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„Knowledge management in franchising networks:
choosing the right knowledge transfer strategy“

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1. Introduction

1.1. Motivation

“We know more than we can tell“ (Polanyi 2009, p. 18) describes best the difficulty of individuals or organizations to transfer different types of knowledge and choose the right knowledge transfer strategy between franchisor and franchisee. In an uncertain economic environment knowledge is a given source of competitive advantage (Nonaka et al., 2000) and becomes more and more important for the success of a franchising system.

Due to my interest in franchising as well as becoming a franchise partner and run my own business in a franchising system, I chose the topic of “knowledge management in franchising networks: choosing the right knowledge transfer strategy” as several studies show that knowledge is one of the most important key aspects of performance (Gao et al., 2009) in franchising systems.

Moreover, the lack of research on new forms of franchising in Europe, in particular, dental franchising focused my interest to this field as health care reforms, savings and reorganization in the health care sector and protests by doctors are a current topic in Austria. In addition, physicians who establish their own practice have to manage a role of business women or men on the one hand and medical treatment on the other hand. The double burden may overextend their abilities and dental franchising can offer an option to improve practice management, organization and communication.

1.2. Aim of the thesis

The aim of the thesis is to link the theory and results of empirical studies of knowledge management in franchising systems, in particular knowledge

transfer, to methods which are used in practice in a specific dental franchise system.

To understand the impact of knowledge management in a franchising system a broad understanding of different forms of knowledge, procedural vs. declarative knowledge, tacit vs. explicit knowledge and general vs. specific knowledge (Becerra-Fernandez and Sabherwal, 2010) is needed followed by a focus on media richness theory (Sheer and Chen, 2004) and knowledge-based theory (Carlsson 2004, Grant 1997). After a closer analysis of empirical data of different authors on knowledge management and knowledge transfer, the following research questions will be discussed:

What is the best strategy of the franchisor to transfer different types of knowledge to the franchisee?

Does trust have an impact on knowledge sharing?

How important is the knowledge exchange from franchisee to franchisor?

Based on an ongoing debate in the health policy and in the media, looking for cost savings and efficiency in processes and structures, franchising in dentistry is a recent, practice-relevant issue that needs closer examination. According to the new trend of dental franchising in Europe which has already established successfully in the US, the thesis focuses on knowledge transfer practices in a case study of a specific dental franchise in Germany named goDentis. A further reason for choosing a case study in the dental franchising sector is the implemented combination tacit or explicit knowledge (Becerra-Fernandez and Sabherwal, 2010) and expected content of a higher tacit content of system-specific knowledge, which has to be transferred from franchisor to franchisee.

1.3. Method

The empirical part of the thesis is based on empirical studies of knowledge transfer mechanisms linked to different forms of knowledge in franchising systems. After an extensive literature review that is mainly based on academic journals and books the research questions will be answered.

The results will be further linked and compared to a case study in dental franchising. Here an interview with the franchisor as a method for qualitative research is used as this method suits best the exploration of the nature of knowledge transfer practices at goDentis and allows to understand the franchisor's and franchisee's practices regarding knowledge transfer.

An interview was held the 15th of January 2013 at 15:45 with Klaus Schenkmann, the manager of the goDentis Academy.

1.4. Structure

After important definitions regarding types of knowledge and presenting the information richness and knowledge-based theory, the literature on knowledge management and knowledge management in franchising networks is discussed. The following section five, knowledge creation and knowledge transfer distinguishes between knowledge as a process and knowledge as a personal network. Section six discusses the topic of knowledge creation and transfer in franchising networks, presenting the lifecycle model of relationships in franchising networks. Moreover two perspectives of knowledge, knowledge as a process and as a personal network are distinguished. The subsection of knowledge transfer defines the most important aspects about knowledge transfer from franchisor to franchisee on the one hand and from franchisee to franchisor on the other hand. A discussion on the impact of trust on knowledge transfer and the franchise partner's relationship completes the chapter.

Finally, the case study of goDentis proves established hypothesis on tacit and explicit knowledge, knowledge transfer mechanisms and trust and presents an alternative form of franchising in comparison to traditional service franchise systems.

2. Definitions and Theories

2.1. Definition Knowledge

In the literature two main perspectives explain knowledge, the subjective and objective view. The subjective view implements knowledge as a state of mind represented by the individual's beliefs in an organization and knowledge as practice which refers to collective knowledge hold by organizational members. In contrary, the objective view follows three possible subdivisions: Knowledge as an object, knowledge as an access to information and knowledge as capability. Following the definition of knowledge as an object, knowledge is similar to a product which can be stored, transferred and manipulated and which can be present at several places. The second subdivision of the objective view, knowledge as access to information, further develops the knowledge as an object view and centers its role as a premise to access and use of information. By extending the last two perspectives of knowledge by strategic capability, the last dimension of the objective view, knowledge as capability, asks about the best application of knowledge to achieve competitive advantage. (Becerra-Fernandez and Sabherwal 2010, p. 22 f)

2.2. Data, Information and Knowledge

To understand the broad scope of knowledge, a distinction from the terms "data" and "information" has to be taken. While data can be communicated very

easily through different kinds of media, information is data in context and implements only a part of data that is relevant to create meaningful understanding and to make the right decisions. Therefore monthly sales of a business are information for the management, but only data for the businesses' customer, as the customer is not interested in sales, but only in the firm's products. Knowledge represents the highest, richest and most valuable form between those three terms according to a simplistic view. In a hierarchy of data, information and knowledge, data would take the lowest position, followed by information on the mid-level and knowledge on the highest level. To form a more complete view of knowledge, it is stated that information and knowledge vary intrinsically. (Becerra-Fernandez and Sabherwal 2010, p. 17 ff)

Nonaka (1994, p. 15) states that knowledge is a "justified true belief". The author emphasizes the view of the theory of knowledge creation, which forms a link between knowledge and personal beliefs. Therefore knowledge is related to human action whereas information is only a flow of data. (Nonaka 1994, p. 15) Still, information is an important medium of knowledge initiation. Finally the active and subjective part of knowledge, depicted by individuals' belief and commitment, is emphasized in Nonaka's (1994, p. 16) definition.

2.3. Types of knowledge

2.3.1. Procedural and declarative knowledge

Declarative knowledge describes specific information, for instance an inventory that counts 100 pieces while procedural knowledge describes a process, method or practice. (Kogut and Zander 1992, p. 387) Therefore procedural knowledge is characterized as know-how and declarative knowledge as know-what. (Becerra-Fernandez and Sabherwal 2010, p. 25)

2.3.2. Tacit and explicit knowledge

Polanyi (2009, p. 18) identifies tacit knowledge by “a way to know more than we can tell”. This kind of knowledge includes insights, intuitions and hunches and is difficult to transfer and to express as it can hardly be formalized due to its personal bound nature, which refers to individual experience. (Becerra-Fernandez and Sabherwal 2010, p. 26) In contrary explicit knowledge can be easily transferred between individuals as the content of this form of knowledge can simply be transformed to words, text or images. Therefore explicit knowledge can be stored within an organization as it is mostly written down. (Dalkir 2005, p. 8) According to Nonaka (1994, p. 17) explicit knowledge can be found in records of the past, for example in libraries, archives and databases.

As tacit knowledge is difficult to transfer and is often bound to a specific person, it seems to be more valuable than explicit knowledge. A reason for the higher value of tacit knowledge is its difficulty of articulation. (Dalkir 2005, p. 8) In addition, experience plays an important role when explaining tacit knowledge as it is built on individual's past lessons learned. The individual who possesses tacit knowledge can make use of an oral explanation, demonstration or teaching to communicate the tacit content to other persons. (Cumberland and Githens 2012, p. 49) When transferring explicit knowledge, the way from one individual to another is simpler as formal, systematic language can be used. Using formal language for tacit knowledge transfer is quite impossible as it refers to personal quality. Therefore this kind of knowledge can't be formalized easily and it often refers to action, commitment and involvement. (Nonaka 1994, p. 16) Nonaka (1994, p. 16) points out that tacit knowledge implements the images of reality and visions for the future, which is linked to a specific person. The author highlights the importance of the articulation of tacit knowledge as an important factor to the creation of new knowledge. (Nonaka 1994, p. 16)

Tacit knowledge is often described as know-how, know-why and care-why. It further has the ability to adapt and to deal with new situations as well as to force collaboration, to share a vision and to transfer culture. The properties of explicit

knowledge implement the ability to systematize and organize knowledge within an organization as well as the creation of operational guidelines. In an organizational environment explicit knowledge can be transmitted through the organization's products, services or documents while the transfer of tacit knowledge is made by face-to-face coaching and mentoring. (Dalkir 2005, p. 8)

In the context of franchising the franchisor creates a tacit-conceptual idea and writes a business plan, which can be categorized as tacit-procedural first. The franchisee gets the explicit-conceptual business plan as it has been translated to explicit content to simplify its distribution. Further trainings, operating manuals, marketing plans in written or electronic form, which are provided to the franchisee, refer to the explicit-procedural type of knowledge. Figure 1 shows the knowledge typologies described above.

	Conceptual	Procedural
Tacit	Discovering new know-how. Problem definition. Need recognition. Define requirements. Conceptual design. Document state of "what is" or "what should be." Knowing the "rules". Franchisor comes up with the franchise concept.	Goals and Objectives defined. Figure out how to actually do it. Prototyping. Trial & error. Testing using repeat models. Franchisor develops the prototype, perfects the procedures and business model. Perfects the franchise concept based on the test results.
Explicit	Codifies the business concept, related models, procedures and rules. Codifies the design. Document how things will be done (blueprints, specifications). This codified business plan is sold to potential franchisees, still in a conceptual form, but more explicit, e.g. a dream of being independent, a business plan, and appeal to their entrepreneurial spirit.	Procedures are written down and followed. Actually make something, repeatedly. Implementation and operationalization. Once the franchisee buys into the idea, franchisee learns the process via training and practice. Franchisee implements and operationalizes the franchise concept.

Figure 1: Knowledge typologies – activities and tasks

Source: Paswan, A.K.; Wittmann, C.M. (2009): Knowledge management and franchise systems, Industrial Marketing Management 38: p. 175. based on

1. Nonaka, I. (1994): A Dynamic Theory of Organizational Knowledge Creation, Organization Science 5 (1): 14–37.
2. Dienes, Z.; Josef, P. (1999): A theory of implicit and explicit knowledge. Behavioral and Brain Sciences 22 (5): 735–808.

2.3.3. General and specific knowledge

General knowledge refers to several individuals, who own this kind of knowledge and are able to transfer it easily. Specific knowledge is only possessed by a small number of people and therefore specific knowledge transfer is expensive. Three types of specific knowledge are further distinguished: technology-specific, context-specific and context-and-technology-specific knowledge. Technology-specific knowledge implements techniques and appliances to solve problems in a specific field, so it is unique knowledge about a specific area. To acquire technology-specific knowledge different forms of training are used and to further extend this knowledge experience in the specific area is needed. To explain context-specific knowledge, it has to be mentioned that it is involved in a group of individuals or an organization. Only the individuals who belong to the group understand the context of their working environment. A combination of technology-specific and context-specific knowledge is formed by context-and-technology-specific knowledge, which includes both, specific technological knowledge and context attributes. It is broader, combined knowledge and requires the understanding of a specific sector and the technology or tools used in this area. (Becerra-Fernandez and Sabherwal 2010, p. 26 f)

2.3.4. Combination of knowledge types

As the described knowledge types above are independent, several classifications of knowledge can be generated. Procedural knowledge can be tacit or explicit, general and transferable easily, technically specific or contextually specific. Declarative knowledge, which refers to known facts, has the same specification possibilities and can therefore have a content of explicit, tacit, general, contextually or technically specific form. (Becerra-Fernandez and Sabherwal 2010, p. 27 f)

2.4. Codifiability and Teachability

To identify a deeper perception of tacit knowledge, Zander and Kogut (1995) consider two different attributes of knowledge, in particular codifiability and teachability. The extent to which knowledge is encoded refers to codifiability while teachability is linked to trainings on the job or in schools of individual skills. (Zander and Kogut 1995, p. 79)

The tacitness of knowledge can be measured by the results of codifiability and teachability as those two attributes measure the difficulty of transferring knowledge. The higher the extent of codifiability and teachability, the more rapid is knowledge transfer possible. So the tacitness of knowledge is highest if knowledge is hard to communicate and therefore if it possesses a low level of codifiability and teachability. (Zander and Kogut 1995, p. 85)

2.5. Information richness theory

Lengel and Daft (1984) introduced information richness theory to define the behavior of organizations regarding processing of information. Different types of media were introduced, varying in the grade of information richness. Information richness carries the potential information which data can carry. When new understanding is created, the data is rich while if data is creating only low understanding, the medium would be categorized as low in information richness. Different types of communication media which are used in organizations were defined and categorized into information richness or poorness. Face-to-face communication was interpreted as the highest in information richness while numeric formal communication media such as computer output were lowest in information richness. In between, telephone represented high richness, written personal media such as letters and memos was moderate and written formal such as bulletins and documents was low in creating new understanding. As face-to-face communication enables individuals

to use body language, facial expression and tone of voice, this kind of communication medium makes it possible to go beyond of just spoken word and express feelings through forms of gesture and countenance. The telephone is lower in information richness as visual communication is missing. Still, information exchange via the telephone enables fast feedback. In contrary, when using written communication feedback is slow. Moreover visual and audio cues are not given in the media of written communication as information is limited to data on paper. An even lower grade of written communication can be found in flyers and bulletins because they are not addressed to a specific person and therefore an impersonal communication medium. The lowest medium of understanding creation, formal numeric documents, doesn't implement any kind of natural language. Therefore visual observation, feedback or personalization are absent and so information richness is the lowest. This kind of medium is used for quantitative information, which needs to be transferred quickly through computer generated reports. (Lengel and Daft 1984, p. 5 ff)

According to Lengel and Daft (1984, p. 10) the characteristics of media that possess richness of information can be divided into immediate to very slow feedback, visual, audio to only limited visual channel, personal to impersonal source and body, natural to numeric language. Every communication medium has a different information possessing ability and is not only a source. All media explained above vary in feedback, channel, source and language and therefore create a different level of information richness, which is important to explain information behavior in organizations. (Lengel and Daft 1984, p. 11) The authors also state that rich media should be used if a task is complex and difficult and they further tend to support the use of information rich media in organizations, in particular in uncertain environments. (Lengel and Daft 1984, p. 59 f)

2.6. Knowledge-based theory

The knowledge-based theory could be seen as an enhancement of the resource-based view, which states that the firm's competitive advantage is generated through valuable and unique internal resources that cannot be easily copied by the company's competitors. If those resources and capabilities are linked to knowledge, the theory refers to the knowledge-based view. Both theories explain the impact of the firm's resources and capabilities on its performance. However, the resource-based view has been criticized, for instance for the lack in connecting networks of external relationships. (Carlsson 2004, p. 627 f)

According to Grant (1997) the knowledge-based theory of the firm describes the foundation of a firm including its limitations based on certain assumption regarding knowledge within the firm. Those assumptions embrace different characteristics of knowledge. First, knowledge is an important resource, which contributes to the firm's value and its strategic meaning. Second, different knowledge types are distinguished regarding the ease of transferring knowledge. Explicit knowledge is easy to transfer at low cost while tacit knowledge is difficult to transfer. In addition, the focus is put on the knowledge recipient's ability to gather knowledge. Third, knowledge is basically created by individuals who are important for tacit knowledge storage. They have to concentrate on knowledge acquisition and take in mind that production in a firm needs different types of knowledge. Fourth, the majority of knowledge generates economies of scale and scope, in particular explicit knowledge which can be developed at low marginal cost. (Grant 1997, p. 451)

The firm's task as an institution is to harmonize the two frontiers, namely specializing individuals in knowledge acquisition and using several kinds of knowledge for the production to transform input into output. Therefore mechanisms are needed to implement the individual's knowledge content within the company. To integrate people's knowledge, mechanisms like transfer, direction, sequencing and routines are used. According to Grant (1997, p. 451)

knowledge transfer is the most important process in an organization to manage knowledge, but it is not the most efficient to integrate knowledge because it doesn't support specialization. Another mechanism, direction, involves several specialists in different fields, some issuing rules, others guiding the behavior of non-specialists. Sequencing includes systems of integration at a basic level, where no direct knowledge transfer occurs, but individuals coordinate their knowledge. If the situation is more complex, organizational routines are used, involving several individuals. (Grant 1997, p. 451 f)

Finally, the assumption of the knowledge-based view regarding explicit and tacit knowledge is often criticized, extended or used for further research. Devinney et al. (2005, p. 79) criticize the resource-based and knowledge based view due to the missing statements of how, when and why do resources of a company create returns.

Gorovaia and Windsperger (2010) discuss the use of knowledge transfer mechanisms in franchising firms by applying the knowledge-based view linked to information richness theory, which will be further explained in the section about knowledge transfer.

3. Knowledge Management

3.1. Knowledge as an object

The static view of knowledge from the definition of knowledge in the thesis is also shared in knowledge management literature. Knowledge as a product is a definition followed by several authors. Davenport and Prusak (1998, p. 10) state: "For some organizations the most viable model may be to make knowledge the product" and Bair and O'Connor (1998, p. 23) share a view of knowledge as an object by claiming: "KM technology is the integration of

families of software products, including information retrieval, groupware and document management”.

3.2. Knowledge as a process

An alternative view in the knowledge management literature follows the definition of knowledge as a process, presenting knowledge as a dynamic process rather than an object. The most important processes which are distinguished and researched in the literature are knowledge acquisition, creation, development, dissemination, transfer, sharing and application. (Chatti 2012, p. 830) A process-driven model which is often cited was developed by Nonaka (1994), which will be further discussed in the chapter of Knowledge creation and transfer. Additional authors, Alavi and Leidner (2001), and Gorelick et al. (2004) support the process-driven view of knowledge. Alavi and Leidner (2001, p. 114) mention the following definition of knowledge management: “Knowledge management is largely regarded as a process involving various activities”. Moreover, Gorelick et al. (2004, p. 39) integrate the term process into their discussion of management strategies: “A Knowledge Management strategy that integrates people, process, and technology contributes to organizational learning through the performance and learning subsystems”.

3.3. Importance of Knowledge Management

“When markets shift, technologies proliferate, competitors multiply, and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization, and quickly embody it in new technologies and products”. (Nonaka 1991, p. 96)

Nonaka’s (1991, p. 96) statement is still prevailing today, as companies have to be prepared to quick adaption to new market trends or even more important,

they have to be more innovative than their competitors. Therefore new knowledge creation and sharing to create new innovative products and technologies have become a key aspect in today's economy.

Due to the benefits and competitive advantage an organization can reach through successful knowledge management, organizations are more and more interested in efficient knowledge management (Becerra-Fernandez and Sabherwal 2010, p. 4) to improve their position in the market and to face several challenges. In this context knowledge management can be seen as "doing what is needed to get the most out of knowledge resources". Therefore the firm's employees, customers or suppliers hold individual and collective knowledge resources that are the most important source of an organization. (Becerra-Fernandez and Sabherwal 2010, p. 4 f)

What is more, recent trends like increasing domain complexity, for instance establishing interorganizational teams to develop new products instead of using simple brainstorming, increasing market volatility where markets can change overnight due to environmental changes or political decisions, higher speed of responsiveness forcing fast decisions and employee turnover are forces driving the importance of knowledge management research. (Becerra-Fernandez and Sabherwal 2010, p. 4 f)

According to Davenport and Prusak (1998, p. 144ff) the most important goals of knowledge management projects are

- Making knowledge visible and make it's important role clear within the organization
- Developing a knowledge-intensive culture by supporting knowledge sharing and exchange
- Building a knowledge infrastructure consisting of people's relationships given space, time, tools, and encouragement for cooperation

What is more, using knowledge shows its measurable value in an organization. Organizations that don't use any knowledge management tools to analyze and

introduce best practices, to correct mistakes, to store what employees learn, will face lack of access to knowledge for employees. (Gorelick et al. 2004, p. 16) As a result innovations, which are the core-aspect of knowledge-creating companies (Nonaka 1991, p. 96) won't be developed efficiently and companies won't be able to adapt to quick market changes.

4. Knowledge management in franchising networks

The most important key factors in franchising networks are the knowledge of the franchisor and capital, motivation and knowledge of franchisee that flow together into a franchising contract. (Langenhan 2003, p. 2) To generate success in a franchising system, the management of knowledge as an intangible resource within and across the franchising units appears to be a crucial resource. (Paswan and Wittmann 2009, p. 173) Thus the management of knowledge is increasingly becoming one of the most important challenges of franchisors. (Paswan and Wittmann 2009)

4.1. Interrelationship between organizational learning, knowledge management and specific franchising aspects

An important question in this matter is how results of knowledge management theory can influence the knowledge management process in franchising networks and successfully connect the franchisor's provided knowledge and the franchisee's knowledge to generate high performance and ensure the system's survival capability. The successful management of knowledge in franchising networks and creation of a knowledge management concept requires considering an interrelationship between organizational learning, knowledge management and specific franchising aspects. (Langenhan 2003, p. 2 ff) Here knowledge management has the task to develop effective and efficient control

mechanisms for the firm's organizational learning processes. The theory of organizational learning forms the basis for specific knowledge management practices that enable to control organizational learning. (Langenhan 2003, p. 26 f)

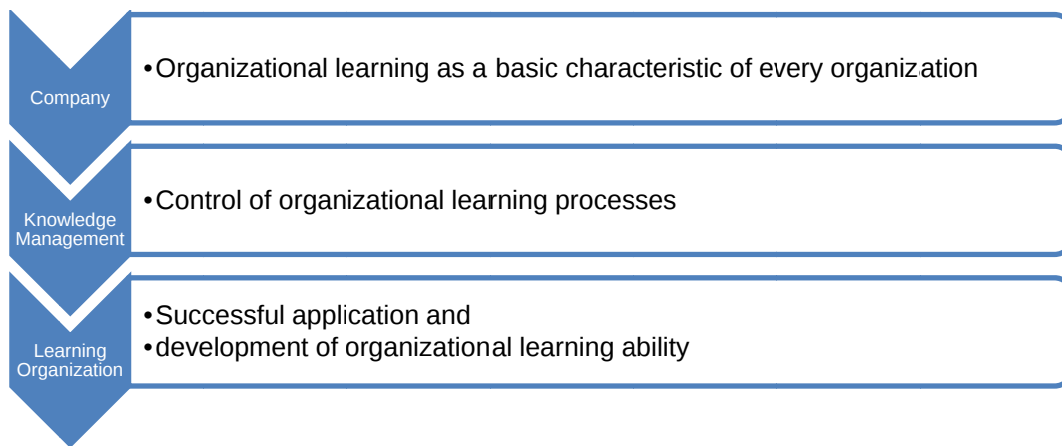


Figure 2: Interrelationship between organizational learning, knowledge management and the learning organization

Source: Langenhan, F.O. (2003): Wissensmanagement in Franchisingnetzwerken: Theoretische Grundlagen und praktische Gestaltung organisationaler Lernprozesse in Franchisingnetzwerken, Verlag Wissenschaft & Praxis Dr. Brauner GmbH Sternenfels, p. 27.

Figure 2 illustrates the interrelationship between organizational learning, knowledge management and the learning organization, whose aim is to successfully develop organizational learning ability. This interrelationship shows that knowledge management changes the simple company to a learning organization by managing organizational learning processes. The question is which specific factors have to be considered in the learning process of franchising networks.

To find an answer to this question Langenhan (2003) conducted an empirical study based on questionnaires, which were returned by 87 franchisors and 46 franchisees in Germany in 2001. In general, in the context of knowledge management in franchising, the focus is put on the franchisor and franchisee as independent businesses, which are connected in a contractual relationship.

Moreover, the success of the franchise system is linked to the exchange of knowledge between franchisor and franchisee. (Paswan and Wittmann 2009) Founded on the franchising package, which is distributed by the franchisor as a basis of organizational knowledge in a franchising network, Langenhan (2003, p. 36) states that the expansion and improvement of the franchise package refer to organizational learning and builds an important process of successful management of franchising networks. Therefore the relevance of continuously developing the franchising package should be the goal of the franchisor to attract potential franchise partners and to prove its business concept. But even decentralized individual and collective knowledge, which cannot be used to development of the franchise package, can be beneficial regarding the problem solving competence in the system. (Langenhan 2003, p. 37 f)

Finally the continuous development of the franchise package and of the decentralized collective and individual knowledge is the most important process to control organizational learning. (Langenhan 2003, p. 37 f) However, Langenhan's results (2003, p. 40) show that the franchisors often don't value the potential decentralized knowledge of their franchise partners and therefore disregard the benefits for further development of the franchise package. As the concept of franchisor's headquarters is mostly the base for further development, the ideas and inputs of franchisees are often unattended and according to Langenhan's results only 15 percent of franchisees often transfer new ideas and suggestions for improvement to franchisors. (Langenhan 2003, p. 40)

Despite the fact that franchisors can obtain information and knowledge through external and internal resources, for instance customers and suppliers, the franchisees' knowledge still remains one of the most important sources of knowledge. (Lindblom and Tikkanen 2010, p. 182) This is in line with Watson et al. (2005, p. 31) who states that "franchisees provide a valuable source of human capital, enabling franchisors to enter markets which otherwise would not be viable due to their motivation, their position as business owners and their knowledge of local markets. As a result, franchisors should concentrate on

encouraging franchisees to exchange knowledge and further distribute gained knowledge to other franchisees. (Lindblom and Tikkanen 2010, p. 182)

To the detriment of the valuable status of decentralized knowledge of franchisees, franchisors and franchisees don't perceive knowledge transfer between franchisees or disclosure of knowledge from franchisees to franchisors as a crucial key to economic success. The results of Langenhan's evaluation regarding the impact of knowledge distribution from franchisee to franchisor and between franchisees on success were only middle-rate while the influence of centrally distributed knowledge from franchisor to franchisees seems to have a much higher impact on success of the franchising system. (Langenhan 2003, p. 43)

Moreover, Langenhan's (2003, p. 44) results showed that the majority of franchisors didn't recognize the importance of knowledge management for the development of their franchise package. Knowledge management offers several ways of controlling organizational learning and it seems that franchisors don't realize the value for their franchising systems. However, the right knowledge management concept in franchising systems should put a higher focus on acquisition of decentralized knowledge as well as its distribution. (Langenhan 2003, p. 44)

What is more, franchising networks are different from organizations and therefore include various different chances and risks for the control of learning processes. As the franchisee is an independent business owner, but still a member of a structured cooperative network, his or her motivation and initiative to release organizational learning seems higher than in case of an employee in an organization. It is in the franchisee's interest to search for optimal solutions and continuous improvement as those processes have an impact on costs and sales and further determine the franchisee's income. (Langenhan 2003, p. 46 f)

The franchisees' membership in a structured cooperative network improves the openness needed for innovation on the one hand, but on the other hand brings risks of passive behavior and the requirement of a broad content and in addition high level of detailed knowledge. Further drawbacks due to the position of the franchisee as business owner include retention of the franchisee's knowledge due to competitiveness and mistrust to other franchisee partners, the necessity of time-consuming efforts at persuasion to motivate the franchisee to exchange knowledge and one-sided sales orientation due to a high focus on generating revenues and low interest in cooperation and improvement of the franchising network. (Langenhan 2003, p. 46 f)

A chance to improve organizational learning can be found in the risk aversion by which franchisees are faced to a higher level in comparison to usual business owners. Due to their decision to get support and information from the franchisor, franchisees seem to be open for knowledge which they get from their franchisors. But the franchisee's risk aversion can bring a drawback too as their own motivation for improvement of processes and knowledge transfer can suffer because franchisees may expect the franchisor to further develop the franchise package and to offer support. (Langenhan 2003, p. 49) Lo'pez-Ferna'ndez and Lo'pez-Bayo'n (2011, p.42) state that standardization in franchising systems prevents franchisees from using the full potential of their human capital and their knowledge of local conditions. So in conclusion it seems that the more control is executed by the franchisor, the less knowledge from the franchisees flow into the franchising system.

4.2. Opportunities and risks of organizational learning for strategic franchising networks

According to Sydow (1998, p.3) franchises are organized in a specific form of an interfirm network, where the franchisor is leading all other firms in the network. Relationships are important as they hold the system together.

Moreover the interfirm network makes use of common rules of signification and legitimation and shared resources. (Sydow 1998, p. 12) In particular a strategic network definition as a long-term institutional arrangement between profit-oriented organizations, whose aim it is to extensively divide interfirm labor and force interfirm cooperation, seems suitable for franchising. Elements of market and hierarchy can be found in strategic networks as well as a form of internalization, implementing cooperative behavior between independent firms and a form of externalization, which can be described by the outsourcing of activities and functions. (Sydow 1998, p. 4) Moreover, there are three structural factors that differentiate networks from a loose arrangement of firms:

- Several complex, reciprocal, co-operative and stable network relationships which were formed by intensive interorganizational interaction. (Sydow 1998, p. 4)
- Several managers that include franchisor and franchisees develop the network to a social system and have to follow a broader view than only signifying, organizing and legitimizing a single firm. (Sydow 1998, p. 4 f)
- A network follows a different logic of exchange than in markets and hierarchies as mutual commitment becomes more important than hierarchies. However, uncertainties can arise, which have a need for specific coordination within the network, focusing on interorganizational trust. (Sydow 1998, p. 5)

Due to the specifics described above several opportunities and risks regarding control of organizational learning in franchising networks arise. The network relationships in the franchising network create more possibilities for knowledge coupling in comparison to single firms and therefore organizational learning. Moreover mutual commitment motivates the network parties to exchange knowledge. (Langenhan 2003, p. 59 ff)

As opportunistic behavior is reduced through trust in social relationships between firms, effective and smooth knowledge transfer is more likely to be realized. (Antoldi et al. 2011, p. 33) This view could be regarded as a further development of Sydow's (1998, p. 4) argument that franchising systems include several managers among franchisors and franchisees who form a joint social system. This social system includes social relationships between the companies in a franchising system and as a result improves knowledge exchange (Antoldi et al. 2011, p. 33).

Another opportunity for organizational learning in a strategic network can be found in the position of the franchisor, who can create and enforce a motivating structure for knowledge creation and exchange. In general the franchisor decides about the autonomy of franchisees as the scope of the franchisees' business activity and autonomy is influenced by the central headquarters. Therefore the structure of the franchising network is critical for opportunities and drawbacks of organizational learning. If the franchisor is not interested in creating an environment of knowledge exchange with the franchisee partners, a beneficial structure for learning will not be enforced. The franchisor's task here is to find a balance between the creation of relationships between franchisee partners and their autonomy to reach the highest level of organizational learning capability and simultaneously keep the position of strategic leadership of the franchising system. (Langenhan 2003, p. 59 ff)

Strategic networks have several decentralized decision authorities. Such a system of decision making could be partly integrated in franchising networks. On the one hand an environment of several decision parties would encourage decentralized and interorganizational learning processes and take off some of the decision authority from the headquarters. (Langenhan 2003, p. 59 ff) This is in line with Sorenson and Sorensen (2000, p. 29) who state that franchised establishments offer opportunities to learn through experimentation.

On the other hand the franchisor could lose strategic leadership and knowledge could be distributed unrestrictedly. Moreover, inconsistent working processes and practices could harm the franchising structure and system. (Langenhan 2003, p. 59 ff) In addition, the franchising concept requires a consistent appearance of all franchise partners and common standards. If franchisees don't observe given standards, the market presence of all partners would be harmed. (Langenhan 2003, p. 100)

Therefore the franchising system is faced by limitations regarding knowledge management as it has to be considered to which level the franchisor should motivate franchisees to learn through their own decisions and how much authority should be exerted by the franchise's headquarters.

To give a deeper insight in the topic of knowledge management in franchising networks, the further chapters on knowledge creation, knowledge transfer further specialize in different sub-segments of knowledge management in franchising systems.

5. Knowledge Creation and Knowledge Transfer

The following section distinguishes knowledge as a process, discussing several models and the costs of knowledge creation. Due to critics on process driven models, knowledge as a personal network offers an alternative view and is discussed in the second part of section five.

5.1. Knowledge as a Process

5.1.1. The SECI Process

Within the literature Nonaka (1994) analyzed the dynamic aspects of organizational knowledge creating processes, pointing out the importance of tacit and explicit knowledge exchange. Nonaka and Takeuchi (1995) concentrate on the management of the knowledge creation process and further distinguish two dimensions of knowledge creation. To describe the ontological dimension as the level of social interaction Nonaka and Takeuchi (1995, p. 59) argue that new knowledge is formed by individuals and their interactions, “communities of interaction”, that force development of new knowledge. Without individuals, an organization is not able to create knowledge, but it provides an environment where individuals are able to create knowledge and further amplifies and saves it as a part of the organization’s knowledge network (Nonaka and Takeuchi 1995, p. 59). The epistemological dimension implies tacit and explicit knowledge while articulating tacit knowledge is crucial to create new knowledge (Nonaka and Takeuchi 1995, p. 59 f). So the individual is the starting point of new knowledge creation, which transfers the knowledge to the organization that offers an environment of knowledge exchange and knowledge development.

Nonaka (1994, p. 18) developed a combination of the ontological and epistemological dimensions within his “spiral” model. The model shows up ways of how to transfer existing knowledge into new knowledge and implements the two different kinds of knowledge, tacit and explicit knowledge (Nonaka 1994, p. 18). To show how new knowledge is created from tacit or explicit knowledge Nonaka et al. (2000, p. 10) differentiate four modes of knowledge conversion between tacit and explicit knowledge in the knowledge-creating firm, the SECI spiral:

- Socialization from tacit to tacit knowledge
- Externalization from tacit to explicit knowledge

- Combination from explicit to explicit knowledge
- Internalization from explicit to tacit knowledge

Through the SECI process, which begins at an individual level and moves to the organizational level, knowledge is created in a firm. Figure 3 shows the start at the Socialization process, where new tacit knowledge is created from a tacit source, while it is important to know that an individual can acquire tacit knowledge without using language but by observation, imitation, practice and on-the-job training. The most important source of acquiring tacit knowledge is to share experience and this process is embedded in the Socialization position in Nonaka's (1994, p. 19) SECI model.

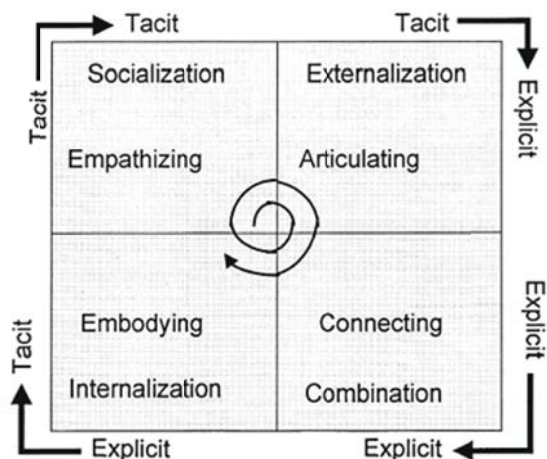


Figure 3: The SECI Process

Source: Nonaka, I.; Toyama, R.; Nagata, A. (2000): A Firm as a knowledge-creating Entity: A New Perspective on the Theory of the Firm, *Industrial and Corporate Change* 9 (1): p.10.

To transfer the tacit form of knowledge to explicit knowledge in the process of externalization, tacit knowledge has to be articulated and shared to become explicit (Nonaka et al. 2000, p. 13). The next mode of knowledge conversion, combination, implements social interactions to combine explicit knowledge and create a new form of explicit knowledge. Meetings and telephone conversations are suitable media for exchange of explicit knowledge in a firm. New explicit knowledge is created with the help of sorting, adding, recategorizing, and recontextualizing of explicit knowledge. (Nonaka 1994, p. 19) Internalization

refers to creating new tacit knowledge from explicit knowledge, in practice linked to learning-by-doing (Nonaka and Takeuchi 1995, p. 69) and action (Nonaka 1994, p. 19). Some similarities with organizational theory can be found in three types of Nonaka's (1994, p. 19) knowledge conversion model. Here socialization refers to theories of organizational culture, combination is connected to information processing and aspects of internalization can be found in organizational learning. However, organizational learning theories don't pay attention to externalization, the conversion from tacit to explicit knowledge. (Nonaka's 1994, p. 19)

The knowledge spiral of socialization, externalization, combination and internalization operates through dynamic and continuous interaction between tacit and explicit knowledge and illustrates how organizations articulate, organize and systematize tacit knowledge. It shows knowledge flow between individuals, communities and the organization. Two specific conversion modes, namely externalization and internalization, have a need of high personal commitment as they are the most difficult due to the change in their knowledge type in those processes. (Dalkir 2005, p. 56 f)

5.1.2. Spiral of Organizational Knowledge Creation

Nonaka's model (1994, p. 20) of the spiral of organizational knowledge creation addresses the mobilization of tacit knowledge held by individuals, which may be localized in the center of the knowledge creating process.

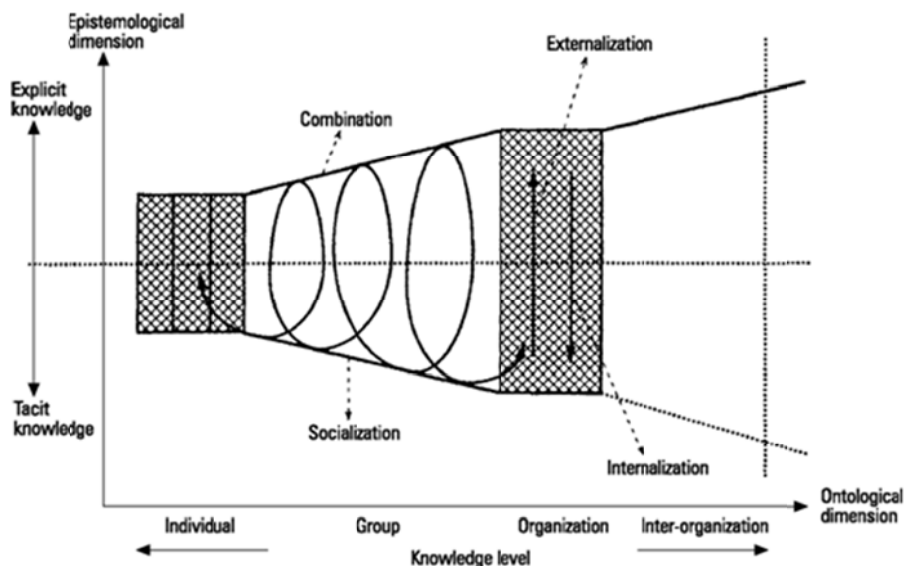


Figure 4: Spiral of Organizational Knowledge Creation

Source: Nonaka, I. (1994): A dynamic theory of organizational knowledge creation, *Organization Science* 5 (1): p. 20.

Figure 4 shows the Spiral of organizational knowledge creation in which tacit knowledge is moved through dynamic “entangling” of the four modes of knowledge conversion. The process of the “spiral” model of knowledge creation show the interplay between tacit and explicit knowledge, which is small at the beginning and grows in scale and becomes faster in speed as more actors are entering the process. (Nonaka 1994, p. 20) Therefore Nonaka (1994, p. 20) presents the spiral model as a process of organizational knowledge creation, an upward spiral process that is first initiated at an individual level and further developed in direction of the collective level, finally reaching the organizational level and sometimes the interorganizational level.

5.1.3. The EICE model

Extending Nonaka et al.'s (2000) model, Yang et al. (2010, p. 232) propose an EICE model further based on knowledge based and knowledge creation theory. The EICE model describes and evaluates knowledge creation strategies in organizations and the impact on knowledge asset. Four dimensions of knowledge creation strategies, exploration, institutional entrepreneurship, combination and exploitation are distinguished while those strategies determine knowledge assets in organizations. The main difference of the EICE model of Yang et al. (2010, p. 235) and the SECI process of Nonaka et al. (2000) lies in the use of public and private knowledge based on Matusik's (2002, p. 457 f) work as it seems more suitable for an organizational environment than explicit and tacit knowledge (Yang et al. 2010, p. 232). Under the assumption that a firm possesses both, public and private knowledge, the distinction is made in the uniqueness or competitive advantage. Private knowledge is unique and a source of competitive advantage for the firm whereas public knowledge is accessible and includes for instance general best practices (Matusik 2002, p. 458).

Yang. et al. (2010, p. 233 ff) propose the first mode of their EICE model as exploration strategies, a pattern of private to private knowledge conversion. To create new private firm-specific knowledge, the firm makes use of formal and informal integrating mechanisms to force the transfer of the individual's private knowledge to several departments. The second mode, institutional entrepreneurship strategies, implements the articulation of private to public knowledge, the institutionalization of knowledge. Within an organization, all members can exploit this kind of knowledge and use it for new knowledge creation. Combination strategies refer to the conversion of public knowledge into more complex and advanced public knowledge. Here the firm uses strategies of integration and configuration of external or internal public knowledge and forms new public knowledge. The last mode of the EICE model, exploitation strategies, takes its path from public back to private knowledge. When using exploitation, a firm doesn't only take external knowledge from the

market, but its members have to identify the most suitable external knowledge and adapt it to their needs. Examples of sources of public knowledge are lean manufacturing, just-in-time inventory, total quality management and team-based incentives. The firm's task here is to integrate those best-practices into firm-specific private knowledge. Finally, every mode of the EICE model creates knowledge, in particular private or public knowledge, and is an interacting part of the knowledge creation circle. (Yang. et al. 2010, p. 233 ff)

Based on the strategies constituting the knowledge conversion process in organizational knowledge creation, Yang. et al. (2010, p. 235 ff) develop several propositions regarding the firm's knowledge asset. The authors state that the degree of implementation of the organization's exploration strategies is positively related to its private knowledge and to its creative routine. The same positive relationship to private knowledge and creative routine is found at the implementation of institutional entrepreneurship strategies and the organization's exploitation strategies. When it comes to the implementation of combination strategies, the conversion of public to public knowledge, Yang et al. proposed only a positive relationship to the firm's private knowledge. (Yang. et al. 2010, p. 235 ff)

In conclusion it is important to make visible which knowledge the organization possesses and in what form. Furthermore, private knowledge has to be made accessible und usable and public knowledge has to be used the right way to become valuable for the organization. The EICE model can help the organization to follow these suggestions and to link knowledge creation processes to business strategies. (Yang. et al. 2010, p. 237)

After having introduced Nonaka's (1994) SECI model, the spiral of organizational knowledge creation and the EICE model as an extension of Nonaka's work (Yang et al. 2010), the following chapter discusses an alternative knowledge creation model based on effective problem-solving processes (Soo et al. 2002)

5.1.4. Knowledge creation based on effective problem-solving processes

An alternative view to Nonaka's (1994) model of creating knowledge through transferring explicit and tacit knowledge is shown by Soo et al. (2002, p. 37) who focuses on a knowledge creating process based on effective problem-solving processes.

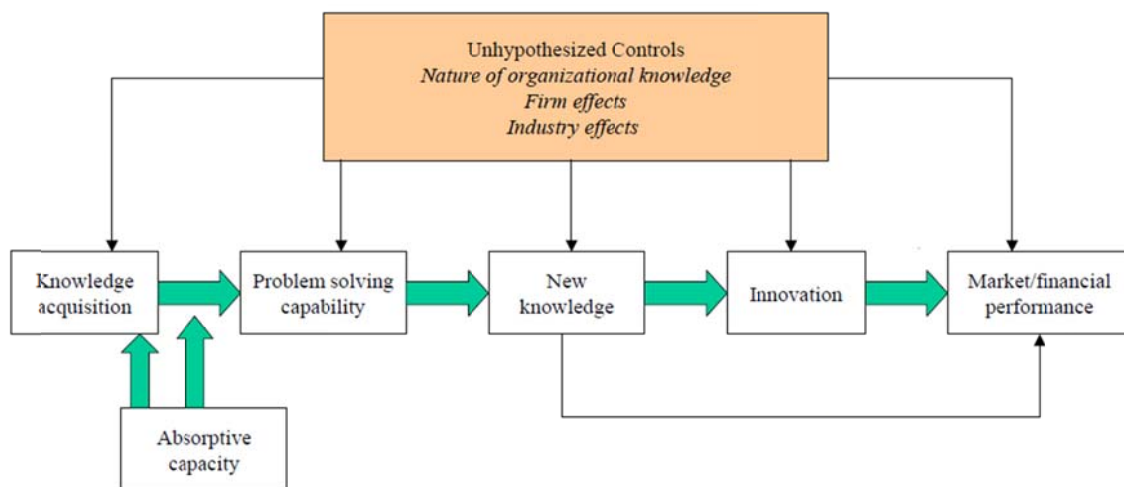


Figure 5: Model for Organizational Knowledge Creation

Source: Soo, C.W.; Midgley, D.F.; Devinney, T.M. (2002): The Process of Knowledge Creation in Organizations, p. 37, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=376080 (accessed November 1, 2012)

The authors state that knowledge creation has basically no intrinsic value. Only if innovation results from the firm's knowledge creation, it becomes valuable. The model of organizational knowledge creation in Figure 5 shows the process of organizational knowledge creation, influenced by absorptive capacity, which refers to the firm's extent of absorbing and assimilating external knowledge, affecting knowledge acquisition and the problem solving capability. The knowledge-creating process begins at the stage of external and internal knowledge acquisition which has a positive impact on the firm's problem solving capability. As a result new knowledge is created and new knowledge results in innovation. Finally the organization's market and financial performance is

improved through new knowledge that forces innovation. (Soo et al. 2002, p. 6 ff)

In their study the authors test for positive relationships between the different stages in the knowledge-creating process and the impact of absorptive capacity on knowledge acquisition and on the relationship between knowledge acquisition and problem solving capability. (Soo et al. 2002, p. 7 ff) The results imply significant results for the majority of their assumptions except the impact of absorptive capacity on the relationship between knowledge acquisition and problem solving capability and the direct positive effect of new knowledge on market/financial performance. A positive relationship could be found between knowledge acquisition and the quality of organizational problem solving while explicit and tacit expertise resources result in better problem solving solutions. Moreover the quality of problem solving had a direct impact on new knowledge and factors like problem solving in combination with shared commitment support organizational knowledge creation. Regarding firm performance significant relationships were tested between new knowledge and innovation and between innovation and market/financial performance. (Soo et al. 2002, p. 22 ff) These positive relationships are in line with Nonaka and Takeuchi's (1995, p. 3) statement that organizational knowledge creation is the key to innovation and to competitive advantage (1995, p. 298).

According to Soo et al. (2002, p. 24) no direct effect of new knowledge creation on the firm's market and financial performance could be found. Performance is affected only by innovation and new knowledge creation contributes to innovative processes (Soo et al. 2002, p. 24). However, Li et al. (2009, p. 446) tested a positive relation between the knowledge creation process and firm performance, arguing that every knowledge creating process is necessary and may be connected to performance. The comparison of those two studies can give an insight, but the results cannot be directly compared with the knowledge creation process definition of Li et al. (2009). In their model (Li et al. 2009, p. 444) the knowledge creation process of Nonaka (1994) including the four

dimensions which are socialization, externalization, combination and internalization is used.

Having identified the most important aspects and models of knowledge creation in the literature, another part, the cost of knowledge creation, requires observation. The next chapter discusses which costs are part of knowledge creation in a firm and according to which aspects a firm should decide whether to create knowledge internally or acquire knowledge from external sources.

5.1.5. The Cost of Knowledge Creation

According to Nonaka et al. (2000, p. 14) the costs of a firm to create knowledge can be differentiated in cost of knowledge input, opportunity cost and the cost of time.

In the knowledge creation process, knowledge represents input and output and costs arise in acquiring and retaining the knowledge as inputs in the organization. Knowledge acquisition can have several sources, for instance the input can be knowledge of the firm or external through licensing, outsourcing and consulting. Which input the organization decides for will depend on the knowledge it already has and the cost of knowledge acquisition in markets. The concept of knowledge assets explain the knowledge a firm holds while knowledge assets are determined as inputs and outputs of the knowledge-creating process and often invisible, tacit and dynamic. Four categories of knowledge assets are introduced: experiential, conceptual, routine and systemic assets. (Nonaka et al. 2000, p. 14 f)

Experiential Knowledge Assets Tacit knowledge shared through common experiences • Skills and know-how of individuals • Care, love, trust, and security • Energy, passion, and tension	Conceptual Knowledge Assets Explicit knowledge articulated through images, symbols, and language • Product concepts • Design • Brand equity
Routine Knowledge Assets Tacit knowledge routinized and embedded in actions and practices • Know-how in daily operations • Organizational routines • Organizational culture	Systemic Knowledge Assets Systemized and packaged explicit knowledge • Documents, specifications, manuals • Database • Patents and licenses

Figure 6: Four categories of knowledge assets

Source: Nonaka, I; Toyama, R.; Nagata, A. (2000): A Firm as a knowledge-creating Entity: A New Perspective on the Theory of the Firm, *Industrial and Corporate Change* 9 (1): p. 15.

Experiential knowledge assets implement emotional, physical, energetic and rhythmic (improvisation and entrainment) knowledge. Individuals in the organization exchange tacit knowledge among each other through experiences or with customers and suppliers. Explicit knowledge articulated through images, symbols and language belongs to the conceptual knowledge assets, which have its base in product concepts and design which is recognized by the organization's employees or brand equity perceived by customers. Routine knowledge assets regard to recurring exercises, specific thinking and actions in an organization, that are practiced on a daily basis. Tacit knowledge is embedded in organizational routines and culture and help organizational members to manage their daily tasks. The last category of knowledge assets of an organization, systemic knowledge assets, implement systemized and packaged explicit knowledge in form of documented information about suppliers and customers as well as licenses and technologies of the company. Nonaka et al. (2000, p. 16) points out that the knowledge assets of a firm described above settle its boundary by defining the input costs for the knowledge-creating process and further the knowledge-creating process determine how knowledge assets are built, which leads to opportunity costs. Here the firm has to decide whether it acquires knowledge from the external market or if the knowledge

creation within the firm, which refers to tacit knowledge would be a better solution. On the one hand through external knowledge acquisition costs may be saved but on the other hand knowledge created in the firm by organizational members may be more valuable on the long-term. However, creating knowledge internally can result in higher costs and may be a time-consuming process, especially in a market that is changing quickly. (Nonaka et al. 2000, p. 14 ff)

Still, knowledge that is created within the organization is untradeable and can't be acquired from other organizations on the external market and therefore may be a competitive advantage towards competitors. Teece (1998, p. 67) argues that assets can be a source of competitive advantage if they are untradeable or supported by strong appropriability. Nonaka et al. (2000, p. 14 ff) state that to become a knowledge-creating firm it depends on the firm's ability to build and energize "ba", the place to develop interactions between the organization's members.

5.2. Knowledge as a personal network

In the previous chapters knowledge creation was explained based on knowledge as a process. To integrate personal knowledge management and organizational knowledge management, Chatti's (2012) personal network model is introduced. The author extended traditional personal knowledge management models and integrated personalized and networked knowledge management, which is focused on the permanent creation of personal knowledge networks within open, emergent and self-organized knowledge ecologies. Knowledge ecologies in this context use personal network models as building blocks and are explained as complex, knowledge intensive landscapes emerging from bottom-up connections of personal knowledge networks. What is more, knowledge ecologies may develop in unexpected and unpredictable directions. (Chatti 2012, p. 835)

5.2.1. Critics of process driven knowledge models

Knowledge process driven models, for instance introduced by Nonaka et al. (2000), which focus on best practices and the automation of knowledge creating processes, conflict with the nature of knowledge as best practices are linked to knowledge in the past (Chatti 2012, p. 833). Moreover the automation of knowledge can't handle the complexity and uncertainty of knowledge (Chatti 2012, p. 833). In particular, the SECI process (Nonaka et al. 2000), introducing four processes of knowledge creation, has a lack of a process of error detection or correction (Chatti 2012, p. 834). Moreover, its linearity doesn't fit with knowledge as a unique process, which is developed through several orderless processes (Chatti 2012, p. 834).

Based on those critics, a new knowledge management model has to focus on know-how and know-who rather than know-what, pointing out the tacit characteristic of individuals. Furthermore, the knowledge environment has to be respected as non-linear and unpredictable. (Chatti 2012, p. 834)

5.2.2. Personal Knowledge Network model

As a response to those challenges Chatti's model (2012, p. 829 ff) place the learning environment of the knowledge worker in the center, intersecting with personal and organizational knowledge management.

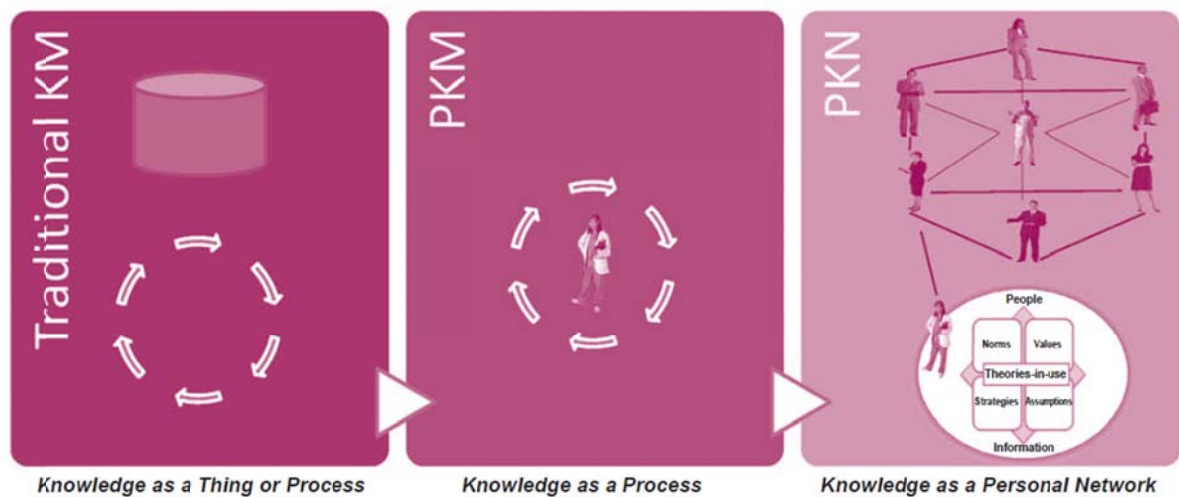


Figure 7: Change from traditional knowledge management to a personal knowledge network

Source: Chatti, M. A. (2012): Knowledge management: a personal knowledge network perspective, Journal of Knowledge Management 16 (5): p. 840.

Figure 6 illustrates the change of the traditional knowledge management view, where knowledge is seen as a thing or process, to personal knowledge management, centering upon the knowledge process and finally the personal knowledge network model, addressing knowledge as a personal network. In both of the last two models, PKM and PKN, knowledge is personal in nature. However, the PKN model emphasizes the network dimension of knowledge management and implements theories-in-use and tacit and explicit knowledge. It is driven by personal knowledge networks and knowledge ecologies. Here learning is linked to work, work to learning and both perceive knowledge as a personal network. (Chatti 2012, p. 840)

5.2.3. Combination of personal and organizational knowledge management

The personal network perspective meets today's challenges of new knowledge environments, which bring increasing complexity and fast change in markets. As the PKN model combines personal and organizational knowledge

management, it forms new roles for organizations. In particular, the knowledge worker stands at the center and the organization should support the worker's self-directed knowledge work and learning experiences in the organization as well as outside the organizational environment. What is more, the organization should assist the knowledge worker to build his or her own personal knowledge networks by creating a network friendly environment, supporting networking, inquiries, error correction, challenge, reflection and criticism. Those supporting and self-organized learning environments are determined as knowledge ecologies. (Chatti 2012, p. 841)

In line with Chatti's (2012) model, Zhang (2009) suggests a combination of personal knowledge management and organizational knowledge management. Zhang (2009) proposes the personalization of organizational knowledge and the organizationalisation of personal knowledge to bring both knowledge management categories together. After determining two dimensions, knowledge properties and management perspectives, Zhang (2009, p. 240 f) distinguished knowledge into one of the two dimensions and was able to point out the distinctions and connections between personal and organizational knowledge. His research is based on the assumption that personal knowledge management consists of three components, namely management of personal knowledge, knowledge management from a personal perspective and the intersection of both, which describes the management of personal knowledge from an Individual's perspective.

Furthermore, organizational knowledge management implements the management of organizational knowledge, the knowledge management from an organizational perspective and again the intersection of both perspectives, coordinating organizational knowledge in line with organizational objectives. Based on those assumptions, Zhang (2009, p. 241) developed two strategies, the strategy of organisationalising personal knowledge and the strategy of personalizing organizational knowledge. When organisationalising personal knowledge, a combination of the management of personal knowledge and

organizational knowledge assets for organizational objectives is used. Following the opposite strategy, personalizing organizational knowledge where organizational members coordinate their organizational knowledge to achieve their individual goals, the management of organizational knowledge and the knowledge management from a personal perspective are bundled. (Zhang 2009, p. 240 f) The combination of personal knowledge management and organizational management is reached by applying the strategies of personalizing organizational knowledge and organizationalising personal knowledge. For instance, knowledge flows would be transferred from the organization to individuals when applying the strategy of personalizing organizational knowledge and from individuals to organization when using organizationalising personal knowledge. So organizational members gain organizational knowledge within the personalizing organizational knowledge strategy and they distribute knowledge to the organization within the organizationalising personal knowledge strategy. (Zhang 2009, p. 242 f)

Zhang (2009, p. 250) further mentions that those strategies can be supported by portal and e-learning tools to personalize organizational knowledge and by social software and productivity tools to support the transfer of individual's knowledge to the organization.

6. Knowledge Creation and Transfer in franchising networks

6.1. Knowledge Creation in franchising

In the previous chapters knowledge creation as a process and knowledge creation in personal networks as a more recent theory were discussed. As the focus of the thesis is on knowledge management in franchising networks, the next chapter continues with specific knowledge creation theories representing the best option for franchising networks.

6.1.1. Lifecycle model of relationships in franchising networks

In franchising different elements and relationships have to be considered in comparison to organizations. The best way to illustrate the relationship in a franchising network over a specific period of time is through the franchising life cycle model.



Figure 8: Lifecycle model of relationships in franchising

Source: Langenhan, F.O. (2003): Wissensmanagement in Franchisingnetzwerken: Theoretische Grundlagen und praktische Gestaltung organisationaler Lernprozesse in Franchisingnetzwerken, Verlag Wissenschaft & Praxis Dr. Brauner GmbH Sternenfelds, p. 69.

First, the franchisor has to determine interorganizational relationships according to the legal form of formation of the franchising network. This thesis concentrates on a structure including the franchisor's headquarters and its franchisee partners. A network of the franchisor's headquarters and several franchisor's own branches is not reflected. After having founded the franchising network, the first franchisee enters the franchising system while this period of entry implements the initiation and integration of the franchisee. In the period of integration the franchisee learns to become a member of the franchising network. After integration, the franchisee follows active relationships to the franchisor and to other franchisee partners and the franchising package, representing the knowledge in the franchising network, is further developed. (Langenhan 2003, p. 69 ff) The active franchising relationship seems to be the most important for new knowledge creation in franchising systems.

The last element of the franchising cycle is the resignation of a franchisee from the system. Here knowledge has to be protected and retained to prevent the

franchising system from losing competitive advantage. What is more, the franchisor has to consider how business should be continued in the branch of the resigned franchisee or if the branch will be closed. (Langenhan 2003, p. 70 f)

6.1.2. Knowledge as a process in franchising

To come back to the knowledge creation process, measures of further development of the franchising package as well as decentralized processes of knowledge development of franchisees have to be recognized. New knowledge can be created through institutional functions, for instance research and development in combination with the franchise partners' knowledge. (Langenhan 2003, p. 75 f) The knowledge of franchisees is usually tacit, as their knowledge is for instance formed by their customers' and employees' feedback. To create new knowledge out of several franchisees' ideas, Nonaka's (1994, 2000) SECI process may help to explain different knowledge creation processes in franchising.

According to Lindblom and Tikkanen (2010, p. 183), who analyzed Nonaka's (1994, 2000) SECI process, externalization is the most important process in franchising systems. The conversion of tacit into explicit knowledge seems to be the knowledge management challenge. In particular, the franchisor often doesn't know which knowledge the franchise partners possess or if their knowledge could become an advantage for other franchise partners. Moreover, franchisees might not be willing to communicate or lacking skills to communicate their knowledge. (Lindblom and Tikkanen 2010, p. 183) Langenhan's (2003, p. 43 f) study showed that franchisees don't share the opinion of decentralized knowledge transfer to the franchisor being a key success factor as they rated the importance of this knowledge exchange at in the middle of the scale. The author's results (2003, p. 43 f) imply that the knowledge transfer between franchisor and franchisee seems to be more

important to both parties, franchisor and franchisee, but still, the role of knowledge management is integrated insufficiently in practice.

Another important aspect regarding knowledge creation in franchising arrangements refers to the context of individual's interaction named 'ba'. Nonaka et al. (2000a, p. 14) defined this concept to describe interactions between people which need a place in a physical context in which knowledge is shared, created and utilized. In this context ba can be a physical, a virtual, a mental space or a combination of all. Therefore ba can be a meeting room (physical), an internet-based network (virtual) or simply shared goals regarding mental space (Nonaka et al. 2000a, p. 25). For the establishment of ba, the right mix of people is crucial as well as encouraging the groups' interaction. Here managers have to be alert to spontaneous forms of ba which are created by organizational members and disappear quickly (Nonaka et al. 2000a, p. 25).

In the context of franchising those forms of ba have to be recognized by franchisors. Here the right mix of franchisees that interact and exchange knowledge could create further improvements and new ideas for the whole franchising system. What is more, the spontaneously created ba should also get the franchisor's attention as it disappears quickly. But as the structure of a franchising system is different from an organization and franchisee branches are at different geographical locations, the interaction between franchise members is more difficult as they are isolated from each other and more difficult to move. Therefore spontaneous interactions of franchise members for instance in a group meeting are not as easy as in organizations and may be coordinated through other communication methods. An alternative here might be the creation of a virtual space and the use of information technology systems. (Lindblom and Tikkanen 2010, p. 186) However, the type of franchising system may decide whether a form of virtual space is appropriate to force interactions between its members. While it could be a good solution in large fast food franchises, it might not be an optimal way in dental franchises as medical expertise might be difficult to show and to communicate through IT channels.

Still, the suggestion of Lindblom and Tikkanen (2010, p. 186) to replace some meetings in the physical world through communication possibilities in the virtual world to bring together isolated individuals, so a combination of interacting ba with cyber ba (Nonaka et al. 2000a), is a good alternative to force knowledge creation and may be of importance for further research.

In conclusion it is important to create an understanding of how members in the franchising system interact internally as well as with the external market or environment to support knowledge creation processes (Lindblom and Tikkanen 2010, p. 185 f). The franchisor's task here is to identify who knows what and to bring the right people together and to create a place for the exchange of knowledge.

Based on the research of Nonaka et al. (2000a) and Lindblom and Tikkanen (2010), the following hypothesis is formed specifically for franchising systems:

H1: Conversion of tacit into explicit knowledge is the most relevant for franchising arrangements and is positively related to new knowledge creation.

6.1.3. Knowledge as a personal network in franchising networks

Chatti's (2012) personal knowledge network model, driven by personal knowledge networks and knowledge ecologies (Chatti 2012, p. 840) could be applied in franchising systems by exchanging the central role of the knowledge worker by the franchisee. Continuing the personal knowledge network theory, the franchisee is in the center of the franchising network with all the knowledge he or she possesses from self-directed knowledge work and learning experiences (Chatti 2012, p. 841) in the franchising business and externally in exchange with other franchisees and business partners. Here the franchisor replaces the organization's supporting role and has to fulfill the task of creating

an environment where networking is supported and knowledge exchange and creation is forced, a learning environment similar to Chatti's (2012, p. 841) knowledge ecologies.

6.2. Knowledge transfer in franchising networks

After having discussed different models and theories regarding knowledge creation and transfer in organizations, a knowledge transfer strategy suitable for franchising systems will be developed in this chapter. For this purpose the knowledge-based and information richness theory were explained in chapters 2.6. and 2.7. Further, different kinds of knowledge, tacit and explicit knowledge, will be used in context to knowledge transfer and more specifically it will be discussed how to transfer tacit or explicit knowledge in franchising networks and which factors are important to consider in this matter.

Paswan and Wittmann (2009, p. 178) propose that knowledge transfer is positively related to innovation and competitive advantage. In franchising systems, on the one hand the knowledge transfer process already starts when a new franchisee is selected and integrated into the franchising system. The franchisee has to identify all values and norms to become a motivated part of the whole franchising network and to support the unique market presentation of all franchise partners' branches. On the other hand, at this point the franchisor has to identify whether the franchisee's knowledge brings value for the franchising network. Here a distinction between franchise partners with and without industry experience can be taken. If a franchising network is interested in gathering industry knowledge, it may be a good decision to integrate more franchisees who possess industry-specific knowledge. Moreover, experienced franchisees can be integrated and trained more quickly as they already know subject-specific facts in the industry. (Langenhan 2003, p. 87 ff)

However, the successful integration of experts can become more difficult as the industry specific knowledge of a franchisee can stand in contradiction to the

position and tasks of a franchisee. A franchise partner who hasn't collected any sector specific knowledge or experience may have a more open mind about knowledge acquisition from the franchisor. Regarding the socialization or integration process franchising networks are different to organizations. If a new franchise branch is established the franchisee is not surrounded by more experienced employees who already know the values and tasks of the organization. The franchisee works in his own business and gets increased franchisor's support at the beginning of their relationship, but to keep the socialization process going, the franchisor has to initiate active network relationships between the new franchisee, other franchise partners and franchisor. The goal of a successful knowledge management process is the common use of new knowledge among all franchise partners, which increases problem solving ability of the whole franchising network. (Langenhan 2003, p. 87 ff)

The development of the franchise knowledge can be realized either centrally through the franchisor or in a decentralized way guided by franchisee partners. If the process is operated centrally, the decentralized knowledge of franchisees is not integrated in further developing the franchise package. If franchisees are not integrated in the knowledge process, the risk of losing practice experience acquired from customers and suppliers is very high. Decentralized development of the franchise package brings several advantages as the overall organizational learning ability is increased and franchisees operate closer to the market in comparison to the franchisor. However, the franchisor might lose the overview about changes in the knowledge process and content of the franchising network and therefore lose control. Moreover, the franchisor's task is to identify which kind of decentralized knowledge contributes to the success of the franchising network and knowledge distribution is also organized centrally through the franchisor. (Langenhan 2003, p. 93 ff)

When analyzing the kind of knowledge in franchising networks, the decentralized knowledge of franchisees can be either explicit or tacit

knowledge. The integration of tacit knowledge into the franchising network requires transfer of tacit to explicit knowledge to be able to further distribute the explicit knowledge to all franchise partners. (Langenhan 2003, p. 95) To further identify the process of knowledge transfer in franchising networks, the next chapter follows the issues of knowledge attributes and the impact on the choice of knowledge transfer mechanisms.

6.2.1. Knowledge transfer from franchisor to franchisee

Based on the knowledge-based view, an important determinant of knowledge transfer mechanisms is the degree of tacitness of knowledge, determined by codifiability and teachability (Gorovaia and Windsperger 2010, p. 16). In a franchising system the degree of tacitness of knowledge varies and therefore the optimal degree of information richness of transfer mechanisms has to be chosen. Gorovaia and Windsperger (2010) found that if knowledge is highly tacit, transfer mechanisms with a high degree of information richness, like trainings or meetings, are used. In contrary, the lower the level of tacitness of system specific knowledge, the more low information richness mechanisms are chosen, represented by emails, reports or intranet. Their results are partly in line with Murray's and Peyrefitte's findings (2007, p. 120) who used data from a sample of U.S. hospitals in his research and state that high media richness transfer mechanisms like face-to-face meetings or social events will be more likely used for the transfer of know-how, that is high in tacitness, than for pure information transfer, that is highly explicit. Despite the fact that the results of Gorovaia and Windsperger (2010) and Murray and Peyrefitte (2007) are not fully comparable due to the difference of data they used, their results for the relationship of tacit or explicit knowledge and the information richness of knowledge transfer mechanisms are in line and supported. Moreover, Murray and Peyrefitte (2007, p. 124) state that low media richness training and development like instructional lectures and videotapes are more likely used for information transfer than for the transfer of know-how. This finding is further partly in line with Gorovaia and Windsperger (2010) who found that the lower

the level of tacitness of system specific knowledge, the more low information richness mechanisms are chosen.

Gorovaia and Windsperger (2010) based their research on knowledge-based theory, which integrates results of the information richness theory and apply the theory to develop their hypotheses regarding the relationship of the degree of tacitness of knowledge and the choice of transfer mechanism, which can be either high or low in information richness. Knowledge transfer mechanisms with a high degree of information richness are training, conferences, meetings and the telephone, visits of the outlets. In contrary transfer mechanisms low in information richness are fax, intra- and internet and further electronic transfer. The degree of information richness rises if a mechanism includes several attributes like feedback capability, availability of multiple cues, language variety and personal focus which consists of emotions and feelings. The lowest information richness can be found among computer reports as they can be categorized as quantitative and they don't leave any possibility of feedback. In addition, the level of task ambiguity is crucial for the choice of transfer mechanisms. High task ambiguity needs knowledge transfer mechanisms high in information richness while low task ambiguity needs only low information richness transfer mechanisms. (Gorovaia and Windsperger 2010, p. 14 ff)

To identify the content of knowledge which is transferred in franchising systems, the franchisor's system specific knowledge is to some extent codifiable and to some extent tacit. Here databases, reports and manuals represent the explicit part of knowledge, but franchisees are not able to apply this knowledge as they lack specific organizational skills. Therefore using only low information richness mechanisms would be insufficient as another part of the knowledge that has to be transferred from franchisor to franchisee is tacit. (Windsperger and Gorovaia 2010a) As a result, the best option to transfer system specific knowledge with either explicit and tacit content in franchising systems is to apply low information richness and high information richness mechanisms to cover the whole content of knowledge which needs to be transferred (Windsperger and Gorovaia 2008; Windsperger and Gorovaia 2010a). Even if a high information richness

mechanism is used to transfer system specific knowledge which has a higher tacit content, a meeting or face-to-face conversation will support the understanding of the explicit part (Windsperger and Gorovaia 2010a).

Further knowledge attributes were included in the authors' regression analysis, but resulted in non-significant results. Still, the negative or positive coefficients are linked to negative or positive relationships between the knowledge attributes and the use of low or high information richness mechanisms. Here, the age of the franchise system in Austria, decreases the use of high information richness mechanisms as the system's standardization of communication increases as a result of the knowledge conversion effect. The impact of trust was also included in the research of Windsperger and Gorovaia (2010a). The results imply that trust as a control variable at a rather general level, without the distinction between different forms, has a positive relationship with the use of low information richness mechanisms. (Windsperger and Gorovaia 2010a)

Significant results were found among complexity and codifiability in the regression analysis with high and low information richness as dependent variables. Complexity brought a positive, highly significant result, meaning that if complexity of knowledge increases, more high information richness mechanisms will be used. Moreover, an increase in codifiability implies the use of low information richness mechanisms. The positive and significant coefficient of teachability showed a positive relationship of low information richness mechanisms and less tacit system knowledge. (Windsperger and Gorovaia 2010a)

To sum up, lower information richness knowledge transfer mechanisms should be used for explicit system specific knowledge by the franchisor and if knowledge is more tacit, transfer mechanisms higher in information richness should be chosen. Therefore the franchisor has to identify the attributes of the system-specific knowledge to apply the right knowledge transfer mechanism. (Windsperger and Gorovaia 2010a)

Based on these findings, the following hypothesis is developed for the case study of go.Dentis:

H2: The higher the degree of tacit content in the system specific knowledge of goDentis, the more high information richness mechanisms are used.

H3: The lower the degree of tacit content in the system specific knowledge at goDentis, the more low information richness mechanisms are used.

6.2.2. Trust and knowledge transfer

After having discussed transfer mechanisms which are used for tacit and explicit knowledge, Gorovaia and Windsperger (2011) further extended their research by including codification and personalization strategy (Hansen et al. 1999) and trust as additional explanatory variable to test for the impact of trust on the use of high or low information richness mechanisms.

Hansen et al. (1999, p. 106) explains codification as a people-to-documents approach, which makes it possible to acquire codified knowledge without any personal contact to a person. The knowledge management strategy for the people-to-documents approach basically focuses on developing an electronic document system to codify, store, disseminate and reuse knowledge. The advantage of this strategy is that the knowledge can be used for many tasks or projects within a company and is available quickly. Furthermore, knowledge can be reused, which saves work, decreases communication costs and allows the firm to work on several projects. (Hansen et al. 1999, p. 106 ff)

In contrary, the personalization strategy refer to the dialogue between individuals and the logic of "expert economics" (Hansen et al. 1999, p. 110) and fits the transfer of highly tacit knowledge. This strategy is much more time-

consuming, expensive and slow for companies. However, firms that offers the personalization strategy to clients, for instance for consulting services, can generate higher prices for their services than firms offering standardized codified knowledge. (Hansen et al. 1999, p. 110 ff)

Gorovaia and Windsperger (2011, p. 2) link the personalization strategy to a franchisor using high information richness knowledge transfer mechanisms and the codification strategy to the use of low information richness transfer mechanisms. Moreover they include trust to find results for the impact of trust on the franchisor's knowledge transfer strategy and expect that trust moderates the relationship between tacitness and the use of knowledge transfer mechanism. The authors assume that trust becomes important if knowledge is tacit as codifiable knowledge, where exchange risks are low and contracts are used, is only weakly influenced by trust. Only if the system specific knowledge is tacit and franchise contracts are not completely defined, trust becomes an important role regarding knowledge transfer. (Gorovaia and Windsperger 2011, p. 2 ff)

In the regression personalization strategy was included as a dependent variable, which includes trainings, seminars, workshops, councils and committees as well as formal meetings between franchisor and franchisee. Complexity, codifiability, teachability and trust were included as explanatory variables and sector and age of the franchise system as control variables. (Gorovaia and Windsperger 2011, p. 8 f)

The results show that tacitness of system specific knowledge has a positive relationship with the use of high information richness transfer mechanisms due to the positive and highly significant coefficient of complexity in the regression. No significant results could be found for the variables teachability, codifiability and trust. Moreover, the regression didn't show significant results for the hypothesis that more trust implies more high information richness transfer mechanisms if the tacitness of system specific knowledge increases. Still, trust

supports knowledge-sharing between franchise partners. (Gorovaia and Windsperger 2011, p. 10 f)

Moreover, Davies et al. (2011, p. 331) state that reduced trust decreases the franchisee's willingness to concord to the franchisor's operational guidelines, which in sum has an impact on the whole franchise performance. The drive of overall trust reduces opportunistic behavior of franchisees and those will be more motivated to act in line with the franchisor's standards, which in return also improve the brand equity and system uniformity of the franchise system (Davies et al. 2011, p. 331).

Resulting from the positive relationship of trust and knowledge-sharing, the franchisor uses high information richness mechanisms. This relationship is even increased if the experience of both franchise partners is high as experience and the positive impact of trust on the use of high information richness transfer mechanisms are positively related. (Gorovaia and Windsperger 2011, p. 10 f) To find out about the impact of trust in the franchisor-franchisee relationship and knowledge creation within the goDentis dental franchise, the following hypothesis is defined:

H4: The higher the extent of trust in the franchisor-franchisee relationship, the more knowledge is shared.

6.2.3. Franchise relationships and trust – responses to changes in the franchise system

Knowledge transfer might also be important relating to changes in the franchising system. Croonen (2005) did research on franchisee's responses to a franchisor's change in the system. The author developed a model including four types of franchisee answer possibilities: Considerate voice, Loyalty, Exit and Neglect and found out that responses are much more heterogeneous than

the literature suggests. Considerate voice refers to common solution of the problem, considering both partners' concerns. Loyalty describes a behavior of not being active and letting things develop on their own. "Neglect" is linked to allowing worsening the relationship passively and "Exit" refers to the end of the partner's relationship. Furthermore, Croonen (2005) included a form of the franchisee's passive response, which is higher in destruction than loyalty and lower in destruction than neglect. Franchisee partners who used this kind of response were insecure of how they should react and behave due to changes and therefore they were passively waiting for the consequences the changes would bring for the franchisor-franchisee relationship. (Croonen 2005, p. 6 ff)

Based on the different kinds of responses a franchisee can choose, Croonen (2005, p. 20) identified dangerous responses for the franchisor. One possibility is the transformation from amply to exit, where the franchisee wants to leave the franchise system in the end. The problem here is that the "amply" behavior is dangerous as is not easy to realize and can therefore lead to unexpected situations like "exit". Another response dangerous for the franchise system is a passive behavior from the franchisor as the franchisor might lose control in the franchise system, franchisees don't feel responsible to fulfill their obligations and as a result franchisees respond with "Neglect", destroying the unity of the franchise system. (Croonen 2005, p. 20)

In conclusion, the compatibility of the franchisor's established obligations and the franchisee's agreement to these changes is of high importance in the franchisor-franchisee relationship (Croonen 2005, p. 20). Here, according to Davies et al. (2011, p. 337) franchisee's trust in the integrity of the franchisor on the one hand is destroyed by conflict in the relationship, which has negative consequences regarding the franchisee's compliance with the norms of the franchise system. On the other hand, conflict in relationships has no significant impact on franchisee's trust in the competence of the franchisor and therefore the link to compliance to norms and rules is less important (Davies et al. 2011, p. 337).

Finally, trust is not only important regarding knowledge transfer and knowledge transfer mechanisms (Gorovaia and Windsperger 2011), but also concerning franchisee compliance, where the franchisor might benefit from an understanding of different forms of trust, which improve the franchisor-franchisee relationship and which have an impact on franchisee compliance (Davies et al. 2011, p. 337). The franchisee's compliance to the system's rules and trust might support fast and efficient knowledge transfer, both using high or low knowledge transfer mechanisms.

6.2.4. Knowledge transfer from franchisee to franchisor

Langenhan (2003, p. 91 ff) points out the importance of knowledge transfer between the franchisee and franchisor, as the knowledge of the franchise system can be highly improved by sector and practical experience and knowledge of decentralized franchisee business owners. Still, knowledge transfer from the franchisor to franchisees has priority and decentralized franchisee knowledge is not adequately considered (Langenhan 2003, p. 117).

An important aspect is the contractual agreement between franchisor and franchisee which determines to which extent knowledge is shared between business partners. While franchisors should provide operating guidelines, policies and procedures, franchisees should accept and apply the franchisor's guidelines and communicate sales figures and operating information to the franchisor. However, in traditional franchise systems, franchisees are willing to share information, which partly consists of explicit knowledge, but they seem to be less willing to share tacit knowledge. (Paswan and Wittmann 2009, p. 177)

The franchisee's tacit knowledge is important for the franchisor to evaluate the market potential for growth, to set prices and to create new solutions to satisfy customers and generate higher sales. As franchisees are daily in contact with customers, they can best identify what improvements can be made and which

products or services best suit the customer. However, franchisors very often use standardized explicit transfer mechanisms, as they allow for consistency and standardization. (Cumberland and Githens 2012, p. 51)

The five most common barriers of tacit knowledge transfer are (Cumberland and Githens 2012, p. 51):

- Trust
- Maturation
- Communication
- Competition
- Culture

If trust is lacking in the relationship, franchisees mistrust the franchisor regarding the affection of their territory, monopolistic behavior or cutting their profits. The franchisor may be concerned about incorrect revenue statements or about resistance to act according to franchise guidelines. A franchise relationship, primarily guided by a legal contract, even increases the fear of franchisees concerning opportunistic behavior of the franchisor and therefore reduces sharing of tacit knowledge. (Cumberland and Githens 2012, p. 52) In addition, maturation describes the problem of resistance to change of long-term franchise members. While new franchisees are willing to learn and acquire knowledge from the franchisor, others who already experienced failed changes might react in a negative way. The communication barrier focuses on the need of the franchisor for on-time information, which franchisees are not able to deliver as they are often bound to corporate offices and have to report only specific information. Moreover, knowledge sharing is even more suppressed if franchisor and franchisee have a competing attitude. The last barrier to tacit knowledge transfer refers to the hierarchical culture of the franchise system, where the franchisor is able to execute more power than the franchisee, which may lead to less willingness of the franchisee to share knowledge. (Cumberland and Githens 2012, p. 52 ff)

By creating an understanding for the barriers of tacit knowledge transfer, the franchisor has the possibility to improve some of the fields to encourage franchisees to share their tacit knowledge and support innovation in the franchise system. Elimination of at least reduction of the barriers could lead to new product ideas, improved operation processes, better performance and higher returns for franchisor and franchisees. (Cumberland and Githens 2012, p. 56) A trustful relationship, where both business partners are able to learn from each other, can be developed with the help of integration of franchisees into decision making processes, listening to their ideas and by providing incentives for knowledge sharing. In addition, franchise advisory boards which enable meetings on a regular basis to exchange ideas, new concepts and processes, might support the transfer of tacit knowledge. (Cumberland and Githens 2012, p. 55)

7. Case Study goDentis

The planned health care reform and protests by doctors and the medical chamber against centralization, nationalization and further bureaucratization of health care is a current topic in Austria. The government plans health care savings of 3.4 billion by 2016 and 11 billion by 2020 and the medical chamber and several doctors are aware of the consequences, namely a two-tier medical system, which will bring drawbacks for medical personnel, medical research and the patients. What is more, hospitals and specific departments in the hospitals might be closed and less panel doctors might be planned in future. The doctor's claims are to finance health care according to requirements in contrary to expenditures related to GDP growth, the relieve of hospital doctors and less centralized control and bureaucracy and more autonomy. (Bonavida and Prior 2012)

Therefore goDentis as a dental franchise system might show an alternative and support for doctors who are dissatisfied with the current health care system and who face difficulties to become panel doctors.

The difficulties the health care system faces currently (Bonavida and Prior 2012) and in future and a lack of research on dental franchises rises the importance of focusing on alternative organizational forms in the medical system to create efficiency in the structure and processes and to meet patient's demand. The following case study meets a current, practice-oriented topic and will mainly focus on the knowledge transfer strategies between franchisor and franchisee partners.

To extend the theoretical findings and prove established theoretical hypotheses, a case study in the dental franchise sector in Germany is realized. Due to the specific content of knowledge a dental franchise has to transfer, which is mainly tacit when speaking about medical seminars and trainings and explicit when it comes to general guidelines and norms of the franchise system, goDentis may bring support to the developed hypotheses in the theoretical part of the thesis:

H1: Conversion of tacit into explicit knowledge is the most relevant for goDentis and is positively related to new knowledge creation.

H2: The higher the degree of tacit content in the system specific knowledge of goDentis, the more high information richness mechanisms are used.

H3: The lower the degree of tacit content in the system specific knowledge at goDentis, the more low information richness mechanisms are used.

H4: The higher the extent of trust in the franchisor-franchisee relationship, the more knowledge is shared.

7.1. Introduction goDentis dental franchise

goDentis is a subsidiary of the German health insurance DKV AG. The franchise system was founded 2004 and has become the largest in Germany in the dental sector. goDentis wants to acquire and to keep patients with a strong, independent, nationwide brand and contribute to innovative healthcare and creation of value in goDentis practices. (goDentis 2013a) The franchise system comprises 250 franchisee dental practices with 450 franchisee dentists while one franchising contract is signed per practice. Their operations implement mainly brand franchising and support of their franchisee partners in several aspects. (Schenkman, personal communication, January 15, 2013)

To ensure a high level of quality and service for the patient, franchisee partners, in particular dentists, are selected after standardized quality criteria. goDentis is a quality system for dental practices and offers its franchisee partners several benefits. The goDentis Academy supports its members with individual solutions in the areas of organization, communication, branding and prophylaxis. Moreover, goDentis wants to develop collaboration with primary care doctors and specialists in other medical fields due to scientifically proved correlations of dental chronic bacterial diseases and diabetes, heart attack or stroke. (Schenkman, personal communication, October 04, 2012) A team of nine employees is continuously improving the franchising system and collaborating with franchisee partners. Their responsibilities can be subdivided into management, communication, goDentis academy and further team members supporting partner dentists. (Schenkman, personal communication, January 15, 2013)

7.2. Method and type of data

For the empirical part of the thesis qualitative data will be used as the exploration of the nature of knowledge transfer practices within the dental franchise system requires flexible insights into the franchise's practices.

First, some basic data and information regarding the facts and fees of goDentis were collected per e-mail and found at the franchisor's homepage. Then interview questions were established and posed to the manager of the franchisor's goDentis academy. This interview was held the 15th of January 2013 at 15:45 with Klaus Schenkmann, the manager of the goDentis Academy.

Based on taken notes about the main contents, results were summarized and applied to the developed hypothesis.

7.3. Development of the franchise system goDentis

The first project of goDentis implied a plan of several branches owned by the DKV insurance, offering dental prophylaxis by dental assistants without any supervision of a dentist. This system would have been possible in Germany as no dentist has to be present if dental prophylaxis treatments are done. However, this project failed to meet patient's demand as dental prophylaxis may be strongly linked to a treatment in a dental practice and patients require care of a professional dentist, even if there is no additional treatment beside a dental prophylaxis which basically includes the professional cleaning of teeth. Finally the planned DKV prophylaxis chain was not established. (Muschaweck 2010, p. 121)

Still, dental prophylaxis was a central topic when starting the next goDentis project in 2004. Qualified dentists who were chosen to enter the goDentis franchise system were further trained in dental prophylaxis with the help of

goDentis manuals. Another manual was established including the topics of parodontosis, implants and dental restorations. Further topics which were offered by goDentis are the organization of dental practices, marketing and communication. (Muschaweck 2010, p. 121 f)

7.4. Specific franchising aspects at goDentis

In the specific medical field of goDentis, not all traditional franchising criteria can be applied as legal regulations restrict certain franchising practices. Therefore typical franchising concepts couldn't be transferred to goDentis unchanged. (Muschaweck 2010, p. 121)

goDentis' goal is to generate revenues from three sources. First, franchising fees of partner dentist are collected. Second, the brand goDentis strengthens the image of the system and the aim is to be present in other markets too. Third, patients should be attracted by the private insurance of DKV and as a result the DKV AG should become more popular through the brand goDentis and further expand its private insurance package offered. (Muschaweck 2010, p. 134)

7.4.1. Competitive advantage from the perspective of franchisees

To answer the question of why dentists should become franchisee partners of a dental franchise, the competitive advantage from the perspective of a dentist is discussed. The competitive advantage of goDentis can't be explained with standardized messages as every dentist has specific needs and expectations and goDentis acts like a partner who supports its franchisees according to their needs. The franchisor appears as a reference person for all franchisee's questions and concerns and provides support with their training academy, communication, advertising and prophylaxis. Moreover, the goDentis team

defines what can be done to generate improvements at specific dental partner practices after they have determined the status quo as a basis. The main service of goDentis is to provide advertising submittals and to support franchisees in advertising and communication. The franchisor's focus is not to advise partner dentists in commercial requests, but partners are supported regarding the organization of a dental practice together with advertising and quality management. All in all, goDentis provides a high content of knowledge for franchise partners that can be accessed easily without much effort. Franchisees are members of a quality system and a network of competent dentists. Nearly all aspects of a dental practice are covered and the largest European private insurance, DKV, is also involved in the system, providing franchisees new possibilities to attract patients who hold DKV's a private insurance policy. The franchising system's uniqueness is based on columns of communication, management of dental practices, quality management and prophylaxis linked with organizational and advertising aspects. Dentists who acquired medical competence can attend the franchising system to improve their sales, employee motivation and organization of their practices. (Schenkman, personal communication, January 15, 2013)

Regarding the generation of higher sales through more patients due to DKV's private insurance, no measurable results are available. The advantages differ among franchisee dental practices. (Schenkman, personal communication, January 15, 2013)

7.4.2. Franchisor's power

Dentists are subject to the freedom of their occupation. Therefore goDentist doesn't have as much influence on their working behavior, mentality and procedures as in a traditional franchising system. Even if a dentist is a member of goDentis, he or she can still decide on his/her own which treatment to choose and which materials to use. As a result it is necessary to find a balance between

the dentist's professional freedom and standardization and conformity within the franchising system goDentis. The problem that goDentis has to face is that some goDentis franchisees don't feel like a strong part of the franchising system. They don't present themselves with the support of goDentist signs as they are not interested to promote the brand goDentis or DKV. But to reach a strong brand, every partner within the system has to cooperate and present the brand goDentis to make the system more successful. Here it is important to communicate that goDentis franchisees can promote their own dental practices while presenting themselves as goDentis partners. (Muschaweck 2010, p. 135 f)

7.4.3. Bad press

Another specific aspect that could harm the whole franchising system more deeply than a traditional franchising system is bad press. If a specific dentist within the franchising system would be criticized for medical treatments in a newspaper or if it would become public that quality standards are not followed in a specific dental practice, the result would be a complete disadvantage for the whole system and for the reputation of all partner dentists. (Muschaweck 2010, p. 135)

7.4.4. Flexible structure

Partner dentists who enter the system have already established their dental practices. Therefore the franchising system has to offer enough flexibility to react to already established businesses and still offer support for the franchisees. The franchise contracts don't commit franchisees to take over the brand goDentis completely. The management's interest is more to establish a seal of quality, which comprises all their partners and communicates their quality standards to patients. (Muschaweck 2010, p. 135)

7.4.5. Price advantages in joint purchasing

Franchising usually offers joint purchasing of products needed for the daily business. Dentists have to place orders with dental labs, that deliver dentures or with dental businesses that sell accessory and dental equipment. Here it would be an advantage for all franchisees to generate cheaper prices if joint orders are placed.

goDentis offers a service to partners to buy at their specific dental lab. However, as some dental labs are already in the local areas of partner dentists, this service is only used to a limited extent. (Muschaweck 2010, p. 136) Still, they offer their partner dentists special promotions in cooperation with dental labs from time to time to generate cheaper prices that could not have been reached by single dentists alone. Moreover they are able to attain price advantages regarding communication and advertising, which is further offered to franchisees. (Schenkman, personal communication, January 15, 2013)

7.4.6. Dental equipment

Another barrier within the system is that the common use of the same dental equipment and accessory can't be completely regulated by goDentis as it is not possible due to legislation in the medical sector. Therefore goDentis can motivate their partners to use the recommended dental equipment but they can't sanction dentists who decide to use different equipment. (Muschaweck 2010, p. 136) Still, it has to be mentioned that the central interest of goDentis is not to provide dental equipment to franchisees. The management is more focused on different issues, which are discussed in the following chapters.

7.4.7. Cobranding

As partner dentists already have designed their dental practices according to their preferences before entering goDentis, it is not always possible to change the whole design of the premises or the exterior facade. Some dentists also already have their personal logo or brand, which they don't want to lose. Therefore goDentis is strongly focusing on the topic of cobranding as the franchising system implements different dental practices, from small dental practices in rural areas to large practices in densely populated regions. (Muschaweck 2010, p. 137)

7.4.8. Advertising

Regarding advertising goDentis is restricted by law to promote specific dentists. However, it is allowed by law to promote the brand goDentis which brings advantages for all franchisees. Recently the law of advertising in the European Union was changed so that it is now possible for patients to give feedback about dentists on their homepage which was not allowed before. Moreover, it is legal to wear white professional clothing on ads. Still, the message contained in advertisements underlies to some restrictions, which have to be considered by dentists. Here the media is not important, but the message has to be in line with ethical standards. The freedom of advertising and laws are different between parts of Germany. Therefore one dental practice in the east of Germany could have to follow other regulations than another in the south. In conclusion, goDentis offers brand franchising and the franchisees have to put the brand into operation locally. Partner dentists decide how to promote their dental practices and if they make use of goDentis advertising submittals. It is also the franchisee's decision how much importance should be given to advertising locally. Therefore some partner dentists decide to place ads in local press or magazines more often than others. (Schenkman, personal communication, January 15, 2013)

7.4.9. Quality assurance

Due to the freedom of dentists' profession, procedures of control by the franchisor are restricted and quality assurance can't be accomplished to the same extent as within a traditional franchise system. Here it is difficult to control the success of medical treatments of dentists by selecting specific medical cases as cases could have been preselected or falsified. (Muschaweck 2010, p. 137)

goDentis partner dentists always decide on their own which treatment is suitable for the patient. The only aspect that has to be followed is to use dentures according to German quality norms to affirm quality standards among all partner dentists. (Schenkman, personal communication, January 15, 2013)

7.4.10. Private insurance DKV

As goDentis is a subsidiary of the German health insurance DKV AG, the insurance products of DKV are also offered to goDentis patients. Three tariffs, KombiMed Tariff KDT50, KDT85 and KDBE give patients the possibility to decide for a private insurance in addition to their compulsory health insurance and to receive benefits in preventive dental care, dentures or in case of accidents. (goDentis 2013i) To receive insurance benefits, the patient has to be treated by a goDentis partner dentist. The reason why the number of partner practices of 250 is lower than the number of dentists of 450 is due to the fact that it is necessary that every single dentist working in a dental practice is a goDentis partner dentist to ensure that the patients receive DKV private insurance benefits independent of the dentist that executes their treatment within a goDentis dental practice. (Schenkman, personal communication, January 15, 2013) Three private tariffs are offered by the DKV.

The first tariff, KombiMed KDT50 refund 55 percent of additional costs if the patient's treatment is done by a goDentis partner dentist. If the patient visits

another dentist, who is no member of the goDentis franchise system, only 50 percent are refunded. The coverage of the KombiMed KDT50 tariff comprises dentures, implants, inlays or dentin fillings and the insurance benefits are EUR 250,- in the first year of insurance, EUR 500,- in the second and EUR 750,- in the third year. If an accident causes dental injuries, there is full coverage by the insurance. (goDentis 2013i)

The second tariff of DKV, KombiMed Tariff KDT85, refunds 90 percent of additional costs if the treatment was fulfilled by a goDentis partner dentist and 85 percent for dentures, implants, inlays or dentin fillings. The insurance refunds in sum EUR 500,- in the first year, EUR 1,000 in the first two years of insurance and EUR 1,500 in the first three years of insurance. Full coverage is given in cases of accident again. (goDentis 2013i)

The last tariff, KombiMed Tariff KDBE, offers a solution for dental prophylaxis and dental treatments as it implements two professional dental prophylaxis per year, that are covered through DKV. Furthermore, periodontal, endodontic and orthodontic services are covered with a diverse maximum insurance benefit if the compulsory health insurance doesn't cover those treatments. Regarding prophylaxis treatments the maximum insurance benefit is EUR 75 at usual dentists and EUR 100 at goDentis partner dentists. For periodontics and endodontics 100 percent are covered up to a maximum of EUR 1,500 per insurance case if the patient's age is under 18, prices of materials are calculated and if they could be accounted to orthodontics. Before any consumption of such a treatment is possible, the patient has to wait eight months for periodontal, orthodontic and endodontic treatments and there is no waiting time for prophylaxis treatments. (goDentis 2013i)

All tariffs offered by the DKV show that if the patient visits a goDentis partner dentist practice, the coverage of insurance is higher than if a non-franchisee does the treatment. Therefore goDentis and DKV sets an incentive for the

patient to go to a goDentis practice which brings new patients and additional treatments for partner dentists.

7.5. Fees, territorial protection and franchising contract

7.5.1. Franchising fee and contract

The franchising fee is a monthly fixed sum at goDentis, which amounts to EUR 299.- net per month. There is no entrance fee in the system. The franchising contract is signed for two years. If the contract is not cancelled, it is extended by one year. Franchisees have the possibility to cancel their contract three months before expiration. Premature cancellation of the franchising contract is possible. In cases of non-compliance of quality standards or serious discrepancies the franchising contract can be terminated by the franchisor without notice. On average franchisee partners stay at goDentis for about five years, but those who entered the system right at the start in 2004 still appreciate cooperation with goDentis. The reasons why some franchisees leave the franchise system is that individual expectations may not have been fulfilled. (Schenkman, personal communication, January 15, 2013)

7.5.2. Territorial protection of partner dentists

Territorial protection is not a part of the current franchising contract, which seems to be accepted by partner dentists. Only contracts from the past include a territorial protection. The goDentis management is interested to stay flexible when acquiring partner dentist. (Muschaweck 2010, p. 122)

Still it is in the franchisor's interest to develop geographical coverage with goDentis partners in Germany as patients should be able to reach a partner dentist easily. If a potential partner dentist would enter the territory of an

established goDentis partner, communication between parties involved is the key to solution while goDentis is interested in the satisfaction of their franchisees and basically acts in their interest. (Schenkman, personal communication, January 15, 2013)

Recently there is potential for growth and expansion of the system in Germany. Potential drawbacks of too many partners comprise the loss of franchisor's control and the difficulty to control and ensure quality standards within the franchising system. (Schenkman, personal communication, January 15, 2013)

7.5.3. Market presence of dental practices

Usually franchising branches are presented in a common style to attract customers and to improve the presence of the brand.

At goDentis the franchisee dental practices can choose their own style or color. The franchisor offers several material of the brand to franchisees and those can choose whether they want to use goDentis advertising material. Some franchisees identify themselves with the brand and others decide to use brochures with the goDentis logo only or reject to use any advertising material, but still do prophylaxis treatments according to goDentis quality standards. It is in the franchisee's decision to what extent they want to represent themselves as goDentis partners. goDentis' function is to offer a broad portfolio of advertising material for franchisees for instance flyers, placards, brochures or stickers for the whole car. (Schenkman, personal communication, January 15, 2013)

The question is how do potential patients recognize a goDentis dental practice. Franchisees can promote their services and dental practices in line with legal regulations. In addition unlimited advertising is possible for the brand goDentis as the franchising system acts like a usual business when it comes to legal regulations regarding advertising. So patients recognize goDentis practices on

flyers, brochures, bills or ads on cars. (Schenkman, personal communication, January 15, 2013)

7.6. Treatment Programmes at goDentis

7.6.1. Dental prophylaxis SCAN

The package of goDentis comprises the programme SCAN, a dental prophylaxis or professional tooth cleaning. During this treatment a qualified employee cleans the patient's teeth with professional dental equipment to protect the patient of periodontitis or caries. Several risks can be caused by periodontitis like loosening of teeth, loss of teeth or an increased risk for heart attack, stroke and premature birth. The goal of goDentis is to recognize periodontitis during the dental prophylaxis and to minimize those risks with the help of the SCAN treatment. (goDentis 2013b) Before a prophylaxis assistant begins with the professional cleaning, the dentist examines the health of the patient's teeth. After the prophylaxis specialist measures the depth of gum pockets around each tooth. Together with further results the overall dental and oral health of patients can be measured and gives the dentist a good basis for further treatments. Finally, the patient receives all results formulated in an easily understood form of paper. (goDentis 2013h)

7.6.2. Dentures

The goDentist franchisees offer their patients individual and optimal solutions. They collaborate with dental technicians and offer high quality dentures according to German quality norms. Their offer implies removable or fixed dentures, implants, crowns, bridges or prostheses. When it comes to payment of dentures, goDentis franchisees can offer additional dental insurance packages from DKV. As dentures have to be professionally cleaned as well, the

prophylaxis programme SCAN optimally completes their dentures offering. (goDentis 2013d)

7.6.3. Halitosis – goDentis Fresh

Every fourth German suffers from halitosis and some patients are of the opinion that the stomach is the cause for their discomfort. But as 90 percent of halitosis is caused by diseases in the mouth, throat or in the nose and sinuses. Therefore goDentis franchisees help with the offered service goDentis FRESH and remove bacteria on the tongue base or in periodontal pockets that mostly cause halitosis. Instead of a short flavor enhancement therapy, the goDentis FRESH treatment eliminates bacteria permanently and gives their patients back a safe and pleasant breath. (goDentis 2013e)

7.6.4. Bleaching

To complete the goDentis treatment programme, goDentis partners offer a professional bleaching programme. Expensive toothpastes with scratch effect on the market can damage teeth. (goDentis 2013f) To get white teeth a professional gentle dental cleaning is done by the prophylaxis assistant first, where all deposits and external stains are removed, followed by teeth whitening with in a further meeting, where a special gel enables to light dark colored particles on teeth. If the patient is satisfied with the result, the last process, the application of a special paint to hard the tooth surfaces is done to complete the optimal result. (goDentis 2013g)

Finally, goDentis partner dentists represent controlled quality standards in the whole system. Quality compendia build the basis for dental prophylaxis and dentures. Furthermore franchisees have to act in line with ethical standards regarding the treatment of patients as franchisees have to submit a formal declaration concerning this topic. A quality certification is realized once a year

through interviewing patients and employees in the dental franchisee practices. (goDentis 2013b)

7.7. Selection process and training of franchise partner dentists

The selection process of new franchise partners at goDentis begins with research on official data of a potential interested dentist, in most cases information on the internet, for instance the dentist's homepage. (Muschaweck 2010, p. 124 f) Here it has to be mentioned that goDentis is not actively acquiring partner dentists. There is no specific target among dentists, but as goDentis is operating in the field of prophylaxis, potential partner dentists should be convinced about preemptive treatments and interested in improvements regarding service and organization of their practice. (Schenkman, personal communication, January 15, 2013)

After the collection of information, a representative visits the dental practice and proves hard and soft requirements which have to be fulfilled before entering the franchise contract. Here the optical appearance, hygiene and the dentist's opinion regarding the franchise system is proved. Moreover a checklist helps the field representative to check clearly defined hard facts, for instance if the potential franchisee owns a separate room and specifically trained employee for prophylaxis treatments. The dentist also has to agree with the quality guidelines set by goDentis. (Muschaweck 2010, p. 124 f)

The franchising contract comprises selected trainings that have to be attended by new franchisees. The first training is about the goDentis system and takes about four to five hours. The second part of enrollment is a more subject-specific training about the topic of prophylaxis. In addition goDentis regional managers visit the franchisee's dental practice and look for potential for improvement to find an optimal strategy for their individual partners. goDentis follows a focus of continuous improvement of their franchisee's dental practices

and their team also look for inefficiencies in the prophylaxis treatment and further aspects within the practice. (Schenkman, personal communication, January 15, 2013)

7.8. Cooperation between franchisor and franchisee

At goDentis franchising is not seen as a classical service agreement between franchisor and franchisee. The character of cooperation is highly appreciated within the system. The partner dentist's work and presence should be in line with the franchise system's rules and guidelines, but goDentis tries to motivate dentists with a bonus system, offering additional tariffs for patients, which also bring advantages to partner dentists. (Muschaweck 2010, p. 124)

7.9. Knowledge transfer and communication at goDentis

The transfer of knowledge between franchisor and franchisee partners occurs at different levels in the dental franchise system. (Schenkman, personal communication, October 04, 2012)

The goDentis Academy offers several trainings at several locations in Germany or directly in the practices of franchisee partner's. While some trainings are included in the franchise agreement, others can be separately booked by franchisees liable to charges. (Schenkman, personal communication, October 04, 2012)

Another occasion, where knowledge is transferred, takes place annually within the frame of an annual partnership meeting. This annual meeting enables all partners to exchange practice specific knowledge and to join workshops and lectures, where current knowledge and current issue of dental practices are

mediated and discussed. (Schenkman, personal communication, October 04, 2012)

At goDentis the franchisor wants to practice active communication with franchisee partners continuously and to inform about performance related topics. Therefore social networks are used to make fast and efficient knowledge transfer possible. (Schenkman, personal communication, October 04, 2012) What is more, a central hotline was established to ensure fast communication between franchise partners, being the most important communication medium at goDentis. In addition, franchisees can contact the regional managers via phone who assist them on specific regional issues. To relieve the telephone hotline, dentists have the option to send requests via mail to specific contact persons who are responsible for general requests, orders and printing templates. (Muschaweck 2010, p. 122 f) Moreover the goDentis management sends newsletters to their franchise partners four to six times a year electronically per e-mail or as a brochure with six to eight pages per mail to inform about current topics. Important dates, information about current seminars and trainings, next fairs, changes and news within the franchising system, promotions, subject-specific topics and information concerning social media are shared in the newsletter. (Schenkman, personal communication, January 15, 2013)

Since 2008 an advisory body supports the participation of all franchisees and improves communication within the system. A Further improvement was realized when every partner dentist was supervised by one specific contact person, who is responsible for his or her concerns exclusively. (Muschaweck 2010, p. 123) Those reference persons also contact franchisees regularly, minimal once per quarter to discuss current topics, news, interests, ideas or problems. (Schenkman, personal communication, January 15, 2013)

To provide another possibility for information exchange between franchisees, a platform for a marketplace was established to place offers and requests

regarding their practices, where partner dentists can publish offers and requests online to their colleagues in the franchise system.(goDentis 2013c)

The goDentis homepage, Facebook and Twitter are also used for the whole communication, internal and external. (Schenkman, personal communication, January 15, 2013)

7.9.1. Most important knowledge to be transferred from franchisor to franchisee

The most important knowledge that is transferred from franchisor to franchisee comprises topics of organization and communication. In addition best practices of how to manage a dental practice are communicated, followed by quality management topics and prophylaxis linked to organizational and communication aspects. (Schenkman, personal communication, January 15, 2013)

goDentis also offers individual services for their partners. In this case they act like an agency, organizing events and formulating press releases according to individual needs and wishes. Franchisees can contact the franchisor in every field of their spectrum. (Schenkman, personal communication, January 15, 2013)

The course programme includes a mandatory part and several additional courses can be joined on payment of a fee. (goDentis 2013j)

The success of a dental practice depends on practice management, quality management, communication and establishing a quality dentistry. The goDentis Academy offers courses based on those success factors and subdivides its topics into basic knowledge, building knowledge and expertise of experienced practitioners. (goDentis 2013j) Their motto “from the practice, in the practice, for the practice” (goDentis 2013j) together with the knowledge types defined above

point out the majority of tacit content of knowledge that is transferred from franchisor to franchisee.

7.9.2. goDentis Academy programme

The goDentis basics course mediates how to apply professional quality management with the help of a quality management system, which documents the processes and enables continuous improvement. Moreover the fundamentals of quality management and ISO 9000 are transferred to franchisees free of charge. Finally the transferred knowledge is trained on practical tasks at the end of the course. (goDentis 2013j)

Excerpts of the basic course's content are the following (goDentis 2013j):

- Introduction to Quality Management
- Fundamentals of Process Management
- Process Map and Process Model
- Process Level, Process Description
- Introduction of the ISO 9000 family
- Motivation and coping with change
- Motivation and Quality Management
- Employee motivation
- Documentation of a quality system
- Scope and requirements for documentation
- Owner's Manual
- Internal Audits

goDentis management recommends an individual goDentis practice analysis to elaborate the current situation and to formulate objectives and the path to reach results. The management defines the goDentis Academy as an offer of courses that can be adjusted on individual wishes and needs of participants. (goDentis

2013j) Here only a high information richness mechanism makes it possible to adjust the course programme to participants needs efficiently.

Further courses of the goDentis quality management programme against payment of a fee comprise (goDentis 2013j):

- Quality Management
- The goDentis practice ANALYSIS
- The goDentis prophylaxis practice-CHECK
- The goDentis Media & PR practice-CHECK
- Education goDentis quality manager
- Individual quality management coaching in the goDentis practice

Further knowledge is offered in the fields of prophylaxis in theory and practice, practice management in terms of service and quality for patients and the focus on achieving and elaborating goals in the practice team. The communication programme offers courses to topics of appealing to patients, public relations in the network and individual strategies for the practice success. Finally, special courses regarding hygiene in the dental practice, writing press releases and strategic use, online marketing, individual leadership training and individual team training are offered. (goDentis 2013j)

7.9.3. Knowledge transfer mechanisms at goDentis

The decision for a specific knowledge transfer mechanism that is higher or lower in information richness depends on the specific needs of the franchisee. Some dental practices prefer to be contacted personally, others are more convenient with e-mail conversation. Still, high information richness mechanisms like face-to-face contact in terms of visits of dental practices and telephone conversations are used most within the franchise system. As it is necessary to analyze the franchisee's expectations, needs and potential for

improvements first, goDentis regional managers visit partner dentists to establish a status quo of their operations. Franchisees often book specific seminars or workshops to acquire specific knowledge. Those seminars are also realized in their private practice while the seminars may also include employees of the practices. The majority of knowledge is individually customized knowledge concerning the organization or marketing activities of the dental practice and the best method to transfer this kind of knowledge is face-to-face communication as this is the only mechanism that enables feedback, gestures and facial expression, the recognition of enthusiasm, answering questions, immediate problem solving and interruptions, suggestions for improvement and discussion. (Schenkman, personal communication, January 15, 2013)

The content of knowledge that is transferred implements tacit and explicit knowledge, but the tacit part prevails at goDentis as experienced speakers and team members need to take in mind specific problems of partner dentist's practices. Therefore the visits of partner dentist practices and telephone conversation, which are high in information richness, enable to react to the partner's wishes immediately.

All other transfer mechanisms mainly used at goDentis, trainings, seminars, workshops and annual meetings, also support the use of high information richness transfer mechanisms. Newsletters that are transferred via e-mail or mail have lower tacit knowledge content and can therefore be transferred to franchisees more formally through low information richness mechanisms.

After having discussed the knowledge that is transferred at goDentis, that is mainly tacit, and the kind of information richness transfer mechanisms, which is mainly high in information richness, the following hypothesis is supported:

H2: The higher the degree of tacit content in the system specific knowledge of goDentis, the more high information richness mechanisms are used.

The individual support of partner dentists requires high information richness face-to-face communication in terms of practice visits and trainings to transfer tacit knowledge of the franchisor to tacit knowledge of the franchisee. The more individual support and experience in form of tacit knowledge needs to be transferred the more high information richness transfer mechanisms in form of meetings in the franchisee's practice are used.

On the other hand, if news, dates, information about promotions, medical articles in the press and news about laws and the franchise system are communicated to franchisees, which can be subsumed under explicit knowledge, e-mail or mail communication is used between franchisor and franchisee. Therefore the lower the degree of tacit content in the system specific knowledge at goDentis, the more low information richness mechanisms are used, which brings support for hypothesis 3.

H3: The lower the degree of tacit content in the system specific knowledge at goDentis, the more low information richness mechanisms are used.

The transfer of explicit knowledge doesn't have a need for high information richness mechanisms as it is sufficient and faster to use information richness mechanisms lower in information richness like e-mail, intra- or internet or written formal documents and manuals that are sent per mail. The numeric formal communication medium was not mentioned to be used at goDentis as franchisees have to pay a fixed sum of EUR 299 per month (Schenkman, personal communication, January 15, 2013) and therefore no accounting data has to be transferred to the franchisor.

The greatest disadvantage of low information richness mechanisms at goDentis is that there is no security if the information that was intended to be transferred has reached the recipient. Here the communication between franchisor and franchisee fails as about 20 percent of franchisees don't read e-mail messages. (Schenkman, personal communication, January 15, 2013) Therefore personal

communication is always the preferred high information richness transfer mechanism at goDentis, especially when tacit knowledge is transferred.

According to Schenkman (Schenkman, personal communication, January 15, 2013) the most difficult knowledge to be transferred from franchisor to franchisee is knowledge that the franchisee should have to be successful in managing the dental practice, but is not willing to receive. Furthermore it is difficult to transfer tacit knowledge if the dental practice team is not homogeneous and if expectations of employees vary.

7.10. Knowledge transfer and trust

The results of the impact of trust on knowledge transfer show that trust is the most important factor for the basis of a good relationship between franchisor and franchisee. In particular, long-term relationships are strongly build on trust and those franchisees that joined the system in the period of foundation of the franchise system are integrated more strongly and have become reliable franchisee partners, interested in further development of the franchise system. (Schenkman, personal communication, January 15, 2013)

Moreover trust is important when it comes to knowledge sharing between franchisee and franchisor. Franchisees only share their ideas if they trust the franchisor and the other franchisee partners. The personal commitment is important as the field of medicine is a very sensitive field of different opinions and competences. (Schenkman, personal communication, January 15, 2013)

New knowledge is also created within the advisory board, which organizes meetings two to three times a year. The advisory's board members are elected franchisee partners and franchisor's team members, who discuss current topics and also create new knowledge that is further transferred within the system. (Schenkman, personal communication, January 15, 2013)

Finally, hypothesis 4

H4: The higher the extent of trust in the franchisor-franchisee relationship, the more knowledge is shared.

is supported within the field of medicine even more trust is needed than in traditional franchise systems. As different dentists' competences, their skills, the patient's trust and health come together within the franchising system, trust is an important base for the exchange of knowledge and cooperation between franchise partners. (Schenkman, personal communication, January 15, 2013) In addition, critics and advice for improvement always needs high trust to be accepted.

7.11. New knowledge creation at goDentis

The knowledge generated at goDentis is intended for further development of the franchisor's and franchisees' competences and for the patients' health. First, the franchisor has to identify which knowledge is useful to be spread among franchisee partners. Changes in the health care system or legal changes are important for further operations of franchisees and should be communicated on time. Moreover, new trends and market developments are topics of interest to be transferred. (Schenkman, personal communication, January 15, 2013)

Franchisees are integrated when creating new knowledge for the system. The last dentists' scale of charges and fees was developed in cooperation of franchisor and franchisees. (Schenkman, personal communication, January 15, 2013)

However, the most important knowledge transfer at goDentis is from tacit to tacit knowledge through trainings and meetings. From time to time tacit

knowledge is converted into explicit knowledge, but it is not the most relevant transfer of knowledge within the franchise system. Therefore hypothesis 1:

H1: Conversion of tacit into explicit knowledge is the most relevant for goDentis and is positively related to new knowledge creation.

cannot be supported.

8. Conclusion

This thesis focuses on the best strategy to transfer tacit and explicit knowledge between franchisor and franchisee, in particular the choice of the right knowledge transfer mechanism high or low in information richness. As knowledge is the competitive advantage within a franchising network and needs to be developed continuously to respond to changing markets and customer demand, finding the preferred and optimal knowledge transfer mechanism between franchisor and franchisee gains importance.

Therefore the paper provides a framework of knowledge management, followed by results regarding knowledge creation and knowledge transfer models and processes from different authors. Further, knowledge transfer mechanisms in franchising networks are defined and a case study of a dental franchise, goDentis, supports the hypothesis: The higher the degree of tacit content in the system specific knowledge, the more knowledge transfer mechanisms high in information richness like face-to-face and telephone communication are used. So the optimal knowledge transfer strategy in this specific case study of a dental franchising system is very personal as mainly face-to-face contact and practice visits, being high in information richness, are used.

What is more, transferring tacit knowledge through high information richness mechanisms enables immediate feedback and contributes to a trustful relationship, which is highly important in the medical sector and positively impacts cooperation between franchising partners. Here it has to be mentioned that there seems to be a higher content of tacit knowledge in the system-specific knowledge of the franchising system at goDentis as medical experience and processes and individual solutions for the management of a practice can't be transferred formally. More knowledge sharing is forced by a high extent of trust in the franchisor-franchisee relationship.

Due to obtained data of a single case study, the results of this thesis are faced by limitations. The selection of a single franchising system, operating specifically in the sector of dental franchising in a specific country limits the results to be valid for other franchising systems in different sectors and countries. Still, as dental franchising is a quite new concept in Europe, this thesis was one of the first to provide results about knowledge transfer practices in a sensitive medical environment.

Further research of greater samples of franchising firms in different sectors and several countries may clarify the topic of the optimal knowledge transfer strategies concerning different types of knowledge in franchising systems and improve franchise's competitive advantage in the market.

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10. Appendix

10.1. English abstract

The purpose of this paper is to discuss the most important aspects of knowledge management in franchising networks, in particular knowledge creation and knowledge transfer mechanisms which are used by franchisors and franchisees. Based on the information richness theory, knowledge transfer mechanisms include different levels of information richness, face-to-face communication being high and numeric documents representing low information richness. Further, the most important distinction is made between tacit and explicit knowledge and the following hypotheses are examined within a case study of a dental franchising firm, goDentis: (H1) Conversion of tacit into explicit knowledge is the most relevant for goDentis and is positively related to new knowledge creation; (H2) The higher the degree of tacit content in the system specific knowledge of goDentis, the more high information richness transfer mechanisms are used; (H3) The lower the degree of tacit content in the system specific knowledge at goDentis, the more low information richness transfer mechanisms are used; (H4) The higher the extent of trust in the franchisor-franchisee relationship, the more knowledge is shared. The hypotheses are examined by using data of the franchising system goDentis, which were obtained by a qualitative interview. While the results provide support for H2, H3 and H4, the high relevance of tacit to explicit knowledge conversion in the franchising system (H1) could not be supported. The findings seem to indicate that dental franchises are faced by a high degree of tacit content in the franchising system and mainly use high information richness transfer mechanisms. Trust seems to play an even more important role in a dental franchise than in a traditional service franchising system as medicine is highly associated with trust.

10.2. German abstract

Die vorliegende Masterarbeit diskutiert die Ergebnisse von Wissensmanagement in Franchisesystemen. Der Fokus liegt hier besonders auf dem Finden der optimalen Strategie zum Wissenstransfer systemspezifischen Wissens vom Franchisegeber zum Franchisenehmer. Hierbei wird zwischen Transfermechanismen unterschieden, die hoch oder niedrig im Informationsreichtum angesiedelt sind, wie persönliche Treffen im Gegensatz zu unpersönlichen formalen Unterlagen. Des Weiteren bilden bestimmte Wissensarten wie implizites und explizites Wissen die Basis zur Aufstellung von folgenden Hypothesen, die mit Hilfe einer Fallstudie eines Franchisesystem im Dentalbereich, goDentis untersucht werden: (H1) Die Umwandlung von implizitem in explizites Wissen ist am wichtigsten für goDentis und wirkt sich positiv die Schöpfung neuen Wissens aus; (H2) Je höher der Grad von implizitem Wissen im Franchisingsystem, desto mehr Verwendung finden Transfermechanismen mit hohem Informationsreichtum; (H3) Je niedriger der Grad von implizitem Wissen, desto mehr Verwendung finden Transfermechanismen mit niedrigem Informationsreichtum; (H4) Je höher das Vertrauen in der Franchisegeber – Franchisenehmer Beziehung, desto höher die Wissensteilung. Im Rahmen eines qualitativen Interviews wurden die Daten für das Untersuchen der Hypothesen gesammelt, wobei alle Hypothesen bis auf Hypothese 1 bestätigt werden konnten. Schließlich kann angefügt werden, dass Franchisingsysteme im zahnärztlichen Sektor einen hohen Grad an implizitem Wissen aufweisen, hauptsächlich Wissen mit Hilfe von informationsreichen Transfermechanismen übertragen wird und ein hoher Grad an Vertrauen notwendig ist, um zu neues Wissen zu kreieren.

10.3. Curriculum Vitae

Teresa Schimek

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AUSBILDUNG

03/2011 bis dato	Masterstudium Internationale Betriebswirtschaft Universität Wien Schwerpunkte: Personal und Organisation, Global Corporate Strategy, International Negotiations, International Market Entry Decisions
10/2006 bis 12/2010	Bachelorstudium der Wirtschafts- und Sozialwissenschaften Internationale Betriebswirtschaft Wirtschaftsuniversität Wien Schwerpunkte: Transportwirtschaft & SCM, Klein- und Mittelbetriebe
10/2009 bis 02/2010	Studienauslandssemester Athens University of Economics and Business Schwerpunkte: Marketing, Entrepreneurship
09/1999 bis 06/2004	Handelsakademie Mistelbach/NÖ

BERUFLICHER WERDEGANG

07/2011 bis 08/2011	Ski School Buller Ski Lifts, 3723 Mt. Buller, Australien, Sales - Verkauf des Produktportfolios - Unterstützung des Managements - Ansprechperson für Kunden, Lehr- und Betreuungspersonal
01/2011 bis dato	Österreichische Volksbanken-AG, Wien, Werkstudentin - Buchhaltung, Bilanzen - Unterstützung des Abteilungsleiters - Korrespondenz
04/2010 bis 12/2010	KEA Wirtschaftstraining GmbH, Wien, Projektmitarbeiterin befristet - Mitarbeit an einem Lernsystem für den Wirtschaftsführerschein - Übersetzung und Systemanpassung für den tschechischen Markt - Aufsicht bei anschließender tschechischer Vertonung im Tonstudio

03/2008 bis 09/2009	Österreichisches Controller-Institut, Wien, Seminarbetreuerin - Betreuung von Seminarteilnehmern und Feedbackauswertung - Kommunikationsschnittstelle ÖCI, Seminarteilnehmer, Vortragende - Anpassung von Themenschwerpunkten nachfolgender Seminare
07/2009	Wirtschaftskammer Wien, Praktikantin - Beratung von Mitgliedern - Lehrlingsvertragserstellung
2006 bis dato	Blumen Schimek, Hohenau an der March - Verkauf - Produktgestaltung und -vermarktung
10/2005 bis 06/2006	E.D.P. Egger, St. Johann in Tirol , Verkauf Innendienst - Verantwortung Verkauf / Bauhäuser Österreich, Osteuropa - Auftragsabwicklung - Logistik
07/2004 bis 09/2005	LKW Walter Internationale Transportorganisation AG, Kufstein - Frächtermarketing - Angebotskalkulation und Transportorganisation - Verantwortung für Südfrankreich-England

SPRACHENKENNTNISSE

Deutsch	Muttersprache
Englisch	verhandlungsfähig
Tschechisch	verhandlungsfähig
Slowakisch	verhandlungsfähig
Französisch	gut
Russisch	Grundkenntnisse

ZUSATZQUALIFIKATIONEN

Zahlreiche Lehrgänge und Seminare des österreichischen Controlling-Instituts in den Bereichen
Finance & Risk Management
Accounting, Controlling

EDV

Microsoft Office
SAP, PCABP, Arctis, Mesonic
Internet

INTERESSEN

Cross-cooking, Floristik,
Fernreisen Asien,
Schifahren, Fitness