicial processes, and the costs and time involved in resolving commercial disputes in a local first-instance court, positions Rwanda as the second-best country in sub-Saharan Africa ("Market Overview," 2020). In 2019, the country's commercial guide for U.S. companies and the International Trade Administration reported that since 2014, Rwanda's business environment has improved due to reductions in corruption, crime, and political conflicts. Rwanda is the least corrupt country and the only country to score above the global average in East Africa according to ("Transparency International," 2019).

In contrast, in Uganda, corruption is still a severe problem. There is little political will to fight it to encourage a friendly business environment. Corruption index ranked Uganda as the third most corrupt country in East Africa, following South Sudan and Burundi ("Transparency International," 2019). In addition, the country's commercial guide for U.S companies reports that unregistered economic businesses and the sale of smuggled counterfeit products, especially from China, hinder foreign and local producers of consumer goods in Uganda.

The improvement in legal enforcement, corruption levels, and formal registration of businesses in Rwanda might be one of the reasons that Alpha permitted the growth of the company through multi-unit ownership there (Clarkin & Rosa, 2005; Hussain, Sreckovic, & Windsperger, 2018; Koch et al., 2020).

Table 1: Company and institutional data of countries where Alpha operates

		Uganda	**Rwanda**	**Kenya**	**Tanzania**	**Zambia**	**Burundi**	**DRC**
Started franchise		2014	2014	2017	2019	2020	2020	2018
Entry mode		Direct	Direct	Direct	AMF	AMF	AMF	Bukavu= AMF Goma= Direct
Overall ease of doing business	Index	60	76.5	73.2	54.5	66.9	46.8	36.2
	Rank	116 (Medium)	38 (Easy)	56 (Easy)	141 (Medium)	85 (Easy)	166 (Below average)	183 (Below average)
Ease of starting a business	Index	71.4	93.2	82.7	74.4	84.9	92.9	91.6
	Rank	169	35	129	162	117	44	54
Contract enforcement	Index	60.9	69.1	58.3	61.7	50.8	43	33.3
	Rank	77	32	89	71	130	158	178
Corruption	Index	28	53	28	37	34	19	19
	Rank	137	51	137	96	113	165	165
Literacy rate		76.5%	73.2%	81.5%	77.8%	86.7%	68.3%	77%
Urbanization		23.4%	17.3%	27.5	34.5%	44%	13.4%	45%
Unemployment rate		1.84	1.03	2.6	2	11.4	1.4	4.2
Population (mid-2020)		46 mil	12.6 mil	51.3	56.3	17.3	11.2	84
Number of franchisees		28	47	21	21	3	3	11
Number of franchised units		30	52	21	21	3	3	11
Number of company-owned units		3	1	0	1	1	1	2
Total units		33	53	21	22	4	4	13

Sources: Compiled from company archives, the World Bank, Transparency International, UNESCO Institute for Statistics, United Nations Population Division, and the OECD.

3.2 Research design

We used a single case study approach based on grounded theory to allow new concepts to emerge from the data. We employed this approach due to the unexplored nature of social franchising in Africa (Yin, 1989). As shown above, commercial franchising and the use of the franchising model by social enterprises is increasing in Africa, but academic research lacks knowledge about franchising practices and institutional challenges in the region. Therefore, inductive research from a single case provides a deeper understanding and allows us to uncover new concepts (Dyer & Wilkins, 1991; Eisenhardt, 1989).

We chose franchising for this study because it offers a new frontier for franchising research from an institutional theory perspective (Zoogah et al., 2015). While there are several social franchises that were originally established in Africa (Camenzuli & McKague, 2015; Smuts et al., 2019), Alpha was selected because it has spread into different African countries with different institutional settings. Additionally, knowledge transfer through training is the core activity in the franchise model, and tacit knowledge is key for the development of social enterprises (Granados et al., 2017).

As indicated in Table 1, Alpha uses direct franchising in Kenya, Uganda, DRC-Goma, and Rwanda. It expanded to Tanzania, Zimbabwe, Burundi, and DRC- Bukavu through area master franchising (AMF) where one franchisee is given the right to recruit franchisees in a certain territory (Jell-Ojobor & Windsperger, 2017; Rosado-Serrano et al., 2018). We collected and analyzed data from Uganda and Rwanda because the company uses the same model in both countries. In addition, Alpha began operations in both countries at the same time, in 2014.

We triangulated data from different sources to validate our construct. The results appear in Table 2. In addition, we sent a draft of this paper not only to the key informant to ensure the accuracy of the reported findings but also to academics in the international business and franchising field to compare our results with those in already established theoretical frameworks (Gibbert & Ruigrok, 2010). During the data analysis, internal validity was ensured by constant comparison between findings in each stage and the existing theoretical frameworks that guided this research (Yin, 1994). Moreover, collecting data from different franchisees in the same franchise network and different respondents at the franchisor enhanced the study's external validity (Yin, 1994).

3.2.1 Data collection

The induction approach based on grounded theory (Corbin & Strauss, 2015; Gioia et al., 2012) was used from the data collection stage to allow us to develop insights based on the information that emerged rather than imposing a particular framework. Interviews were conducted with the top management level at the franchisor's headquarters and the franchisees in Uganda and Rwanda. Additionally, we also conducted the interviews with the franchisees and managers separately to highlight the different perspectives of the franchisees, employed managers, and other employees. Adopting this approach allowed us to compare the findings of the owner-managers and employee-managers. Interviews and field visits were conducted between 2018 and 2019. Table 2 lists each data source.

Table 2: Overview of data collection sources

Data Source	**Informant**	**Time used /data**
Interview Semi-structured	Founder (A1) Training director (A3) CEOs (both countries) (A2 & A4) FRM (both countries) (A5 & A6)	Understand training practices in both countries. Understand factors affecting knowledge sharing in the network. Obtaining insight into the company's response to the factors affecting knowledge sharing.
	Franchisees (8) (ZA to ZH)	Understand socio-cultural attributes that affect business engagement. Understand how training affects their performance
Observation- Non-participant	To franchisees: Field visit Franchisees' annual meeting: Non-participant	Four meetings One meeting
Archives	Franchise contract, promotion document, training modules	Training programs Performance records
Secondary data	Company's website, media reports	Organizational performance

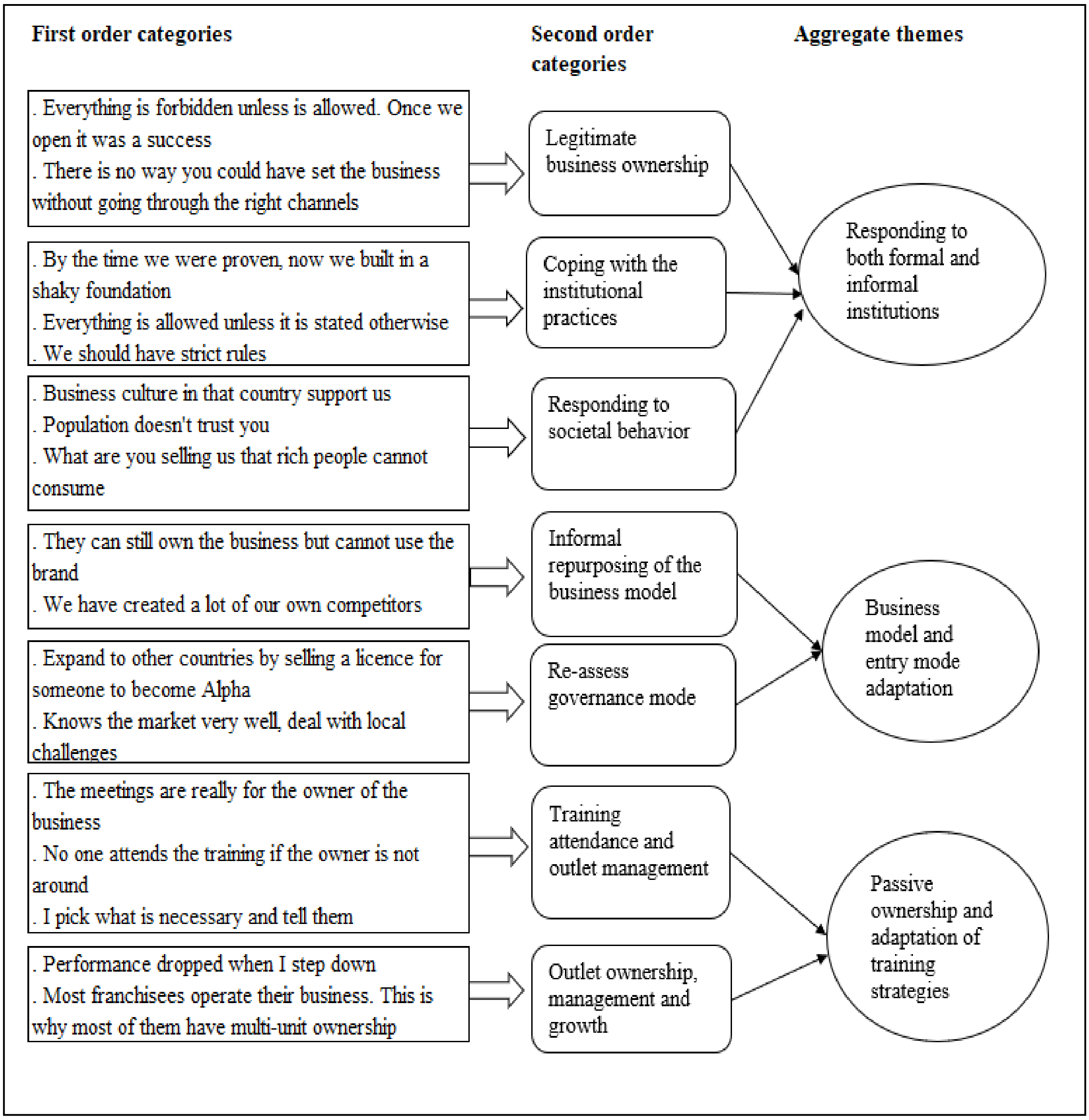
3.2.2 Data analysis

All interviews were recorded and then transcribed. The first stage involved importing the interview transcriptions and other sources of data into NVivo software. We then identified and grouped the themes that emerged from the interviews such as a description of the regulatory elements, informal elements, and training practices.

Second, guided by grounded theory techniques and Gioia et al.'s (2012) conceptualization, we categorized the excerpts from the interviews into first-order categories. First-order categories are taken from raw data. The process was iterative between the raw data to make sure that the categories were comprehensive and mutually exclusive. The result was 17 first-order categories. We then grouped the interrelated interview quotes into second-order categories, using the existing literature (Eisenhardt, 1989; Gioia et al., 2012). As a result, we had seven second-order categories.

The final three aggregate themes, responding to formal and informal institutions, business model and entry model adaptation, and passive ownership and adaptation of training strategies were constructed from second-order theoretical codes. This process involved an iteration process between the first-order empirical data and second-order theoretical codes to establish a link between theory and data. Arriving at three aggregate themes that explained the response of the Alpha social franchise to adapting its training practices to deal with the institutions involved creating and rejecting several ideas. The data structure is presented in Figure 1.

Figure 1: Theorizing a social franchise's response to barriers to institutional knowledge transfers



4 Findings and Discussion

We theorized three mechanisms to describe the response of the social franchise Alpha when institutions affect the training practices of the company. First, the company adapted its training to the formal and informal institutions in the country and to societal behavior. Second, the company chose to maintain its training practices by repurposing its business model and changing its control mechanisms. Finally, the company made its training more flexible by balancing the training between the owner and manager, and the franchisees, resulting in protecting knowledge for the benefit of the whole network.

Responding to both formal and informal institutions

Initially, Alpha began functioning in the two countries simultaneously. Later, it realized that these countries had different institutional factors. While they were both from the same region in Africa, the extent of formal regulations and laws differed. The company explained how responding to both the formal and informal institutions strengthened the business model.

Legitimate business ownership

When establishing the business in Rwanda, the country's regulations supported the company through its formal authority and business regulations. Companies are not allowed to start business operations until receiving the approval of the government that they meet the country's requirements. The national director explained that, "*In Rwanda, culturally, everything is forbidden unless it is allowed. Once we opened Alpha, it was safe. So, people trusted us" (A2).*

The trust and acceptance from the market came from the process of opening the business in Rwanda legitimately. This might also explain the competition in water production companies in Rwanda and Uganda. While four water companies were operating in Kigali, Rwanda, there were nineteen companies in Kampala, Uganda by the beginning of 2019. The absence of a method for registering a business legally makes the transfer of knowledge more difficult. Sharing tacit, patent knowledge in social franchises, which increases their competitive advantage, is more likely to occur in countries in which laws are enforced. The national director in Rwanda pointed out that:

> *They trust out of the fear, system, and government to the extent that if you put a product on the market, it has to be legitimate because there is*

no way you could have set it up without going through the right authority (A4).

Alpha recognized this and followed all of the legal procedures, which helped establish trust not only among its customers but also among potential franchisees.

Coping with institutional practices

Instead of closing operations in Uganda due to challenges in business legislation, Alpha acknowledged that starting operations without endorsement from the formal authority was socially accepted and not illegal (Musara & Nieuwenhuizen, 2020). The franchise model, however, is a contract-based relationship that necessitates a legal framework. Taking the risk of signing franchisees into the network was risky because Alpha had little protection in the case of a contract dispute. The national director from Uganda explained:

Now, in contrast to Rwanda, in Uganda, everything is allowed unless it is forbidden. So, …there are all kind of products out there. Maybe we should have strict rules. Then that is where the rules come in. Now, it is getting out of control (A2).

However, the presence of unregistered businesses impeded Alpha from attracting potential franchisees. Entrepreneurs were reluctant to join the Alpha network due to the lack of trust in a company that was unofficial. Some companies operate while waiting for formal approval and others operate informally. Alpha decided to launch the franchise model while waiting for formal recognition, but things did not go well. The founder said, "*We tried to start as a franchise by launching franchisees, and it did not work out, so we actually ended up buying back the franchisees and running them as company-owned stores.*"

Additionally, during the discussion, the national director noted that the franchisees "*did not agree with the model. So, by the time we were proven, we had built on a shaky foundation*" (A2). Franchisees were skeptical about the model because many companies start operations informally, but later people came to realize that they had been recruited as part of a pyramid scheme. This skepticism affected the initial training of the franchisees, which is crucial to transfer the franchisor's knowledge and business routines.

To show the trustworthiness of the company model, some of the local people who were on the board stepped down to start stores as franchisees. One franchisee explained that:

> *Because nobody was starting the franchisee. Yeah, because really, for our concept to actually work, we needed to activate it, get someone willing to get started with it. It was a struggle at the start understanding franchising. It is a new concept. So, it was not very easy for people to analyze and understand as businessmen. I am actually one of the founding members of Alpha, so I was on the board to formulate this whole concept. So, I stepped down from the board, and I started the franchisees* (ZA).

Responding to societal behavior

Alpha lacked support from two groups of people who were the beneficiaries of its activities. First, potential social entrepreneurs did not understand the franchise model and how it works, and therefore did not follow its rules and regulations. Initially, the franchisees would sign the contract but later refuse to comply with contractual obligations such as attending training and paying royalties. Because they did not understand the model and its reliance on knowledge sharing, they built a business based on a partial understanding of the franchisor's know-how. As the national director explained:

> *Another thing is the franchisees. In Rwanda, they have really built a good infrastructure of franchisees. They recruited…fairly older, more connected, good social capital. So, they built a foundation. Here, our first franchisees were totally misaligned. So, we distorted the framework.* (A2)

Second, social support is an important factor for any business to succeed. Lack of a supportive culture and acceptance from society was another challenge Alpha faced in Uganda. They encountered resistance from the customers not because of the franchise model but rather due to their mission. One franchisee explained that when they started to market their product to customers, saying they distributed affordable, quality water to the underprivileged population, they always received a negative response such as "*if the rich are not using it, we are not buying it. What are you selling to us that rich people cannot consume?*" (ZB).

In Rwanda, the company spread very fast because of the acceptance of the company in society. The social support was complemented by the formal approval of the company by the government authority. The national director highlighted that, "*As long as you are registered and approved by the government, people will accept you. So, one factor is that the business culture allowed us to be accepted in the market"* (A3).

Informal norms and values that support social entrepreneurs are dependent on formal regulations put in place by the government authority. As prior research has noted, social norms and values are shaped by and shape formal regulations (Williams & Shahid, 2016).

Business model and adaptation of the entry model

To overcome institutional challenges in replicating business templates in informal institutions, Alpha decided to repurpose the business model and adapt its governance modes to allow the replication of social impacts.

Repurposing of the business model

Efficient contract enforcement and protection of patent rights are linked with the rapid growth and performance of franchising firms (North, 1990). To avoid long and costly litigation in weak institutions, Alpha decided to modify its model by allowing the person to continue with the business to ensure the scaling up of the social impact (Bretas & Alon, 2020). Additionally, due to the long-standing perception that Africa or Africans are exploited by business model innovations from the West (Acquaah, Zoogah, & Kwesiga, 2013), Alpha was challenged to enforce its contractual terms. The founder of Alpha explained this point during the interview:

> *We terminate the license, not the franchisee. Depending on the situation. If someone has a debt, we have the right to claim those assets against the debt. If not, they can still own the business, but they cannot use the Alpha brand; they have to create their own business, which they do.*

Adding to this comment, the national director in Uganda stated that because they are advocates for social change, forbidding an employee who knows how to produce water and distributes it to the underserved population from functioning would have a negative impact on the replication of social solutions as well as donor funding. He added, *"We have actually created a lot of our own competitors. For business it is bad, but when you think of the impact, as long as the quality is good, it's good*" (A2).

Re-assess the governance mode

After encountering different institutional challenges during the expansion, Alpha opted to change its governance modes instead of reducing its expansion activities. By that time, Alpha started to gain recognition from international organizations such as the World Food Program (WFP), which provided support for Alpha to expand the model into more countries. Alpha's lack of information about the institutional particularities of other countries prompted the company to adopt a lower control mode (Jell-Ojobor & Windsperger, 2014; Rosado-Serrano et al., 2018).

> *Yeah... Area Master Franchising (AMF). That is how we expanded to Tanzania and Zimbabwe, which means we are basically selling a license for someone to become Alpha themselves. Just like we operate as Alpha in Uganda, Rwanda, and Kenya, there someone else buys the license from us, and they run a number of franchisees, they operate a franchise, and they finance the franchisees, all of that. So, Alpha Tanzania is not us doing it; it is a local person* (A1).

Unlike Alon (2006), who proposed that master franchising is preferable in situations with strong institutions and fewer environmental uncertainties, Alpha's decision to adapt the master franchising model supports the findings of (Jell-Ojobor & Windsperger, 2014; Smuts et al., 2019) that the franchisor will transfer residual control rights to a local partner when the institutional situation is uncertain. Consequentially, Alpha found local partners who could deal with the socio-cultural changes and regulatory authorities. The founder added, *"(name) is fifth-generation Tanzanian, but ethnically I think he is Indian, but he grew up, was born and raised in Arusha. He knows the market very well (...); we think he can build a team and run a franchise there.*"

Finally, after achieving success in Tanzania by expanding through master franchising, the company decided to invest in area development master franchising as its expansion model. This decision required innovative ways to transfer training to avoid the loss of knowledge in an extended hierarchy (Shane, 2001). In this innovative approach, the franchisor will train the master franchisee who will train his/her franchisees.

Passive ownership and adaptation of training strategies

Social support may influence the ownership of social enterprises because certain cultures reward engagement in commercial enterprises more than social enterprises (Lee, Simmons, Amezcua, Lee, & Lumpkin, 2020; Stephan, Uhlaner, & Stride, 2015) or use social enterprises as starting points for commercial enterprises (Estrin, Mickiewicz, & Stephan, 2013). In formal institutional settings, social franchises invest in valuable knowledge (Estrin et al., 2016). In contrast, in informal institutional settings, people prefer income from formal employment to avoid risk (Estrin, Korosteleva, & Mickiewicz, 2013). Most franchisees in Alpha joined the network after failing to find formal employment soon after finishing their higher education.

Lack of social support for social entrepreneurship, the risk of making a small profit (Canestrinoa, Ćwiklickib, Maglioccac, & Pawełek, 2020), and unstable government laws concerning business (Baena & Cervino, 2014) have prompted franchisees to seek formal employment or work in full time commercial enterprises while employing managers to operate their franchise stores. This form of governance structure (passive ownership) creates agency cost problems and distorts knowledge management within the network. The extended hierarchy creates the possibility for knowledge distortion (Shane, 2001). To cope with this situation, Alpha re-adjusted its training strategies.

Training attendance and outlet management

We found that most franchisees in Uganda do not engage in the day-to-day operation of their stores. In some extreme cases, franchisees stay abroad doing other business. Alpha's monthly training requires franchisees to attend the meetings and then transfer the knowledge to their managers. However, a sales manager explained:

> *Actually, I think they tell him what they have discussed, and then he refers everything this way. He comes here sometimes...he comes like once a week and some other days we talk on the phone. Yeah…we always have weekly meetings on Saturday; sometimes, he attends, sometimes he does not* (ZF's manager).

He also added that, "*No one attends the meeting if the owner is not around. I am only at corporate when they call me that it is the sales managers' meeting or something else*."

Managers complained that most of the time, the recommendations received from the franchisor failed to achieve the objectives because the franchisees who did not manage their stores just told their managers what they thought was necessary for them to know. One franchisee claimed during the interview that, "*I* *pick what is necessary and tell them (the manager and employees) because they send us the minutes after the meeting, so I will get what is necessary and share with them*"- ZB. Since the franchisees are not involved in the daily management of their stores, they either agreed with or did not comment on whatever the franchisor was recommending. They had no first-hand knowledge about what worked and what did not. As one sales manager stated: "*Those guys, whatever they decide they just allowed because the majority of them, the franchisees, are not there on the ground*" (ZC's manager).

Having franchisees manage their stores helps them apply the knowledge they have acquired and see what works and what does not work. They can then give that feedback to the franchisor for improvement. However, realizing that most franchisees do not engage completely in the daily operation of their stores, Alpha decided to allow the franchisees' store managers to attend the franchisees' meeting as the daily operators of the franchise store, in addition to their own specific meetings. The training director explained:

> *The idea is that the meetings are for really the owner of the business. Because even the franchise manager should be receiving the items from the franchisee, the owner of the business, even the day-to-day information. But we relaxed that. They can come together; in some cases, they do; in some cases, the franchisee comes or just sends the representative*.

Outlet ownership, management, and growth

The franchisees who owned and operated their stores confirmed that applying the techniques and strategies provided by the franchisor during the monthly training helped them achieve their targets. Comparing the growth between these two countries, most franchisees in Rwanda owned and managed the daily operation of their stores. As a result, they could develop and expand (Brickley, 1999) through multi-unit ownership. During the interview, one respondent said:

> *Apart from having a good relationship with customers, most franchisees operate their businesses, and they come to all meetings because it is a must. This is also why some franchisees manage to open more than one store. They understand the market and how to run things*- (A6).

Additionally, when the franchisee had the store manager operate the store, there was sometimes a decline in sales. One franchisee from Uganda said: "*The minute I step away, there was a decline in either customer service or the quality of* *the product*” (ZA). This finding corresponds with (Merrilees & Frazer, 2006), who found that franchisees who manage and supervise their staffs have better performance because of their knowledge about providing customer service.

Our analysis so far suggests that the training the franchisees who operate their store receive has a positive impact on growth. Our findings support the existing literature that ownership moderates the effect of training on financial performance (Karatzas, Papadopoulos, & Godsell, 2020) and growth (Brickley, 1999; Krueger, 1991). However, to scale its social impact upwards, Alpha had to adapt its training strategies to cater to passive ownership. To avoid the negative consequences that result from training an owner who does not operate the business as the franchising model requires, Alpha decided to include the manager-employees who operate the stores on a daily basis in the franchisee meetings and adapt the training programs to suit both the franchisees and managers.

5 Contribution, Limitations, and Future Research

5.1 Theoretical Contributions

5.1.1 Social franchising and weak institutions

Our research makes two contributions to institutional theory. First, prior research conducted in settings with weak and strong institutions has suggested how weak institutions impede knowledge transfer practices and, consequently, the growth of social entrepreneurs (Chliova & Ringov, 2017; Granados et al., 2017). Although institutions in Africa have been described as having weak institutions that have difficulty protecting the knowledge of social entrepreneurs, less research has been conducted to show how social entrepreneurs operating in different institutional environments in Africa managed to expand their unique knowledge. Various sources of data used in this research show that progress has been made by different African countries to strengthen formal institutions as indicated by, for example, the ease of doing business and corruption indices.

Given its focus on solving societal needs, social enterprises generally ignore the institutional factors surrounding them (Desa & Koch, 2014). The fact that they provide for government failure does not mean they are prone to institutional problems such as corruption, lack of contract enforcement, competition, and legislative requirements (Bacq & Janssen, 2011). By responding to different institutions' frameworks, our case shows the importance of understanding country-specific institutions. By expanding and thriving in different countries, social franchises demonstrate that the franchise model is not limited to environments with strong institutions only. The model can be adapted in such a way that social entrepreneurship can grow in settings with weak institutions. As such, our findings offer additional credence to the call for exploring Africa in general (Bernard et al., 2017) and social entrepreneurship in Africa in particular (Rivera-Santos et al., 2015) to extend or modify theories established in developed economies.

5.1.2 Institutions and adaptive learning

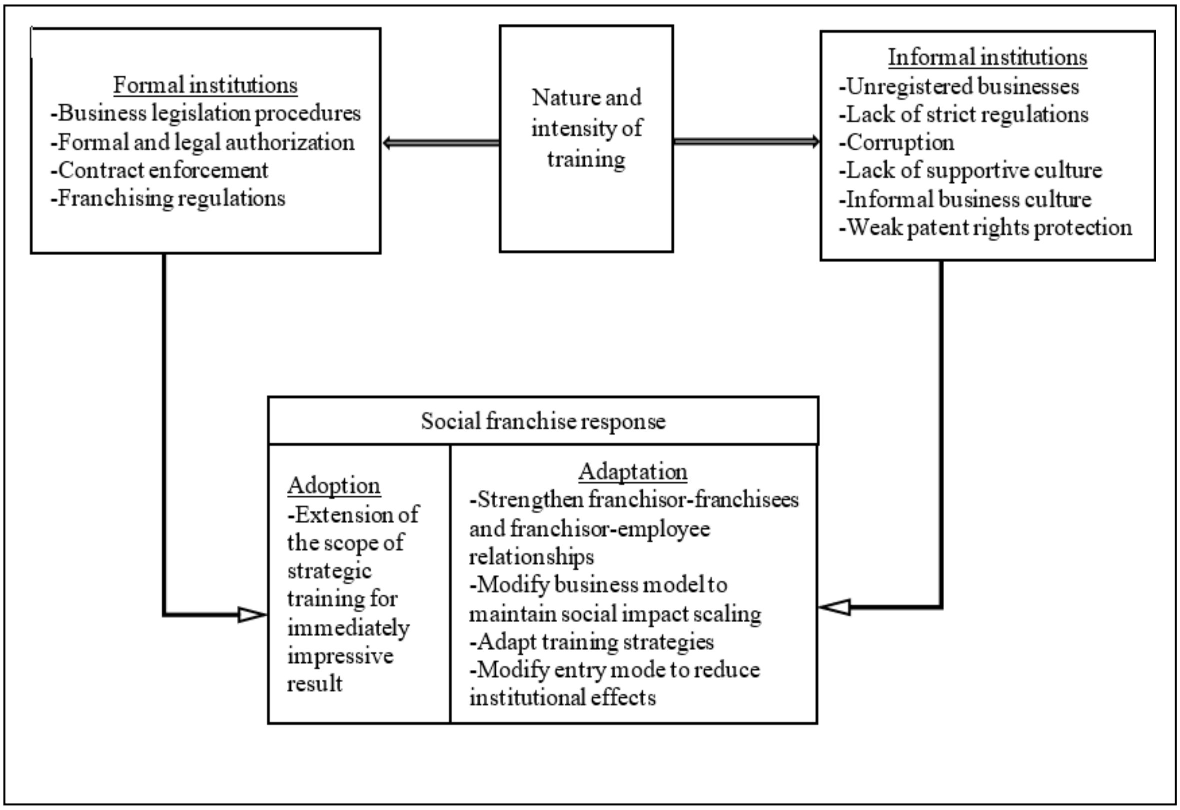
Second, we explain the motivation for social franchises in African countries. While the barriers to knowledge transfer in social enterprises are often high and have been identified by research conducted in settings with strong institutions (Bloice & Burnett, 2016; Granados et al., 2017), some of the barriers may be influenced in unique ways by weak institutions. Though franchising is regarded as a Western business model, the issue here is not the dismissal of one form of knowledge but the combination of a foreign model with the reality of Africa's institutional environment to help solve practical problems in the region (Zoogah et al., 2020).

Reports by donor organizations (e.g., USAID) in 2015 indicate that more than $1.5bn has been spent in donor-funded water projects in Africa and Asia, but many of these projects failed because of an unsustainable model. Many social enterprise projects are difficult to replicate across Africa even though different countries face similar social problems. We show that social franchises make what (Luo, 2020) called first-order adaptations. Adapting the training involved in the franchise model helps social franchises replicate their knowledge in different institutional contexts to suit their needs, which is the scaling up of social impact. First-order adaptation allows the social franchise to adapt training strategies according to the local institutional framework, without changing the core structure of the model. In doing so, it can expand successfully in informal and formal institutions in Africa. As summarized in Figure 2, we propose that,

Proposition 1: Social franchises adapt their knowledge transfer practices in response to the presence of informal institutions.

Proposition 2: In a formal institutional environment, social franchises scale-up more rapidly through the adoption of knowledge transfer practices.

Figure 2: Conceptual framework of institutional effects and the social franchise's response



5.2 Implications

This study makes several contributions that foreign and local social franchises considering expanding across different countries in Africa should find useful. Our research indicates that different countries might offer a different institutional environment that will impact organizational practices. For instance, the franchising model is a contract-based business model that requires a strong legal framework for knowledge protection. Expanding franchising in areas where business agreements are based on informal mechanisms might pose a threat to business performance. Social franchisors are likely to make decisions and adaptations that reduce the effect of informal institutions on their knowledge transfer practices.

5.3 Limitations and future research

This study has two limitations that can be fruitful for future research. First, our study was conducted in the social franchise setting of a single network in two countries. Thus, the generalizability of our findings might be somewhat limited. Social enterprise ventures are not uncommon in most African countries, but there is no quantifiable data regarding the number of social franchises. Lack of accurate data undermines the ability of researchers to develop a clear understanding of the usefulness of social franchises in scaling up the social impact on Africa. It would be worthwhile to conduct multiple case analyses or quantitative studies based on a large sample. We expect that multiple case studies in countries other than Uganda and Rwanda might uncover more specific institutional effects and response techniques not presented in this study.

Second, we provide a limited understanding of the effect of cultural aspects on knowledge transfer practices. Research on cultural nuances and the development of social entrepreneurship has received much more attention in other emerging markets such as Asia than Africa (Mamabolo & Myres, 2020). While similarities are expected among emerging and developing markets, specific cultural attributes might produce different results in African countries (Rivera-Santos et al., 2015). Further research may investigate how the specific cultural variables (e.g., language, religion, gender roles, traditions, and customs) of different countries in Africa affect knowledge transfer practices in social entrepreneurship (Alvesson & Spicer, 2019). They can also explore how social franchises can share and protect knowledge in this cultural setting without having to rely on the enforcement of contracts used in countries with strong institutions.

6 Conclusion

In examining the effect of the institutional environment on knowledge transfer practices and responses of social franchises, we found that informal institutions, characterized by a lack of franchise regulations, contract enforcement, business registration, and cultural support hinder the transfer of strategic knowledge. More significantly, social franchises adapt their training strategies in response to informal institutions and adopt strategic training in formal institutions. Our study is significant for understanding the country-specific institutional frameworks, given that some countries have improved their formal institutions. This study provides a starting point for future research on business model innovations for social entrepreneurship in Africa.

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