

Commenting on Interorganizational Relationship in Franchising Systems: Governance for Learning and Collaborative Research

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Abstract. Inter-organizational relationship is increasingly important for modern business world because of its benefits for efficient integration for resources from various parties, facilitation for new knowledge creation, and synergetic use of the collective decision, action and idiosyncratic capabilities. I tend to offer a conceptual discussion for the connections among inter-organizational relationship, governance for organizational learning, and collaborative research in a franchising system context. Important research imperatives were proposed finally.

Keywords. Interorganizational relationship, Franchising system, Governance for learning, Collaborative research.

JEL. M10, M11, M14.

1. An Introduction to

“**m**anagement research will be substantially strengthened by effective collaboration between researchers and practicing managers. As the complexity of management issues and the velocity of change in business increase, such collaboration may well become essential if research projects are to make any real difference in academics’ understanding of or impact on management practice. Moreover, management research entails significant challenges at the interface between the world of the academic researcher and the world of the business practitioner, challenges that may best be met by academic-practitioner collaboration” (Amabile *et al.*, 2001: 418).

Nowadays, organizations often participate in collaborative alliances or networks for better cross-boundary knowledge activities and learning. Firms learn in networks of organisations for adaptability and value creation by seeking to acquire complementary resources and improve transactional efficiency as well (Dyer & Singh, 1998; Lavie, 2006). Alliances and networks, which represent an inter-organizational organizing structure, are especially beneficial for firms in weak position or those in emerging or innovative economies such as Japan and Taiwan. As it is challenging to build up resource/knowledge bases and gain access to business opportunities information, joining in a more mature nexus of organizations is helpful for those firms aforementioned (Bollingtoft & Ulhoi, 2005; Larson, 1992; Yli-Renko *et al.*, 2001).

By adopting such a lens of research, a franchising system that locate franchisor(s) and franchisees can be seen as a knowledge network where collaborative activities were facilitated by relational governance. The network(s) in which an organisation is embedded affects the patterns of the focal organization’s knowledge activities and strategies (Lam, 2003). The knowledge bases made up by

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Journal of Economics Bibliography

wide range of sources of knowledge are integrated in a closer exchange platform weaved by such interorganizational relationships. To facilitate the efficiency and effectiveness of collective knowledge activities in interorganizational relationships, organizations need to manage their social relationships strategically by improving mutual communication and coordination, with trust as an critical premise (Dyer & Nobeoka, 2000; Dyer & Singh, 1998; Gulati, 1998; Kale *et al.*, 2000).

Three dimensions of relational, structural, and cognitive forms of exchange compose the major portion of social capital between organizations (Totterman & Sten, 2005; Yli-Renko *et al.*, 2001). These three dimensions of social capital could represent the meaning of the abovementioned interorganizational knowledge exchanges; they include relational, structural and cognitive aspects (Inkpen & Tsang, 2005; Lundvall, 2006; Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998; Yli-Renko *et al.*, 2001). The concept of 'social capital' represents well the strategic exchanges between/ among allied organizations. These three dimensions reflect a framework that describes the phenomena and the way how resources are flowed through the relationships built for specific collective goals (Nahapiet & Ghoshal, 1998; Tsai & Ghoshal, 1998).

Interorganizational relationships can serve as governance mechanisms beyond the more traditional contractual designs for interorganizational coordination and communication (Gulati & Singh, 1998; Zaheer & Venkatraman, 1995). Such so-called relational governance enables firms in cooperation interpret things toward similar viewpoints and encourage those firms to commit more in the relationships, in order to perform higher quality task processes. Based on expectation for reciprocity, partners are more willing to share what they originally think as 'their own' valuable resources and capabilities (Dyer & Singh, 1998; Gulati, 1995).

Learning involves complex exchanges, absorption, combination and application of knowledge resources. The categorizing of social capital in terms of structural, relational, and cognitive embeddedness is robust for investigating organizational action opportunities, motives and abilities (Adler & Kwon, 2002), including strategic learning. Among the important interorganizational learning procedures, knowledge sharing is one of the most important (e.g., Dyer & Nobeoka, 2000; Dyer & Singh, 1998). Knowledge is not easy to be transferred because of its tacit and complex nature. In such situation, effective knowledge sharing routines are critical for successful interorganizational exchange for each of the partner's intellectual resources in that successful knowledge sharing represents high-quality understandings between organizations (Nonaka *et al.*, 2000; Szulanski, 1996). In this vein, knowledge sharing plays as a critical mechanism for interorganizational learning that facilitates the partners' collective socialization and task implementation. Moreover, such continuous knowledge sharing between organizations can help accumulate shared interorganizational knowledge base (Dyer & Singh, 1998). These efforts would be especially critical for franchisor-franchisee or franchisee-franchisee relationships, because mutual improvement and relationship retention cannot be fulfilled if capability building or acquaintance through between-organization relationships are weak.

Stable and frequent social interactions increase chances for mutual knowledge sharing (Kale *et al.*, 2000). As a result, the production of common knowledge needs high-quality interaction and coordination between organizational actors to ensure minimum loss of meaning, information and symbols during the sharing process (Dixon, 2000). Put differently, high quality relationships help to construct a shared environment for knowledge sharing, learning and creation (see von Krogh *et al.*, 2000). Further, decisions and procedures regarding knowledge often are more clearly and precisely stated due to less information and meaning loss.

Based on the aforementioned discussion, significant research imperatives in a franchising system context may include:

1. the influences of interorganizational social capital on cross-boundary knowledge learning and governance activities
2. the influences of relational aspects and innovative processes (i.e. learning

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and knowledge governance) on collaborative research outcomes

3. understanding the dynamics of cross-boundary communities-of-practice in the collaborative research settings

4. how the dynamics in cross-organization communities influence the implementation and consequences of collaborative research

5. exploring possible cross-level effects in the aforementioned questions

Overall, and practically, I suggest that the collaboration could especially been embodied in the aspects of collaborative research (Buisseret & Cameron, 1994; Dodgson *et al.*, 2006; Garrett-Jones *et al.*, 2005; Rynes *et al.*, 2001), whether collaboration between commercial firms, between research institutes and firms, or other sorts. Collaborative research has been increasingly argued as one of the most important knowledge economy activities because it enables cross-boundary knowledge exchange and creation. Collaborative research, especially the academic-practitioner ones, usually includes those critical elements of ‘framing research questions in a way that will be meaningful to practitioners, gaining access to sites for field research, designing data collection instruments and methods appropriate for today’s workforce, and interpreting results accurately within the business context (Amabile *et al.*, 2001, p. 418)’. For collaborative research, goal completion and contract implementation are just basics; while knowledge creation and competences improvement for all involving parties though the mutually interactive knowledge processes are the real valuable part.

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