Knowledge Management in International Franchise Networks

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Abstract

Vargo & Lusch (2008) suggests that knowledge is the dominant operant resource of an organization and it provides the very basis for competitive advantage. Hence, effective management of knowledge is the key to success in any franchise network. This is particularly relevant when the franchisor enters foreign markets that display divergent cognitive distances and franchisee absorptive capacity. We offer a 4-cell typology that organizations can use to effectively manage knowledge flows in the international franchising context. The typology is based on strategic ownership (equity versus franchisee) and control (behavioral versus outcome-based) choices of the franchisor. We discuss key characteristics of managerial action in each cell of the typology, and present managerial and research implications of the proposed typology.

Key words: Knowledge management, International markets entry mode, control mechanism