University of Southern Queensland

Organisational Learning Strategies for Developing Strategic Capability within Australian Franchised Business Units

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ABSTRACT

Within the Australian marketplace there is often considerable similarity between competing products and services. The need for all firms to develop a competitive advantage in this market is pressing. Franchises are a growing competitive business sector in Australia, with an annual growth rate in excess of 12%. Franchised business units are no different from other firms in that they need to develop a competitive advantage. Within this current fast changing business environment there has not been any research published on how owners and operators within franchised business units in Australia use organisational learning strategies to develop their strategic capability with a view to gaining a competitive advantage.

Many firms have adopted traditional training approaches in organisational learning to develop their firm's strategic capability believing this strategy to be in line with best practice. This narrow training view of organisational learning involves key employees within a firm identifying skill gaps between where the firm needs to be and the current competencies of their staff. The gap is then bridged by traditional training methods that extend staff competencies to meet the firm's requirements. These traditional training approaches separate learning from the work context and have been identified by many researchers over the years as an inefficient practice.

This study was undertaken using a case study approach based on semi-structured interviews to gain an understanding on how franchised business units in Australia used a range of organisational learning strategies to develop their strategic capability. People were interviewed from various organisational levels at five major franchises. The study found that strategic capability is enhanced by developing a learning environment that integrated both operational and strategic learning strategies. Based on the research findings, a franchised business unit's strategic capability will, in many cases, determine the difference between the franchise's performance in the marketplace and that of its competitors, hence, developing organisational learning

strategies to gain and apply these capabilities are of a critical importance in a franchised business unit gaining a competitive advantage.

The study found a number of key ingredients in organisational learning strategy that built a firm's capability. These key ingredients include adopting a work-based learning strategy which incorporates learning activities such as listening and observing others in the workplace; regular internal training; access to external courses; controlled on-the-job training and supporting individuals and groups within their normal work; developing and implementing accredited in-house learning which would include opportunities for staff to develop both operational and strategic levels of learning; formal and informal mentoring for developing the skills of individuals and groups; participation in higher education; and the use of internal state and national franchise conferences as a tool in developing staff and to provide a work environment where empowerment of staff at all levels is encouraged, accepted and supported by the required learning strategies to make it successful.

For franchised businesses within Australia aspiring to gain or build on competitive advantage, it is envisaged that the findings of this research will foster the implementation of a combination of organisational learning strategies that encompass both operational and strategic learning, and include learning for both the individual and collective groups.

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Certification of Dissertation

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

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Signature of Candidate Date

ENDORSEMENT

Supervisor: **Dr. Bruce Millett**

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Signature of Supervisor Date

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CHAPTER 1: INTRODUCTION

This study will seek to establish how franchised business units in Australia use organisational learning strategies to develop their firm's strategic capability with a view to gaining a competitive advantage. The study draws upon literature from strategic management and organisational learning to identify the significant concepts and research regarding the development of strategic capabilities and the use of organisational learning strategies in their development. A multi case study of Australian franchised business units is undertaken to explore what organisational learning strategies are used to develop firm capability and to determine how these strategies are implemented, thereby providing further insights into the theory and practice of organisational learning in franchised business units.

This chapter will present the background to the study, the research question and research issues for the study. A justification for the study will also be given, as well as an overview of the research design adopted. Limitations of the research and the potential for generalisation of the research outcomes will also be highlighted.

1.1 Background to the research

In a global market where there is often considerable similarity between competing products and services, the need for a firm to develop a competitive advantage is pressing (Daft 1999; Durand 2002; Hearn, Mandeville & Anthony 1998; Johnson, Scholes & Whittington 2008). The firm's core capabilities will, in many cases, determine the difference between the firm's performance in the marketplace and that of its competitors (Heyne 1997; Johnson, Scholes & Whittington 2008). Developing learning strategies to gain and apply these core capabilities will assume critical importance for a firm in gaining a competitive advantage (Hubbard, Rice & Beamish 2008; Millett 1999; Pedler, Burgoyne & Boydell 1996).

Within this current global competitive market there has, in recent times, been a considerable increase in the pace of technological and social change. To positively respond to this increased pace of change firms have needed to focus on developing strategies that give them sustained superior performance and a competitive advantage (Grunert & Hildebrandt 2004; Hearn, Mandeville & Anthony 1998). In broad terms, these changes include changes in the business environment, budgets, resources and competition and, as a consequence, firms need to improve their capability as it relates to the utilisation of resources and competences so that they not only survive and remain profitable but, in many instances, to grow (Bassi, Cheney & Lewis 1998; Fulmer, Gibbs & Keys 1998; Grunert & Hildebrandt 2004; Johnson, Scholes & Whittington 2008).

This improved capability is needed to develop and support new products and services, as well as to effectively maintain existing ones and to enhance client service encounters. For firms to create such capabilities they need to develop and support learning strategies that are continuous, fast and not only capable of keeping abreast with change, but are better and more effective than their competitors—resulting in gaining advantage over competitors (Becker & Gerhart 1996; Grunert & Hildebrandt 2004; Mumford 1991; Ulrich, Zenger & Smallwood 1999).

Learning has become a major aspect of the work environment in organisations (Vera & Crossan 2004). Within this context of learning, workers offer each other advice, share experiences, adapt and adopt new tools, respond to change, share stories and copy behaviours of other workers. This type of learning performed within the workplace can be described as organisational learning (Beech & Origin 2003; Chan 2003). In recent years a number of authors have identified some common characteristics which they suggest are key ingredients to effective organisational learning. These characteristics are that organisational learning occurs primarily within a community of practice, that the learning is collaborative and set within a collaborative work culture, and that learning builds on, questions and reuses and reworks previous solutions and ideas (Gond 2004; Morgan 2004; Yeo 2005).

These characteristics of organisational learning are much broader than merely developing and delivering traditional training packages. Many firms have adopted traditional training approaches to develop their employees' capability, believing this strategy to be in line with best practice organisational learning (Remedios & Boreham 2004; Schwandt & Marquardt 1999; Wang & Ahmed 2003). This narrow training view of organisational learning involves key employees within a firm identifying skill gaps between where the firm needs to be at some point in the future and that of the current competencies of their staff. The gap is then bridged by traditional training methods that extend staff competencies to meet the firm's requirements. These traditional training approaches in isolation separate learning from the work context and have been identified by many researchers as an inefficient practice as it is trying to apply knowledge gained in theory to knowledge in practice (Mayo 2007).

Many authors have suggested that the traditional training approach which many organisations have supported and interpreted over the years as a key approach to organisational learning has a number of shortcomings. Much training has been shown to be ineffective insofar as what was learnt was not transferred to the job (Alexander & Blight 1996; Mayo 2007; Ortenblad 2001). This traditional training has often been criticised for being too theoretical, too removed from the workplace, irrelevant to the firm's needs and developed by people not at the workface (Rowland 2004; Senge 2003). Even in the early 1990s, Detterman (1993) reported that in the USA some 90% of training was not transferred to the job, wasting some $90 billion per year. This was due to training occurring outside the normal context of work and, therefore, difficult to transfer.

The traditional training approach has been identified as leading to stress among employees as skills have to be developed intermittently and abruptly (Tosey 2005). The process is almost solely top down, where senior personnel must identify what needs to be done and how and, in consequence, devaluing the role the ordinary

workers can play in determining their own development (Armstrong & Foley 2003; Nonaka & Takeuchi 1995; Zollo & Winter 2002). Essentially, the traditional approaches to training concentrate on providing theoretical knowledge, which is important but on many occasions does not support the firm in developing the capabilities required to achieve the desired results.

Traditional training is a narrow view of organisational learning as it is merely one tool of organisational learning (Vera & Crossan 2004). The key issue is that organisational learning is a strategic process that allows a firm to build its capabilities—from which valuable learning experiences will, in turn, lead to organisational core competences to give the organisation a sustained competitive advantage. Organisational learning is a strategic process and creating a learning organisation is the potential output of that process. Many larger organisations have focused on setting the output as their key vision by developing a 'learning organisation' approach to improving competitive advantage in that they have in place systems, mechanisms and processes that are used to continually enhance their capabilities (Bapuji & Crossan 2004; Huber 1991; Marquardt 1996; Prahalad & Hamel 1990; Sandwith 1994).

Organisational learning is about developing and implementing strategy to develop firm capability, thus, it is regarded as an important field of study as it has, as a focus, an understanding of the different types of learning and knowledge found in the workplace, rather than a narrow focus on traditional training which separates learning from the work context (Argyris 1993; Bapuji & Crossan 2004; Cummins & Worley 1997). One of the major catalysts towards organisational learning is change (Millett 1999). For an individual firm, it does not matter what caused the change, or whether the change happened suddenly or gradually, but the critical issue is being aware of the change and understanding the implications for the performance of the firm (Calcantone, Cavusgil & Zhao 2002; Hearn, Mandeville & Anthony 1998). Building organisational learning capability in a continually changing environment is a key factor in achieving organisational goals and, more importantly, sustaining a competitive advantage (Argyris 1993; Carnall 2003; Daft 1999).

Building organisational learning capability incorporates individual learning, the collective learning within a group, and the collective learning within the total organisation. There is much evidence that individuals, collective groups and the organisation as a total group learn in different ways (Argyris 1993; Becker 2001; Dimitriades 2006). Failure to learn in a particular setting or situation may have nothing to do with the ability to learn, but can be related to the learning experience encountered (Couillard 2007). In order to learn, individuals and groups, both small and organisational, must perceive and process information (Coutu 2002; Levitt & March 1988). The particular way in which an individual or group perceives and processes information is often referred to as the individual's or group's learning style (Bassi, Cheney & Lewis 1998; Mayer Committee 1992; Senge 1997; Walton 1985; Yeo 2005).

When an individual or firm is presented with material or an experience in a way suited to their or its particular style, the learning experience is positive and the individual or group can easily grasp what is to be learnt (Brown & Duguid 1991; Beech & Origin 2003; Carnall 2003; Easterby-Smith 1997). On the other hand, when an individual or group is faced with learning which makes them perceive and process information in another way, they may feel uncomfortable and may not learn very much at all (Fenwick 2003; Huber 1991).

A range of authors have suggested that developing firm capability requires developing propositional, practical and experiential knowledge—all of which require different types of learning strategies (Antal & Sobczak 2004; Armistead 1999; Baets 1998; Bawden & Macadon 1991; Bunning 1992). Propositional knowledge (theory) can be gained via teaching by an expert in a classroom environment; practical knowledge can be imparted by a person or persons giving practical demonstrations and feedback; while experiential knowledge can be developed through reflection in action (Alexander & Blight 1996; Chan 2003; Chute, Thompson & Starin 1999; Nonaka 1995).

A major challenge faced by many firms is which organisational learning strategy or group of strategies would be the most appropriate to build strategic capability for competitive advantage, especially when workplaces are so diverse and in a continual state of change.

The context for this study is that of franchised business units in Australia and how and what successful organisational learning strategies have been used to build firm capability to produce a competitive advantage. The importance of franchised business units in Australia is increasing as Australia interacts with the global economy, especially in regard to potential super economies such as China. Large multi-national businesses, not only in Australia but globally, can usually produce large quantities of a product at a much lower cost than individual franchised business units for many reasons, including economies of scale. Franchised business units can produce products and services that the large multi-nationals do not or cannot provide, such as smaller quantities of products, specialised services, local service or personalised service. In Australia, franchised business units are in market growth, especially within the service industries.

While organisational learning strategies and how to build a learning organisation have been written about for over 25 years, and many large company case studies undertaken, there appears to be a lack of evidence of these strategies being evaluated in a franchised business unit context. When considering a firm's financial success basic measurements such as revenue, costs, profit, and management accounting ratios are forthcoming. However, when measuring or evaluating how a firm uses its organisational learning strategies to develop their strategic capability with a view to gaining competitive advantage there appears to be a void of information, especially in relation to franchised business units in Australia. Franchised business units only represent slightly over 5% of the number of small businesses within Australia however they are the fastest growing sector within the entire Australian marketplace (Weaven & Frazer 2005).

1.2   Research questions and issues

As most firms focus on improving overall sales performance and improving workplace productivity with a view to increasing profitability, many firms have, in the current highly competitive marketplace, focused on developing their firm's strengths and minimizing their weaknesses to gain a competitive advantage (Johnson, Scholes & Whittington 2008). Business owners and managers have relied on a range of learning strategies from the traditional formal classroom approach through to 'action learning' work groups to develop the skills required.

There is no research published on how management within franchised business units (FBUs) in Australia understand and develop strategic capability within a changing business environment. In addition, there is no published research on how franchised business units use different organisational learning strategies to develop their firm capability with a view to gaining a competitive advantage. Hence, there is a gap in the research which gives identification to the following research problem:

How do franchised business units in Australia use organisational learning strategies to develop their strategic capability with a view to gaining competitive advantage?

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The purpose of the research is to investigate how a range of FBUs within Australia use organisational learning strategies to develop their firm's capability with a view to gaining competitive advantage. The review of the literature identifies that there is a gap within the literature as regards to answering this problem. Building on the literature, as presented in Chapter 2, six research issues were identified. The research issues clearly focus on both organisational learning and developing firm strategic capability of franchised business units. A brief review of the literature on strategic capability, competitive advantage, organisational learning, and the learning organisation have developed the following key research issues which will be expanded through the literature review.

Research Issues

RI 1 How does the business environment influence strategic capability within Australian franchised business units?

RI 2 How has strategic capability changed for gaining competitive advantage within Australian franchised business units in the past ten (10) years)?

RI 3 How are operational learning strategies applied in Australian franchised business units to enhance strategic capability?

RI 4 How are strategic learning strategies applied in Australian franchised business units to enhance strategic capability?

RI 5 What factors promote and/or impede organisational learning in Australian franchised business units?

RI 6 How can Australian franchised business units gain further competitive advantages through more effective organisational learning strategies?

These research issues drive the focus of collection of data and analysis and, in so doing, answer the research question.

1.3   Justification for the research

This study investigates how franchised business units in Australia understand and use organisational learning strategies to enhance firm strategic capability. The research can be justified by the importance to organisational learning theory and its potentially important contribution to Australian business in allowing franchised business units to be not only competitive, but to be organisationally successful and profitable. The research will identify the key organisational capabilities required for successful business and also make a positive contribution in exploratory research. While there are theories on organisational learning and strategic capability there is limited knowledge on how organisational learning is applied to develop strategic capability for competitive advantage within franchised businesses. Research to date has focused on the application of organisational learning across all models of business irrespective of their structure.

This research investigates the application of organisational learning strategies within franchised business units in Australia. This business sector is growing at a constant rate in excess of 12% per annum. The total sales turnover by franchise businesses in Australia was $67 billion in 2005 by over 60 000 franchised business units in just over 900 franchised systems (Weaven & Frazer 2005). Even though franchised business units only represent slightly over 5% of the number of small businesses within Australia, it is the fastest growing sector within the entire Australian marketplace (Weaven & Frazer 2005). Hence, this study is significant as this business sector is of growing importance within the Australian economy.

Previous studies within the area of organisational learning and strategic capability have mainly been quantitative and have not explored the underlying issues associated with the application of organisational learning strategies. This study will utilise qualitative research methods, particularly in-depth interviews with a cross section of workgroups within franchises, to gain an understanding of how these business units apply organisational learning strategies to build their strategic capability with a view of gaining competitive advantage.

This study will focus on exploring only one strategy in building strategic capability and that is the strategy of organisational learning. The results of this study will assist franchised business units to develop more effective and efficient organisational learning strategies to develop their strategic capability, thereby resulting in competitive advantage, especially within the present global market. Further outcomes of this study should include firm growth, higher productivity, and a happier, more satisfied workforce. The results of the study will further enhance 'organisational learning' as a key field of study and replace many of the concepts embedded in the more traditional approaches to learning or training. This study will enhance the view that core competencies of Australian franchised business units can be strengthened by developing and using a range of organisational learning strategies and, as a result, will be a key attribute in growing the Australian economy in a global marketplace.

This study is significant in that it will contribute to the development of organisational learning theory in general, and particularly in the growing area of franchised businesses. The study uses a qualitative research methodology based on a case study strategy using in-depth interviews with executives from five successful Australian franchised business units. This study will allow concepts of strategic capability and organisational learning strategies to be identified and analysed and, as a result, will attempt to fill the knowledge gap in this significant area of study. There has been a relative neglect to this research problem as it pertains to franchised business units in Australia and yet this sector represents a significant area for business growth.

The findings will give Australian franchised business units, especially the service sector, a competitive advantage in the future—especially when competing in the global market place. In addition, it will give valuable direction for general strategic business units' survival, especially in the first five years of operation, and a direction on how to gain the required competencies to grow a business. Further, it will give

direction as to future learning and development of people for successful business operation and give financial institutions an insight into business development when financing business start-ups and growth.

1.4   Methodology

This study is an exploratory research design using a multi-case exploratory study research methodology within the realism paradigm. The research methodology is firstly determined by the research question to be answered and, secondly, by the current knowledge found within the literature (Yin 1994). The literature covering strategic capability and organisational learning in the context of franchised business units is limited, and there is little precedence and tools to study the issue using empirical or quantitative methods.

An exploratory study is a first step in gaining some understanding of a complex issue (USQ 1999; Zikmund 1997). This study is a complex issue, hence, an exploratory study will be undertaken. Yin (1994) argues that research studies that require 'how' or 'why' explanations are suited to an exploratory case study approach. Yin (1994) defines a case study design as 'an enquiry that investigates contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident'. The research question to be answered and the relevant research issues are of this nature, therefore, this methodology has been adopted. The research design and methodology are outlined and discussed in Chapter 3.

The first phase of the study was to complete a literature review to identify the current body of knowledge within the areas of strategic capability, organisational learning and their application within an Australian strategic business unit context. In actioning this literature review the identified gaps provided the focus for the data collection phase. These are outlined in detail in Chapter 2.

In brief, the second phase used two industry specialists to test the findings as to the gaps identified. Two specialists were interviewed: one with expertise in organisational learning strategies and the other with expertise in business development. These interviews were unstructured in nature, conversational and a means of providing additional or contrasting findings to that found in the literature which, in consequence, can give a better structure to the later stages of preparing for the main cases (Perry 1998).

The third phase consisted of one pilot interview conducted with a local franchised business unit in the service industry which had grown quickly as a result of duplication of operations. Through the interviews the interviewer could test the interview protocol and decide on measures to be adopted for the data collection phase.

The fourth phase used in-depth interviews as the primary data collection technique (Yin 1994; Zikmund 1997). Purposive selection and sampling was used to select the five case studies from a range of franchised businesses. There are five main cases: the first a major real estate franchise (one of the *big four);* second, a national coffee/café outlet franchise; third, a new entrant 'flat fee' national real estate franchise operation; fourth, a franchised branch banking network; and, fifth, a national franchised wholesale distribution shop concept within the hair and beauty industry.

Every case was fully analysed using the six identified research issues and are discussed in detail in Chapters 4 and 5 (Miles & Huberman 1994; Patton 1990). Within case analysis and cross case analysis, techniques were used supported by matrices and tables to provide an overview (Perry 1998). Ten in-depth interviews were used for each case, which is a total of fifty in-depth interviews and forms the basis of data collection. These include interviews with franchisors, franchisees, managing directors, national sales managers, national business development managers and administrative personnel.

An interview protocol had been developed during the exploratory expert interview stage, tested and refined using the pilot case interview stage. The case interviews commenced with open broad questions followed by focused questions on the specifics identified in the research issues (Perry 1998; Zikmund 1997).

1.5   Outline of the report

The report has a standard structure of five chapters as recommended by Perry (1998) in his guide to writing of research dissertations.

Chapter 1 introduces the study, background of the issues and their importance and outlines the research question with further questions arising from the main question. It outlines some assumptions, definitions and limitations of the study.

Chapter 2 examines the literature in strategic capability and organisational learning as pertains to the research question and the further research issue questions arising from the main question.

Chapter 3 outlines the purpose of the study and the research methodology used for this study. It includes justifying the use of multi case exploratory methodology, criteria for case selection and number of cases, as well as number of interviewees per case, research process, data gathering methodology, data analysis, and test for design quality.

Chapter 4 follows with information on the analysis and discussion of the findings from the data analysis in relation to the research issues and Chapter 5 brings together the conclusions and implications for further study.

1.6   Research limitations

The scope of this study is limited firstly to Australian franchised business units (as a small business enterprise) rather than Australian small businesses in general as there are currently in excess of 1.3 million small businesses in Australia. Franchising has received much attention in recent years as a business model that produces high growth in sales, number of business units, and employment opportunities.

Secondly as there are in excess of 60 000 franchised business units within a huge range of industries across all parts of Australia, it is totally impossible within this study to adequately research across the whole continuum. The scope of the research only examines some five franchised business groups. The five franchised business groups identified were broadly service oriented industries with distribution across all major areas of Australia. The industries represented are limited however two cases are studied within the one industry (real estate) on the basis of one having an operational history in excess of 100 years and the other some five years therefore bringing a balance to operational experience.

Thirdly the scope of the research is that the research question is looking at just one attribute of a successful organisation and does not enter into discussion as to whether this attribute is significant. That is, it is not possible to quantify the importance attached to answering this question. The study did not take into account any other information such as marketing, sales, legal structures, labour force structure or market potential. All this information may be important in developing a strategy for gaining competitive advantage, but does not have any significant impact on organisational learning strategies.

 Fourthly a significant limitation could be attributed to that of utilising a case study research methodology. Yin (1994) highlighted several known limitations and criticisms of this methodology, such as the lack of generalization, perceived lack of rigor, subjectivity and the limited sample size The limitation of sample size was minimised by using a multi-case study approach. Perry (1998) suggests that the benefits of the depth and usefulness of the information gained by using in-depth interviews far outweighs the negatives of using a limited sample size.

These limitations of scope and its effect on the generalisability of the study is noted, however, the importance of this study for Australia's business success is significant as the study attempts to address the knowledge gaps that this study has identified.

1.7　Summary

The findings of the report should allow not only a more detailed opportunity for further research, but should also be extremely helpful in developing best practice organisational learning strategies to enhance firm capabilities. Chapter 1 established the need for this study as organisations continually move towards providing their products and services professionally, effectively, efficiently and competitively to achieve their desired results in their chosen markets.

The research problem was identified as 'How do franchise business units in Australia use organisational learning strategies to develop their strategic capability with a view to gaining competitive advantage?' The research study was justified on the basis that the literature centred on much larger organisations and did not have an Australian context. This chapter outlined the research methodology, justified the use of a multi-case exploratory study, and outlined assumptions and limitations.

CHAPTER 2: LITERATURE REVIEW

2.1   Introduction

Chapter 1 identified the research problem and discussed its context and justification. This chapter reviews the relevant literature and identifies the research issues arising from the gaps in the literature by which the research problem can be explored. The aim here is to build a theoretical foundation for the research. The chapter is divided into three main sections.

The first section is based on the advice by Perry (1998) who suggests that a literature review should start with an overview of the parent theory or field of study relating to the research. In this review, the overarching field is strategic management, with a particular focus on strategic capability.

The second section is, again, based on the advice by Perry (1998) who suggests that the overarching field can be narrowed to focus on the more specific literature on the research problem. In this review, this narrower focus is that of organisational learning with particular emphasis on the metaphoric concept of 'the learning organisation', and individual and organisational learning strategies.

The third section is based on the advice of Dawson (2007) who suggests that the focus can be narrowed even further so that gaps in the literature can be identified easily. In this review, this further narrowing of focus centres on studies on organisational learning that have some relevance to the context of franchise structures.

2.2 Strategic management and strategic capability

2.2.1 Trends and challenges

The period of intense economic and technological change emerging at the end of the 20th century has been referred to as the 'third industrial revolution' (Grant 2005 p5). This is in the context of the first industrial revolution occurring in Britain towards the end of the 18th century and the second industrial revolution occurring in the United States of America at the end of the 19th century with the rise of the modern corporation. The first revolution involved the mechanisation of the means of production, while the second revolution involved the rise of the modern corporation. This third revolution, known as the 'New Economy', was driven by the new internet and communication technologies (ICTs) and based on a knowledge economy where software, rather than hardware, is now recognised as the primary source of value. Also associated with this fundamental shift are the worldwide trends towards privatization, deregulation, and free trade that have occurred over the past 30 years.

An important aspect of the emergence of ICTs is the creation of a new field of activity called electronic commerce. The Internet is reshaping the global marketplace to an extent that companies have had to transform themselves to contend with the growing power of consumers (David 2007). The significant reduction in the cost of computing power has allowed major innovations to occur in both manufacturing and service industries. The widespread availability of information technology is also having a dramatic effect on the transaction costs inside and outside of business organisations (Pearce & Robinson 2005).

While globalisation and increased competition in product, capital and labour markets have been long-term trends since the Second World War (Pearce & Robinson 2005), there is no doubt about the significance of these trends to contemporary business leaders. Organisations of today and the future are faced with massive global competition, demanding customers with rapidly changing desires, shorter response times, shrinking product lifecycles, and demanding employees. The response to these

trends by many organisations is to become fast, flexible and participative with a strong focus on customers, competition, teams, time and process. It would appear that it is no longer the 'big that eat the small' but, rather, now the 'fast that eat the slow'. The internationalisation of markets and organisations has changed the way business leaders think and how they compete (David 2007).

Given the many trends and challenges in the global marketplace, today's managers must do more than set long-term strategies for predicting a future that is becoming unpredictable (Sussan & Johnson 2003). The pace of change is accelerating with the pressures increasing on managers to make both major and minor changes in an organisation's strategic direction and capabilities. Rather than seeing their role as incremental managers and custodians of the status quo, today's business leaders must be proactive, anticipate change and continually refine and, where necessary, make dramatic changes to their strategies. Strategic management must become both a process and a way of thinking throughout the organisation (David 2007; Sussan & Johnson).

The above discussion reflects some of the trends and challenges facing managers today. A significant aspect of these trends and challenges is that they require a lot more focus on the field of strategic management. The implications are that managers in critical roles must develop their skills and knowledge concerning strategic management. Equally, there must be a realisation that the business environment is becoming more complex, dynamic and unpredictable. Therefore, strategic managers must be able to respond effectively to such conditions and they must ensure that the strategic capabilities of their organisation are constantly adapted as part of the response. This is based on the premise that in dynamic complex unpredictable environments, the ability of the organisation to respond quickly is a strategic advantage in its own right.

The next section will discuss developments in the field of study of strategic management and will discuss the trends in the literature that address this premise.

2.2.2 The nature of strategic management.

The current study is concerned with aspects of strategic management such as developing strategic capability for competitive advantage through organisational learning strategies. It is important to establish at the outset the nature of strategic management and how it provides a context of strategic capability and organisational learning.

At the outset, research into strategic management recognised that this field of study is a complex subject area as it can be viewed from many different perspectives and, as such, the literature provides a broad range of definitions. As many larger firms have multiple levels of strategy (corporate, business unit and functional) most engage in some strategy planning using a process that includes developing mission and objectives, environmental scanning, strategy formulation, strategy implementation, and an evaluation process (Sussan & Johnson 2003). This study will put forward a working definition with justification.

A traditional view of the purpose of strategic management is that in every firm there are essentially two prerequisites for success: that is, one for efficiency and the other for effectiveness (Hubbard, Rice & Beamish 2008). Efficiency refers to the firm's ability to produce outputs with the minimum use of inputs; while effectiveness refers to that of an optimal relationship between production, efficiency, satisfaction, adaptiveness, and future development (Mintzberg 1973; Schein 2004). Strategic management is predominantly focused on creating effectiveness as it is concerned with the long term, sustainable capability of developing an optimal relationship between a firm and its environment (David 2007; Schein 2004). The major issue about this view is that while effectiveness is a key success factor it is left without sufficient definition.

In contrast, a broad ranging view of strategic management would include the key components of effectiveness, value creation, sustainability, leadership,

benchmarking, the influence of organisational contention, and the politics of strategic stakeholders (Millett 1999). This view also uses effectiveness. It goes further in that it appears to define some boundaries of effectiveness while introducing the concept of efficiency via using measurement instruments such as benchmarking.

In every firm there are certain key attributes that individually or in combination are prerequisites for success. For example such attributes as: ongoing learning, transformational leadership, an open communication process, high quality processes, unique organisational culture, and a superior physical environment play a critical role in organisational success (Mullins 1999). Another view put forward was that success be measured in terms of profitability, ascendancy, growth, market share, job satisfaction, and customer satisfaction (McGee, Thomas & Wilson 2005). The propositions put forward by these authors suggest that a list of key attributes can be gathered and measured. The key aspect is about choice, given a firm's resources and capabilities. The weakness with these propositions is the appropriateness of the lists and measurement instruments.

Strategic management is also about ongoing organisational processes that align an organisation's strengths and weaknesses with its opportunities and threats within its operating environment with a view to not only exist in the present, but to prosper in the future (Mullins 1999). Another view is that of a firm building sustainability of competitive advantage through priced based and differentiation strategies (David 2007; Grant 2005; Johnson, Scholes & Whittington 2008). Sustainability has become a more recent focus for defining strategic management as it is built on the concept of developing sustainable competitive advantage (David 2007). These views can be interpreted as developing organisational choice which results in long term success.

Strategic management also is a process of developing a plan to get from here (situation analysis) to there (objectives) and actioning the plan to achieve the desired results (David 2007; Hill & Jones 1996; Hubbard, Rice & Beamish 2008; Mullins

1999). This concept expanded would include five major tasks within the process that of developing the firm's vision, setting objectives, developing a strategy to achieve the objectives, implementing the relevant strategies, and evaluating the outcomes while taking corrective action if needed (Mullins 1999). These authors are using the concept of a plan and its associated processes in its development as a focus. A further view introduces the concept of decisions in that the three critical issues of strategic management are formulating, implementing, and evaluating decisions so that a firm can achieve its objectives (David 2007). The concept of strategic management brought forward by these definitions focus on a firm making decisions by analysing choices, actioning the plan, and taking corrective action.

Some recent additional focus in defining strategic management includes value creation and strategic thinking. Value creation delivers competitive advantage by the value added to its product through its processes from the cost of its material inputs to the value of its outputs (David 2007; Johnson, Scholes & Whittington 2008; Sanchez & Heene 1996). This appears to be taking some of the aspects of efficiency and redefining them to develop a more precise, quantifiable component of the firm's goals (David 2007; Johnson; Scholes & Whittington 2008). DeKluyver and Pearce (2006) add a further dimension to choice by suggesting that the two major components of the strategic management process are strategic thinking and strategic planning. They identify strategic thinking as creating a vision for the future and crafting a clear concise blueprint for realizing that vision (DeKluyver & Pearce 2006). Strategic thinking is synthesis, as opposed to analysis, in strategic planning (McGee, Thomas & Wilson 2005). These additional components reinforce the view that strategic management is made up of a range of firm resources and capabilities.

The process of strategic management introduces the concept of capability planning for strategic change (Barney & Hesterly 2008). Change is a prerequisite for growth (Ansoff 1965; Mintzberg 1973; Millett 1999; De Kluyver & Pearce 2006). The problem of strategy formulation is that a firm needs new approaches and capabilities to strategy formulation and decision making as it is difficult to take long term decisions concerning new products, new technologies, and investment in physical

and human capital when business environments are changing at a rapid rate (Grant 2005). A number of authors discuss the concept of strategic capability gaps as substantive disparities in competences, skills, and resources between what customers demand, or are likely to demand in the future, and what the firm can deliver (Kluyver & Pearce 2006).

Developing strategy is a deliberate search for a plan of action that will develop a firm's competitive advantage and address these gaps (Grant 2005). A number of authors argue that developing strategy is about the determination of basic long term goals for the firm, and adopting courses of action and allocating the resources necessary to obtain the desired results (DeKluyver & Pearce 2006; David 2007). Furthermore, the inclusion of competitive strategy is about being different and having a unique mix of values (McGee, Thomas & Wilson 2005). This concept of uniqueness is a key attribute when developing competitive advantage.

Strategic management can be viewed as an art and a science of formulating, implementing, and evaluating cross functional decisions that enable a firm to achieve its objectives by integrating management, marketing, finance, production, operations, research and development, and information systems to achieve firm success (David 2007; Grant 2005; Johnson, Scholes & Whittington 2008; Mullins 1999).

As outlined in the above discussions, there are multiple versions on the nature of strategic management and many different definitions attached to various attributes. A list of ingredients identified by the various definitions are planning, effectiveness, efficiency, action, value adding, choices, capabilities, resources, strategic fit, action and evaluation. This study has identified Johnson, Scholes and Whittington's (2008) model of strategic management as a model that brings together these ingredients in a clear, concise workable framework. This model suggests that strategic management is a process of developing the three major elements of strategic positioning, strategic choice, and strategy into action to achieve a firm's desired results. Strategic positioning is concerned with the firm's marketplace, the market positioning of its

products and/or services, and its strategic capability which includes both resources and competences. Strategic choice is concerned about developing criteria for strategic choice, strategic options, and evaluation and selection of strategies. Strategic implementation is concerned with managing strategic change, resource allocation and control, and firm structure and design (Johnson, Scholes & Whittington 2008).

The concept of strategic management put forward by Johnson, Scholes and Whittington (2008) is useful in that it integrates the current thinking of many contemporary authors. There are several reasons for this. Firstly, all authors seem to agree that strategic management is about a process of developing strategies to achieve a firm's desired results. Secondly, the three elements of strategic positioning, strategic choice and strategic implementation encompass a holistic approach of strategic management, allowing the development of the relationships outlined by the other definitions. One of the main points of this model is that strategic management is a process of positioning choice and action and it can also be seen as an interactive cycle of analysis, choice and action. Further, implicit in their definition is the development of strategic capability as a fundamental part of any strategy that is directed towards competitive advantage in particular marketplaces.

2.2.3   The concept of strategic capability

For a considerable time, strategy researchers and management practitioners alike have had a keen interest in one of the basic issues in strategic management: what strategies give a firm a competitive advantage and sustained performance outcomes (Grunert & Hildebrandt, 2004). In this context, the concept of strategic capability has become a key focus in the strategic management literature in recent years. Starkey and Tempest (2004) suggest that while the interest in competence at the organisational level has a long history in the research on strategy, its significance has been elevated with the emergence of the resource-based view of the firm which argues that firm-specific resources can give a firm a competitive advantage.

In the field of strategic management, two major paradigms concerning strategy help to explain why certain organisations achieve superior organisational performance (Dunphy, Turner & Crawford, 1996). The dominant paradigm relates to the competitive forces perspective associated with Michael Porter (1980). From this perspective, the success of an organisation's competitive strategy is dependent upon a set of strategic choices that positions the organisation successfully within a particular industry or environmental niche. Superior performance is explained through the structural features of industries, such as barriers to competition, that are part of Porter's (1980) well-known five-forces framework for industry analysis.

The second and more recent paradigm is associated with the resource-based view of the firm that is based on the work of Selznick (1957), Penrose (1959) and others who promoted the idea that an organisation's success is somewhat determined by its distinctive competencies and productive resources. Edmondson and Moingeon (1996a) identified a number of studies emanating from this early work that suggest that the '…analysis of a firm's skills and capabilities is of greater strategic value than analysis of its competitive environment' (p. 9).

In this context, Kiernan (1993) pointed out that there had been too much emphasis on looking for competitive advantages in the external environment and called for a balance in the analysis and debate by directing more attention within the firm. The internal aspects of the firm that were under the spotlight in the 1980s related to strategy implementation and investigations into the processes by which strategy was planned or emerged in organisations (Grant 1998). The resource-based view regards firms as having a much broader set of resources (Hill & Jones 1996; Hitt, Ireland & Hoskisson 2001; Teece & Pisano 1994). The resource-based view has an emphasis on internal analysis which addresses the perceived imbalance with Porter's competitive view of strategic process. However, Collis and Montgomery (1995) point out that the resource-based view does not represent a pendulum swing in an either-or situation, but more accurately represents both with a dual focus on industry analysis and firm capability. The two paradigms are to be seen as complementary approaches (Grunert & Hildebrandt, 2004).

The resource-based view focuses on firm specific resources. The issue with this view is the development of an agreed list of resources. Authors over recent years have generally agreed that these resources would include physical, human, organisational capital, a mixture of tangible and intangible assets, skills and competences (de Kluyver & Pearce 2006; McGee, Thomas & Wilson 2005; Sussan & Johnson 2003), however, it was argued that few resources are productive in isolation (de Kluyver & Pearce 2006). Productivity is generated from the use and coordination of these resources. As a consequence, it is really about the firm's capabilities. Grant (2005) suggests that even though the firm's resources are key ingredients in high productivity and success, it is the firm's capabilities that are the critical success factors for competitive advantage. Dunphy, Turner and Crawford (1996) refer to this concept of capability as a distinctive competence which allows a firm to succeed based on what it wants to achieve, rather than on its competitive environment, resulting in potential competitive advantage. Zack (1999) developed a clear and more concise view of resources and capabilities by suggesting that what a firm knows is a resource and what a firm knows how to do is a capability.

Many authors suggest that developing organisational strategy starts with an assessment of how an organisation's resources, capabilities, and competencies work together (Barney 1991; Grant 1998). The literature in this area has many authors using the terms capabilities and competencies interchangeably. However, others suggest that the competencies of an organisation are what it can do as a consequence of its resources working productively together, whereas capabilities involve coordination between people and resources that leads to competitive advantage over time (Prahalad & Hamel 1990). According to many scholars within this discipline area, developing strategic capability is about how an organisation develops the effective working together of its resources, capabilities and competencies with a view to providing products and services to clients that they will value now and in the future, while providing competitive advantage to the organisation (Grant 2005). Murray and Donegan (2003) suggest that certain capabilities create core competences which can increase a firm's competitive advantage. Prahalad and

Hamel (1990) saw an organisation as having a portfolio of two different kinds of competences: a technical competence which relates to a firm's market position and a management competence which is a key component to the effective working of the internal organisation.

For the purposes of this study, Johnson, Scholes and Whittington's (2008) articulation of strategic capability will be used as a guiding definition as they define it rather comprehensively in terms of resources and competences, as well as distinguishing capability in terms of threshold and uniqueness. They developed a grid which uses a two-part distinction of resources and competences, and a two-part distinction of threshold capabilities and capabilities for competitive advantage. As depicted in Table 2.1, Johnson, Scholes and Whittington (2008) reinforce the difference between a source of advantage and a feature by distinguishing between threshold capabilities and capabilities that are a source of competitive advantage for an organisation.

Table 2.1: Strategic Capabilities for Competitive Advantage

	Resources	Competences
Threshold capabilities	**Threshold resources** ● Tangible ● Intangible	**Threshold competences**
Capabilities for competitive advantage	**Unique resources** ● Tangible ● Intangible	**Core competences**

Source: Johnson G., Scholes K. & Whittington R., 2008, 'Exploring Corporate Strategy', FT Prentice-Hall, Edinburgh Gate.

An organisation's resources include physical resources, financial resources, human resources and intellectual capital. Various authors have agreed that these resources can be easily subdivided into the two components of tangible and intangible (Grant 2005; McGee, Thomas & Wilson 2005), while Johnson, Scholes and Whittington

(2008) with their Strategic Capabilities Model dissect these resources further into threshold and unique resources. Threshold resources are needed by the organisation to compete in the marketplace, while the unique resources have the potential to give the firm strategic capability for competitive advantage (Johnson, Scholes & Whittington 2008).

Tangible resources would be made up of the physical assets of the firm which would include plant, labour and its finances; while intangible resources are much more about non physical assets such as information, reputation, and knowledge (David 2007; Hill & Jones 1996; Mullins 1999). Plant resources would not only include the actual equipment and facilities (tangible), but also the age, location, and present and future capacity of these resources (intangible). Tangible labour resources would include the number of people and different job roles; while the intangible labour resources would focus on the issue of a person's skills and know-how. Financial resources such as capital, debtors, creditors, and suppliers would be categorised as tangible; while the area of financial management would be intangible as per the staff's skill and know-how in managing those resources (Johnson, Scholes & Whittington 2008; Mullins 1999).

An organisation's competence can be seen as a combination of attributes underlying some aspect of successful performance (Barney & Hesterly 2008). The attributes can be divided into activities and processes which a firm uses to manage their resources effectively. Competence recognises that performance in these activities and processes is underpinned not only by skill, but also by knowledge and understanding, and that competence involves both the ability to perform in a given present context and also the capacity to transfer knowledge and skills to new tasks and situations (David 2007; Johnson, Scholes & Whittington 2008; Mayer 1992).

Developing a list of competences within the firm is not a difficult task. Mayer (1992) developed a group of seven such competences which all firms should have developed or adopted. These competences are communicating ideas; collecting,

analysing and organising information; planning and organising activities; working with others and in teams; using mathematical ideas and techniques; solving problems; and using technology (Mayer 1992). Johnson, Scholes and Whittington (2008) in their model (Table 2.1.) dissect competences into threshold competences and core competences. Threshold competences are those competences required by the organisation to compete in the marketplace, and core competences being those competences that will potentially give a firm competitive advantage (Johnson, Scholes & Whittington 2008).

In summary, the strategic capability of a firm is about identifying, developing and using its unique resources and core competences to gain a competitive advantage in its market so as to achieve its desired results (David 2007; Grant 2005; Johnson, Scholes & Whittington 2008). The process of dissecting resources and competences is relatively simple by developing a list of the strengths and weaknesses of the firm's resources and competences for evaluation into those essential for firm's survival, and those that are unique to the firm which could give it a unique position in the marketplace and a competitive advantage (Johnson, Scholes & Whittington 2008; Mullins 1999). Competitive advantage is gained by a combination of unique resources and a high level of competence (Das & Teng 2000; Grant 2005; Pearce & Robinson 2005). In simple terms, threshold refers to those resources and competences which would be regarded as essential to stay in business, while unique and core would refer to those resources, processes and activities which underpin superior performance, are difficult for competitors to imitate and, as a consequence, could produce competitive advantage (Hill & Jones 1996; Hubbard, Rice & Beamish 2008).

2.2.4   Competitive advantage and strategic capability

The previous section outlined the nature of strategic capability as a source of competitive advantage. As competitive advantage is also a significant concept for

this study, it will be defined and discussed in this section, particularly in terms of its relationship with strategic capability.

Early contributions such as that of Ansoff (1965) suggested that firms should endeavour to work towards developing unique characteristics in order to differentiate themselves from their competitors in a given market. Hamel and Prahalad (1989) argued that organisations needed to learn how to gain these unique characteristics for advantage that would keep them ahead of their competitors. Later, Kiernan (1993) added to these arguments by suggesting that firms needed unique advantages different from their competitors to survive. Oliver (2001) identified that it is the uniqueness that gives the firm the advantage, and as long as the unique capability provides added value to the firm's clients and that competitors cannot duplicate it, then the advantage will be sustained. More recent authors have strengthened these arguments by suggesting that a firm's competitive advantage will, in many cases, determine the difference between the firm's performance and that of its competitors (Grant 2005; Johnson, Scholes & Whittington 2008).

In recent times many authors have suggested that developing competitive advantage is complex as the marketplace is changing quickly as a consequence of factors such as globalisation, technology, and the increased access to information (Barney & Hesterly 2008; Collis & Montgomery 1995; DeNisi, Hitt & Jackson 2003). As competitive advantage is complex, defining competitive advantage by measuring outcomes such as profitability and market share has been viewed as limited (David 2007). Porter (1980) identified the two basic types of competitive advantage as cost advantage and differentiation advantage, while Grant (2005) contended that competitive advantage is achieved by market positioning and internal generation within the firm. In general, however, competitive advantage is seen from a much broader perspective by using perspectives of both the customer and the competitor to access the firm's performance (Grunert & Hildebrandt 2004). Recent authors have identified that a firm has competitive advantage when it is successful in developing and implementing a value creating strategy that competitors are not currently using (deKluyve & Pearce 2006).

Many authors have identified that a value creation strategy has the two specific elements of superior skills or competences and superior resources which enable the firm to do things differently in order to survive and prosper (Lei, Slocum and Pitts (1999); while Porter (1980) identified that the market positioning strategy of differentiation or low cost would lead to the outcome of value creation and competitive advantage. In combining both views it could be argued that using the firm's unique resources and core competences together would enable a firm to produce innovation, efficiency, quality and client responsiveness—all of which could be used to create a cost advantage or a differentiation advantage (Johnson, Scholes & Whittington 2008).

A key ingredient in the value creation is that consumers must perceive some difference between a firm's product offerings and that of its competitors. As Hubbard, Rice and Beamish (2008) argue, this difference must be due to some capability that the firm possesses and that the competitors do not possess. By matching the firm's strategic capability to the gaps that exist in the marketplace, competitive advantage can be obtained. This advantage will be sustained if competitors cannot bridge the gap, however, it should be recognised that no competitive advantage lasts forever (Hill & Jones 1996; Johnson, Scholes & Whittington 2008).

The search for competitive advantage is a search for difference and a statement of positioning in the marketplace (David 2007; Grant 2005; Johnson, Scholes & Whittington 2008). Other authors suggest that competitive advantage is gained by having an edge over rivals (Beard & Sumner 2004; Pfeffer & Sutton 2001). Competitive advantage can only be gained by using those capabilities that are rare, valuable, and difficult to imitate (Barney 1991; Brockhaus 1980; De Kluyver & Pearce 2006). This does require a firm to have a clear understanding of the nature of competition. To give understanding to the nature of competition, Grunert and Hildebrandt (2004) suggested a list of five (5) generic strategies for firms to follow:

low cost leadership, broad differentiation, best cost provider, market niche based on lower cost, and market niche based on differentiation.

Much literature on strategic management suggests that firms work towards developing a strategic fit between the external environment (opportunities and threats) and internal resources (strengths and weaknesses). However, early focus was given to a firm's competitive environment and its competitive position. It was widely accepted that the dominant viewpoint in strategic management theory throughout the 1980s was presented by Porter (1980). The focus that Porter (1980) developed was that he constructed a consistent framework for thought so that a firm could examine the concrete issues of how a firm could gain a competitive advantage over its competitors. To help a firm develop this thought, Porter (1980) advanced a 'five force model' which would help determine the profit potential of an industry or segment of it.

Nonetheless, many empirical studies have failed to support this link between industry structures and the performance of the individual firm (Das & Tang 2000). Some studies have shown that the difference in firm performance between industries is largely less than that within industries (Daft 1999; Rumelt 1991; Schein 2004). Other studies have identified that significant performance differences have occurred among firms that belong to the same strategic group within an industry (Barney & Hesterly 2008). Barney (1991) suggested that the internal resources of a firm, rather than the external environment around the firm, were the primary source of performance difference between firms. This resource-based view (RBV) has become a popular approach to explain the differences in performance by focusing the firm's attention on internal resources and competences as a source of competitive advantage (DeNisi, Hitt & Jackson 2003). The resourced-based view has certainly focused the attention on the firm's resources and competences, rather than being focused on the over-analytical product side (Priem & Butler 2001).

The focus of the Resource-Based View (RBV) is that competitive advantages are generated by the firm using a unique set of resources and capabilities (Barney 1991; David 2007; Peteraf 1993). As noted by Johnson, Scholes and Whittington (2008) there is a key difference between resources and capabilities. Resources are the inputs into the production process (Beard & Sumner 2004), and the individual resources of the firm include such items as capital equipment, intellectual assets, patents and brand names. A capability is the capacity for a group of resources to perform a task (Hitt, Ireland & Hoskisson 2001). While resources are identified as the source of the firm's capabilities it is their capabilities that are the main source for its competitive advantage (Johnson, Scholes & Whittington 2008).

In general, however, competitive advantage can be achieved when a firm successfully formulates a strategy that other firms are unable to duplicate or find too costly to imitate and that the market wants (Durand 2002). A firm may gain a competitive over its competitors, but the sustainability of that advantage is dependent on the speed with which competitors are able to duplicate that firm's value-creating strategy (Hitt, Ireland & Hoskisson 2001). As a consequence, competitive advantage is gained from those capabilities that are likely to be durable and which competitors find difficult to imitate or obtain (Johnson, Scholes & Whittington 2008). It can be drawn as a conclusion that strategic capability is a significant factor in gaining and sustaining competitive advantage.

This study is concerned about the nature of competitive advantage that emanates from strategic capability. Johnson, Scholes and Whittington (2008) identified strategic capabilities for competitive advantage as a combination of the firm's unique resources and core competences. A model of competitive advantage (Figure 2.1) has been developed for this study as it has the active components of both the positioning view and the resource-based view all working towards creating a competitive advantage.

Figure 2.1: Competitive Advantage Model
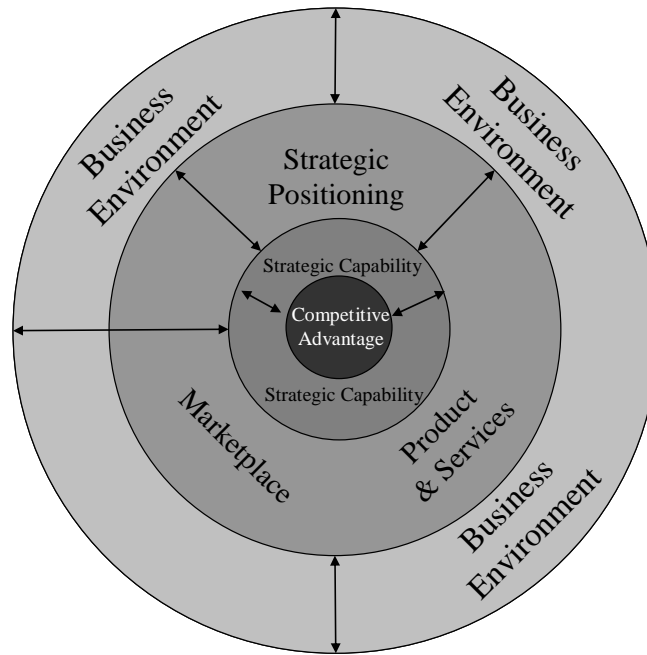
Source: Model developed for this study.

The outer circle *Business Environment* is common to both the competitive forces and resource-based views of developing strategic capability. Both views search for the key ingredients for organisations to gain and sustain a competitive advantage within the business environment in which the organisation operates. This business environment includes the distinct components of the specialised *marketplace* in which the organisation competes, the *products and services* of the organisation and the *strategic positioning* of the firm within the business environment. The strategic positioning allows this model to combine aspects of both the positioning and resource-based views of developing *strategic capability* with a view to gaining *competitive advantage* (inner circle).

2.3 The learning organisation and organisational learning

Management within organisations are always looking for a strategy that will improve productivity, increase revenue, and improve the bottom line. Organisational learning is rapidly emerging as an important strategy that will deliver those improvements, build a firm's strategic capability and gain a competitive advantage for businesses endeavouring to increase their competitive advantage. Organisational learning can appear to be an attractive proposition, but can be limited if there is a lack of organisational support. The development and practice of this support for organisational learning transforms the organisation into a learning organisation. This section will develop these concepts by first focusing on the historical emergence of organisational learning.

2.3.1 Historical emergence of organisational learning

In order to understand various aspects of the concept of organisational learning, it is useful to start with a discussion on some of the historical developments that have contributed to the emergence of this concept. There are different ways to describe the historical developments, including nominating the key writings in chronological order or identifying specific historical events. However, this account will rely solely on the more recent writings on change management to demonstrate some of the pressures and initiatives that have promoted organisational learning as a significant concept in its own right.

This section will briefly examine three historical change management success traditions and approaches of 'Organisational Development' (OD), 'Total Quality Management' (TQM), and 'Business Process Reengineering' (BPR) used by many firms over time to respond to change. It could be argued that the 'organisational learning' literature has emerged from this 'change management' literature as a newfound approach to identifying the key success attributes for strategic competitive

advantage for the 21st century and, in consequence, leading to the concept of firms developing as 'learning organisations'.

A major catalyst that causes firms to implement organisational success strategies is change (Albert 2005; Beech & Origin 2003; Bratton & Gold 2003). Change consistently challenges traditional firm practices and beliefs and how each firm develops strategies to meet this change determines their success (Cummins & Worley 1997; Hubbard, Rice & Beamish 2008). Implementing organisational success strategies that will aid building an effective and efficient organisation are key factors in achieving and sustaining a competitive advantage (Albert 2005; Beech & Origin 2003; Walton 1985). As change is continuous, so is the need for firms to develop organisational success strategies and, as a consequence, the nature of developing the best success strategy is a utopian concept to work towards (Marquardt 1996; Boreham 2004; Carnall 2003). What makes a successful strategy different from a non-successful strategy is the firm's ability to perform the successful strategy across all aspects of its business so as to develop its strategic capability and gain and sustain a competitive advantage within its chosen markets (Barney & Hesterly 2008; Caulkin 1994; Marquardt 1996).

Organisational Development (OD) is defined as a major change strategy that involves the total firm, and includes a broad range of interventions managed from top management with the aim of enhancing the firm's effectiveness and efficiency—resulting in gaining competitive advantage (Becker & Gerhart 1996; Mullins 1999; Grant 2005). This approach gained acceptance in the mid-1950s and has a behavioural science focus in that it has people and planned interventions central to its success as a strategy for improving effectiveness (Cyert & March 1963; Lopez, Peon, & Ordas 2005).

It is a wide ranging strategy based on a systematic planned intervention by management with a proactive, rather than a reactive, focus. It is also based on collaboration between the organisation's members across all levels of operation and

requiring the use of behavioural-oriented interventions, generally with the help of a change agent (Burnes 2000; Carnall 2003). Within the 'organisational development' literature, the organisation has the central platform of being made up of people, individuals or groups and, as a consequence, OD is about the planned development and performance of the people within the organisation (Bradford, Burke & Warner 2005; Carnall 2003).

As 'organisational development' is generally a total firm strategy it is widely accepted that the change was initiated by top management in having identified a major deficiency in the whole organisation or major department (Bratton & Gold 2003; Brodbeck 2002; Carnall 2003). The critical feature of organisational development is the effective management of change (Christensen & Overdorf 2000; Stacy 2001). As a consequence, there are many sub-topics such as organisational culture, organisational climate, employee commitment, managing conflict and change, management development, and organisational effectiveness (Mullins 1999) which can be included in an organisational development review. The organisational development strategy has as its operating system the three processes of diagnosis, intervention and evaluation (Bradford, Burke & Warner2005; Pfeffer & Sutton 2001).

In order to process change effectively, organisational development makes use of intervention processes so as to improve organisational performance (Yanow 2000). Action Learning (AL) was one such intervention strategy used for management development (Revans 1980). The importance of this strategy to this review is that literature on organisational learning has emerged and evolved from many of the concepts and strategies outlined within action learning. Revans' (1980) development of action learning came out of the British coal industry where groups of managers out in the workplace worked together on their own and each other's problems using processes such as observation, discussion, developing and using new ideas and learning skills that could be used in the future (Raelin 1997; Revans 1980).

Of the three different types of knowledge (propositional, practical, or experiential) action learning is experiential and used to help members learn more effectively from their experience. Action learning is not about learning new knowledge but rather a strategy to help use existing knowledge more effectively by using processes such as review, reflection, rethinking, and reinterpretation of existing propositional and practical knowledge (Rowland 2004). In the 1970s action learning was adopted as a process of management development by many large global businesses and numerous management schools (Garratt 1987).

The acceptance of action learning has given rise to the view that suggests learning is a matter of construction, rather than instruction and, as a consequence, 'organisational learning' has emerged as a more modern, all-encompassing focus. A number of authors have identified that the action learning strategy assumes that participants need the freedom and authority to develop and implement their solutions and that if a more consistent approach is required then a more structured approach to people development is required (Bawden & Macadam 1991; Snell & Chak 1998; Zuber-Skerritt 1992).

Total Quality Management (TQM) is a concept that has a commitment to excellence and continuous improvement with a set of strategies and operating tools to gain improved performance (Albert 2005; De Vita & Fleming 2001; McKierman 1997). The concepts emerged in the early 1920s with production control systems and developed rapidly in the late 1940s and early 1950s led by Demming, Juan, and Feigenbum (Beard & Sumner 2004). TQM became popular in the 1980s-90s as it was accepted as a total process-oriented systems approach to quality performance with an emphasis on continuous improvement of systems, rather than suggesting that quality failure was caused by workers (Bunning 1992).

There is a general acceptance by authors that TQM is a 'total system' and, in consequence, is concerned with all the activities of the firm which includes all activities involved with the provision of goods and services, and all of its people

(Bunning 1992). Within TQM, 'quality' refers to having a focus on satisfying customer expectations on product which includes pricing, applicable industry standards, and a satisfactory cost and profit outcomes (Hitt, Ireland & Hoskisson 2001; Johansson 1993). The 'management' section of TQM is simply about getting things done through its people (Bunning 1992). Management within TQM includes the functions, tasks, and related activities associated with planning, organising, leading and controlling of the firm (Grant 2005). As a part of the TQM strategy, management have tapped into their people's expertise by developing 'quality circles' (Bunning 1992; Davenport 1995).

It could be argued that the concept 'organisational learning' has emerged and evolved from the quality circle within the TQM strategy. Quality circles are work groups, generally from a common area, that meet regularly to discuss and investigate their quality problems, formulate quality solutions and take corrective action where necessary (Caulkin 1994). The challenge with this process is it cannot be assumed that all participants have the necessary skills to analyse, evaluate, communicate, and solve sometimes complex problems, therefore, these skills need to be learnt (Caulkin 1994). Within the 'quality circle' process, learning in such areas as group communication skills, various quality strategies, problem analysis and evaluation techniques becomes a critical success factor (Becker 2001).

Within the TQM strategy there is recognition that organisational success was not gained by focusing on employees to improve quality as most of the things that have been identified to improve the quality system (having the right tools, the right materials, good training, and a well designed production process) are out of the immediate control of employees (Albert 2005; Collis & Montgomery 1995). However, having a strong commitment to quality within the total system, including the 'quality circle' process, has allowed TQM to be accepted as an organisational success strategy and provide improved performance during change. It can be argued that the 'organisational learning' strategy and literature has emerged somewhat from the quality circle process within TQM, and the 'learning organisation' strategy and literature has emerged from the total TQM system by replacing process-oriented

approach to a learning-oriented approach. One other critical aspect of learning that was promoted in the TQM approach was that of providing valuable performance feedback for continuous improvement.

Business Process Re-engineering (BPR) emerged during the 1990s and is defined in terms of a radical re-think of a firm's operational and business processes to achieve greater efficiency, improved productivity and quality, while providing a high customer satisfaction (Davenport & short 1990; Grant 2005; Johansson 1993). A critical difference from TQM is that BPR is not based on continuous improvement but on a radical change to gain organisational success (Davenport 1993). BPR became popular quickly, especially within large firms, as it used a scientific management approach in focusing on efficiency and technology to provide the changes (Davenport 1995; Malhotra 1998).

It was more the negative impact of BPR which allowed the emergence of 'organisational learning' and the 'learning organisation' to unfold in the mid-1990s. By the mid-1990s numerous authors had referred to BPR as a fad that had come and was past as it had poor acceptance within the organisation (Grant 2005; Malhotra 1998). BPR had placed emphasis on reengineering processes within organisations but failed to appreciate the complexities involved within even simple production tasks (Johansson 1993). The use of complex processing maps without understanding the process adequately and not training staff sufficiently on the skills required to use these new tools led to much staff dissatisfaction and a non-acceptance of the strategy (Grant 2005; Malhotra 1998).

Even though the BPR strategy delivered initially high gains in efficiency and quality it was too radical a change to sustain worker satisfaction and, in consequence, the strategy declined in use—certainly by the end of the 1990s. Within that decade some 65% of the Fortune 500 companies in the United States had implemented BPR and then replaced the strategy with a combination of strategies (Grant 2005). While reliance on technology was a negative factor of BPR it did, however, allow firms to

develop their technology capability (Mullins 1999). Giving the firm's people the required skills to use the technology for their decision making allowed the 'learning' strategy to emerge (de Kluyver & Pearce 2006).

It can be argued that when processes such as BPR are introduced there is a high need for learning to occur if there is a reliance on staff, individually or in teams, to be central in decision making. BPR was a process that relied on staff making decisions in a decentralized environment, giving them the tools to make decisions but not allowing them to learn and understand the new processes, or learn how to use their new tools.

Periods of rapid change cause a need for learning for both the individual and the firm with the rewards of success being growth and prosperity or, for failure, decline and penalties for both individuals and firms (Fulmer, Gibbs & Keys 1998; McGee, Thomas & Wilson 2005). As part of the process in managing success during change, identifying individual and organisational learning strategies, facilitators and impediments in implementing this learning is critical if the organisation is to develop towards 'learning organisation' status, thus giving it competitive advantage. Organisational learning and the learning organisation had emerged from the change management literature as a powerful tool and concept to increase the performance of organisations.

2.3.2   Organisational learning and strategic capability

Prahalad and Hamel (1990) suggested that core competencies are the collective learning in the organisation that has brought recent attention to the relationship between strategic capability and organisational learning. An organisation's core competencies are its unique capabilities that allow it to build a competitive advantage and which is a direct consequence of organisational learning (Prahalad & Hamel 1990). The focus of this relationship is for the organisation to gain a

competitive advantage by using its learning and mental capacity to continuously develop competencies such as diverse production skills and the integration of technologies.

Organisational learning has been associated with training which provides for new knowledge and skills to be delivered to perform particular tasks. Organisational learning can also occur in daily job routines and be totally interwoven with work processes (Swap, Leonard, Shields & Abrams 2001; Zack 1999). Organisational learning may be either good or bad and may or may not have a positive impact on the organisation. Numerous authors have suggested that organisational learning has been often confused with the notion of the 'Learning Organisation' as a result of organisations searching for ways to continuously improve their products and services and to develop breakthrough strategies.

Organisational learning is concerned about how, why and under what conditions an organisation can be identified as in the process of learning (Foil & Lyles 1985). The concept emerged from organisational psychology as researchers observed that groups and collection of groups could be seen to learn as a whole, as well as individuals within the groups (Argyris & Schon 1996). Individual learning and organisational learning are different concepts from that of the learning organisation as the learning organisation is about creating an environment that promotes a culture of learning, a community of learners, and promoting the concept that learning enhances the organisation as a whole (Huber 1991).

The concept of the learning organisation became popular in the 1990s with authors such as Senge (1990a), Schein (1993), and Garvin (1993). Their focus was on the concepts of creating organisations that could be adaptable, flexible, experimental, and innovative. The learning organisation field of study has offered numerous and varied definitions. Many authors consider the concept to be an idealised model with an optimistic outlook for organisations that implement such strategies.

The purpose of this section is to give some organised clarity to these issues by defining 'organisational learning' (2.3.2.1), outlining the associated concept of the 'learning organisation' (2.3.2.2), highlighting the arguments about the relationship between individual and organisational learning (2.3.2.3), identifying levels of organisational learning focusing on the differences between operational and strategic learning (2.3.2.4) and identifying the key issues and criticism in the literature between organisational learning and the learning organisation (2.3.2.5).

2.3.2.1 Defining organisational learning

Organisational learning is rapidly emerging as an important concept as many organisations are looking at it as a means to increase competitive advantage, innovation, and effectiveness (Bapuji & Crossan 2004). Increased competition, both locally and globally, together with the speed of change, have highlighted the importance of learning to organisations as a key attribute to survival, growth and success (Vera & Crossan 2004). Managers view organisational learning as a powerful tool to increase the performance of their organisation (Teare & Pantin 2002). Currently it is not organised into a specific field of management as the area remains too broad, inadequately defined and does not fit neatly into existing models of good management practice (Brown & Duguid 1991; Easterby-Smith & Lyles 2003; Sorensen & Stuart 2000). As a consequence, a range of definitions (see Table 2) is included here to highlight different points of focus with a view to isolating any parts that refer to developing strategic capability.

Table 2.2: Definitions of organisational learning

Author	Definition
Argyris & Schon (1978)	Is a process of detecting and correcting errors
Daft & Weick (1984)	Organisational learning is knowledge about the relationships between the organisation's action and the environment
Foil & Lyles (1985)	The process of improving actions through better knowledge and understanding
Stata (1989)	The process by which innovation occurs through shared insights, knowledge and mental models.
Huber (1991)	An entity learns if, through its processing of information, the range of its potential behaviours is changed.
Kim (1993)	Increases organisational capacity to take effective action.
Garvin (1993)	Is skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights.
Slater & Narver (1995)	It is the development of new knowledge or insights that have the potential to influence behaviour.
Vera & Crossan (2004)	The process of change in thought and action, both individual and shared, embedded in and affected by the institutions of the organisation.
Rowe & Boyle (2005)	An iterative process of action and reflection that results in the modification of an organisation's actions.

Prahalad and Hamel (1990) have suggested that merely working towards the vision of being 'a learning organisation' is not sufficient as a key goal of learning is that an organisation must attempt to convert learning processes into capabilities for competitive advantage. According to Kim (1993), there was no real agreement at that stage as to what organisational learning meant and even less on how to create a learning organisation. Since the early 1990s most authors recognise that organisations ultimately learn through individuals, however, it is a common view by authors that the concept of organisational learning means more than the combined learning of the organisation's individual members in that the organisation has the capacity to store and use knowledge in the face of change (Vera & Crossan 2004).

The capacity to learn is a key attribute of individuals which involves developing and changing over time (Ellstrom 2003). Much of this development is informal and experienced randomly, a feature of Kolb's experiential sequence model of learning by doing, looking, thinking, growing and acting (Klob 1984). Schein (2004) suggests that learning, as distinct from training, is about continuous change and focuses on values, attitudes and innovation. Schien (2004) further argues that organisations may need to change processes, rules and procedures to ensure survival and that this requires collective learning.

Learning has, in the vast majority of organisations, been a part of the natural workings of a workplace (Kasl, Marsick & Denchant 1997; Morgan 2004; Pedler, Burgoyne & Boydell 1996). Workers in their normal work environment share stories, offer advice, adapt to new or different ideas, pick up on how to use new tools, and follow the lead from respected fellow workers (Easterby-Smith 1997; Kim 1993; Rusch 2005). This type of learning within the workplace, generally social in nature and responsive to change, can be categorised as 'organisational learning'. Learning starts from individuals, however, individual learning does not necessarily lead to organisational learning (Murray 2002). Key concepts in organisational learning can be organised into a number of working areas taken from the definitions given in Table 2.

Learning can be viewed as simply the detection and correction of errors (Argyris 1993). Even though this definition appears simple in nature it is about matching outcomes with intention. Learning occurs firstly at the detection of an error; secondly, at deciding what corrective action to take; and, finally, in actioning the correction. When individuals gain success through a particular action they tend to continually use that action and, as a consequence, learning can be thought to have occurred. Argyris (1993) argued that organisational learning is based on the implementation of successful strategy, rather than a simple detection and correction of errors. The argument put forward by Argyris is more about that errors are errors of strategy and that new strategies must be developed to correct errors. Much of the literature suggests that this concept of detection and correction of errors somehow

does not refer to strategy but, rather, simple processes within the day-to-day workings of the organisation. This key process definitely implies that organisational learning has the attributes of action and review, which results in a change of an organisation's actions (Rowe & Boyle 2005).

Vera and Crossan (2004) take this further in that they suggest that organisational learning is a process of change in thought and action—both individual and shared. This view captures the key concept that organisational learning is a process of change that requires using knowledge or mental capacity, either individually or collectively, with a view of improving some performance within the organisation. Ellstrom (2003) suggests that organisational learning is about changing organisational practices that require thought and action either individually or collectively. Wang and Ahmed (2003) suggest that these views are still rather broad and, as a result, organisational learning has evolved to cover a wide variety of aspects in organisational management.

Early research focused on individual learning as a key to organisational learning (Ribbens 1997). At an extreme end in the literature, the organisational learning system is viewed as having a high dependence on individual learning, rather than a more balanced view of knowledge sharing for all the organisation's members. The main focus by authors is that individuals are agents for organisations to learn. DeGeus (1998) suggests that organisational learning occurs when individuals consciously interact with other work members through a process of education and experience. Within this view, organisational learning is in fact a collection of individual learning. Collective learning occurs in addition to the learning process at the individual level and may even occur independently of each individual (Beckett & Murray 2000). However, it is important to note that collective learning cannot take place if all organisational members are prevented from learning (Kim 1993). Brown and Duguid (1991) identify that the relationship between individual and collective learning is a key aspect that can deliver competitive advantage.

This key competitive advantage can be developed using the organisational learning process to allow all individuals in the organisation to develop and use their learning and learnt competencies for the organisation to prosper now and in the future (Bontis, Crossan & Hulland 2002; Cohen & Sproull 1991; Dodgson 1993). Organisational learning is broad, multi-faceted and emerges from a wide range of managerial capabilities such as knowledge management, leadership, organisational culture, total quality management, innovation, effective communications and an efficient physical environment (Mullins 1999). Effective organisational learning requires the learning process to encompass organisational culture, leadership, organisational processes and technology with a view to balancing the required skills and knowledge needed for the present, and those skills and knowledge required for the future within the organisation (Hurley 2002; Sorensen & Stuart 2000). Dibella and Nevis (1998) suggest that all organisations learn, but it is the efficiency and effectiveness supported by the organisation's processes that often distinguishes it from its competitors.

Most definitions contain the concepts of effectively creating and sharing knowledge, increasing firm performance and the distinction between error fixing (adaptive learning) and a higher level of learning (proactive learning) (Argyris & Schon 1996; Fiol & Lyles 1985; Levinthal & March 1993). Vera and Crossan (2004) argue that organisational learning is, in essence, a process of change with specific activity which individuals themselves and collectively use to eventually gain competitive advantage. It is these processes and activities which are rapidly emerging as organisational learning concepts (Currah & Wrigley 2004; Malhotra 1998; Levitt & March 1988). Organisational learning is about 'learning to do' (Easterby-Smith 1997; Kezar 2001), which is about processes.

Organisational learning is concerned with the acquisition of new knowledge and or skills that enhance organisational efficiency and effectiveness (Sadler-Smith & Badger 2003). Hamel and Prahalad (1989) add that organisational learning needs to embody the concept of being better than the competition. However, what is much less clear is what needs to be learnt and how organisational learning takes place and

its transition into action (Dunphy, Turner & Crawford 1996). It is important at this stage of the review to focus attention on the types of organisational learning strategies as key concepts in understanding organisational learning in action (Pedler, Burgoyne & Boydell 1996). Organisational learning can appear to be an attractive proposition, but can be limited in scope and pace if unsupported (Mulford & Silins 2003; Pedler & Aspenwall 1998).

A learning organisation is founded on the learning process of the organisation (Ortenblad 2001). It is the task of the learning organisation to integrate individual learning into organisational learning (Pedler, Burgoyne & Boydell 1996). The next section outlines the literature on the associated concept of the 'learning organisation'.

2.3.2.2 The associated concept of the learning organisation

The concept of the learning organisation evolved out of the research from organisational learning and became popular in the 1990s as it was seen as an ideal model of operation for firms to follow so that they could more effectively respond to competitive pressures (Fenwick 2003). In following such an ideal model, the key benefits for organisations would be to develop their strategic capability and gain competitive advantage (Easterby-Smith, Snell & Gherardi 1998). Authors within the 'learning organisation' area tend to be much more positive about the possibilities for organisations to learn as they focus on ways to overcome threats to learning, whereas 'organisational learning' authors seem to focus and emphasise the threats to learning (Garvin 2000). Learning organisation authors generally agree that effective individual and collective learning are key ingredients in such a model (Tosey 2005; Vince, Sutcliffe & Olivera 2002). Organisations will learn and positively evolve if individuals are committed to the learning process (Senge 1990b).

The term 'learning organisation' has grown as a metaphor for the ideal type of organisation. The ideal learning organisation is an organisation which has put in

place strategies and structures to develop learning within the organisation (Dodgson 1993). DeGeus (1988) argues that learning is a key source of sustained competitive advantage. The reason for the keen interest in learning organisations is that they develop learning systems and processes that continually enhance both the individual's and the organisation's capability to achieve sustainable positive outcomes (Garratt 1987; Friedman 2001). Four key broad attributes that learning organisations do differently to non-learning organisations have been categorised using various authors (Argyris & Schon 1996; Brown & Duguid 1991; Raelin 1997; Fiol & Lyles 1985): they are adaptive to their external environment; they continually enhance their capacity to change and adapt; they develop collective, as well as individual, learning; and they use the results of learning to achieve better results.

Pedler, Burgoyne, and Boydell (1996) and Senge (1997) suggest that a learning organisation creates a positive learning environment when learning takes place continuously between its members and, as a consequence, positively shapes the organisation. Rhodes (2002) adds that a learning organisation has developed the continuous capacity to adapt and change—which is a key ingredient to sustained competitive advantage. Ellstrom (2003) suggests that both individual and collective learning is mandatory for an organisation to be identified as a learning organisation. Various authors suggest that it is the people within the organisation individually and collectively who continually learn to develop and expand their capacity to achieve the organisation's objectives (Levitt & March 1988; Senge 1990a; McGovern 2006; Lave & Wenger 1991). A key attribute that numerous authors identified in learning organisations was that of its people learning how to learn together (Easterby-Smith 1990; Levine 2001; Vera & Crossan 2004).

Marquardt (1996) suggests that there is no one way of becoming a learning organisation and that no organisation fully becomes a learning organisation. Since change occurs continuously, the need for learning is never finished and, therefore, no organisation actually reaches that goal of having achieved a learning organisation status (Huber 1991; Prahalad, Hamel 1990; Rhodes 2002; Vera & Crossan 2004). Nonetheless, it is generally accepted by authors in this field that there is now a new

level of efficiency and effectiveness to be gained by organisations that master the attributes of the learning organisation (Bassi, Cheney & Lewis 1998; Cohen & Sproull 1991; Couillard 2007). As the challenges for managers to create a learning organisation environment is great, the benefits of gaining a competitive advantage is greater (Edmondson & Moingeon 1996a; Mumford 1991; Ortenblad 2004; Ulrich, Zenger & Smallwood 1999).

As Walton (1985) describes in a case study of Rover, the transformation to a learning organisation has resulted in a healthier bottom-line, happier employees, and a superior global reputation. The transformation is a journey which a number of authors suggest is about the creation of a learning culture (Edmondson & Moingeon 1996b; Vera & Crossan 2004). In reviewing the literature about the journey to a becoming a learning organisation, or developing this central theme of learning into a firm's organisational culture, some ten specific attributes were identified among various authors. These attributes are presented and discussed in the context that a learning organisation exists.

Learning organisations have strong commitments to developing a learning culture that nurtures learning (Marsick 2000; Brown & Duguid 1991). Within the literature five key concepts of developing a learning culture were identified. Schein (2004) identified that valuing the organisation's people by valuing their ideas, creativity and their capabilities were critical to developing this culture and that diversity of ideas is a strength. Rowe and Boyle (2005) further identified that, as part of the valuing people process, it was necessary to develop a climate of openness and trust which encouraged individuals and groups to develop new ideas, to speak out, and to challenge existing ideas.

As part of this process it was identified by Mulford and Silins (2003) that learning systems were needed to allow free exchange and flow of information between individuals and groups across organisational boundaries to ensure learning objectives. In so doing, the individuals and groups within the organisation would

develop an understanding of both their internal and external environments which, in turn, would allow individuals and teams to understand and think about the future direction of the organisation (Rusch 2005). As Mulford and Silins (2003) suggest, the total commitment to learning and personal development needs to be supported from senior management for people at all levels to participate in regular learning, and that learning is rewarded. This commitment to a learning culture is about creating an organisational climate where learning is the key capability. The general view by authors in this area is that business success is dependent on learning success (Rusch 2005).

Starkey, Tempest, and McKinlay (2004) make the argument that in a learning organisation there is a direct connection between learning and business operations. The idea that learning is as much a task in an organisation as production or marketing is identified by various authors (Kezar 2005; Schein 1993; Schwandt & Marquardt 1999). By having this direct connection between learning and operations, individuals and groups can learn as they work (Lopez & Peon 2005). An important consequence of this is a high retention of organisational knowledge even if individuals leave (Kezar (2005). The general argument made by authors was that if the direct connection is made between learning and operations then it was much easier to persuade people throughout the organisation of the importance of learning as a key ingredient in developing strategic capability (Vera & Crossan 2004). With this connection, it made all people within the organisation involved in identifying and solving problems using a variety of learning strategies with the result of allowing the business to achieve its objectives (deKluyver & Pearce 2006). Stacy (2001) highlighted that if learning is a key success ingredient in a learning organisation then communicating the vision of the organisation as a learning organisation is critical.

Stacy (2001) and Mayo (2007) argue that communicating the vision of being a learning organisation helps the organisation to establish and guide its strategic thinking and, as a result, gives purpose for its people. With a clear vision, the people in the organisation can gain a better understanding of the organisation's direction,

become excited about the organisation and come to strongly support the organisation and its direction, which can be translated into a competitive advantage Garvin (1993). Cohen and Sproull (1991) make the argument that people with a clear positive vision accomplish tasks that matter to them. Van Wert (2004) adds that communicating this vision acts as a guidance system that keeps the learning processes on course, especially during times of stresses, frustrations and change. Garvin (1993) suggests that vision needs to be developed into the development of organisational strategies for learning.

Kraatz and Zajac (2001) highlight the issue that a learning organisation cannot have learning as its key focus unless it has strategies in place for expanding individual, group and organisational levels of learning. Numerous authors have identified strategies such as encouraging experimentation, rewarding learning, actioning new learning, and recognising and praising learners (McGrath 2001; Oliver 2001; Vera & Crossan 2004). As Stacy (2001) pointed out, it is not only important to have strategies in place, but benefits flow from actioning the strategies. By applying the learning strategies across all parts of the organisation, strategic capability can be built which the organisation can leverage for competitive advantage (Vince, Sutcliffe & Olivera 2002). Some authors suggest that within a learning organisation these strategies can be extended to include the organisation's entire business chain (Sorensen & Stuart 2000; Vera & Crossan 2004; Zolo & Winter 2002).

This concept of developing learning strategies for the whole of the organisation's business chain actually highlights the importance of leadership in developing a learning organisation. Numerous authors have identified that learning organisations need the support and ongoing involvement of its leaders (DiBella & Nervis 1998; Edmondson & Moingeon 1998; Garvin 1993; Vera & Crossan 2004). Garvin (1993) suggested that as organisational leaders became convinced and committed to the learning organisation concept they regularly became learning models within the organisation by wanting to extend their own individual and team learning, as well as encouraging others to learn. Vera and Crossan (2004) developed this concept further by suggesting that this transformational leadership was critical for developing a

firm's competence capability. It is generally accepted by authors within the learning organisation area that organisational leaders need to develop learning opportunities for individuals, groups and the organisation and they need to support and encourage staff by providing a learning environment of rewarding success and not punishing errors (Collinson & Cook 2004). Fulmer, Gibbs and Keys (1998) suggest that a learning environment is about developing the learning culture into a culture of continuous improvement by continuously learning.

As Goh and Richards (1997) and Goh (2003) highlight, all learning organisations have a commitment to continuous improvement in order to develop a competitive advantage. Stacy (2001) suggests that any organisation that has a quality management system in place has a continuous improvement system in place. King (2001) argues that any organisation that has a culture of continuous improvement has a culture that is headed towards being a learning organisation. In building such a culture, Ellstrom (2003) suggests that ongoing learning is a key ingredient and should become a habit and a natural part of work for everyone in the organisation. By focusing on continuous learning rather than on training events it allows the organisation to develop a new culture of belief and trust in all work members and a commitment of continual development (Fenwick 2003; Gond 2004) highlights the importance of empowering the organisation's people to develop the continuous learning required for the individuals, groups and the organisation.

In general, authors agree that learning organisations recognise that empowered people are essential for developing a learning culture and the consequence of developing competence capability (Rowe & Boyle 2005). Rusch (2005) suggests that the organisation's people are much happier and satisfied in actioning the organisation's vision when they feel that they have a major role to play and that they have the competencies and skills in place to action the strategies developed to reach the firm's objectives. A key principle in developing the learning organisation is to empower staff to encourage everyone in the organisation to continually learn and thereby achieve the ongoing benefits (Vera & Crossan 2004). In a learning organisation all participants should assume greater responsibility for their own

learning and know the importance in a systems approach of continually uncovering, analysing, and adapting the best practices of other organisations, as well as their own.

In general, most authors identify that having a systems thinking approach is critical to building a learning organisation (Senge 1990b; Garvin 2000). Senge (1990a) identified that it was essential to allow individuals and groups to view, focus and participate in understanding how all parts of the organisation are interdependent. The concept is viewed by many authors as one of allowing individuals and groups within the organisation to know how the organisation really works and how all the parts and people fit together (Garvin 2000; Vera & Crossan 2004). Systems thinking would allow participants to view problems and solutions in terms of relationships between subsystems which would enhance the learning capacity of the organisation (Senge 2003). Various authors have suggested that systems thinking will enhance the effectiveness of the organisation as individuals and groups will see unclear patterns clearer and will be able to identify ways to change these patterns more effectively (Marquardt 1996).

In summary, authors such as Wang and Ahmed (2003) suggested that many authors over the past twenty years have used the terms organisational learning and learning organisation interchangeably, however, they argue that as all organisations learn they must use some type of organisational learning method. As all organisations learn at different levels of proficiency and at different paces, they suggest that to become truly a 'learning organisation' an organisation must find ways to make learning more intentional and more systematic. This was the starting point of Senge's (1990a) Five Disciplines to becoming a learning organisation. Characteristics identified as building a learning organisation were developing a learning culture, developing processes that encourage interaction across organisational boundaries, developing tools and techniques that aid individual and group learning and developing skills and motivation to learn and adapt.

The learning organisation has become a powerful metaphor and presents an ideal for managers to aspire, based on building dynamic capabilities so an organisation can continuously respond to future challenges. Learning organisations have in place learning strategies and systems that are used to continually enhance their strategic capability with a view of achieving better results and a competitive advantage. As learning organisations use both collective and individual learning strategies for developing strategic capability, the next section will give some literature focus on these areas.

2.3.2.3   Individual and organisational learning

Many authors suggest that individual learning is linked to organisational learning (Foil & Lyles 1985; Foil 1994; He-Chuan 2003; Kim 1993). The concept of the linkage is that as organisations are composed of individuals, organisations cannot learn independent of the collection of individuals, but can learn independent from a specific individual (Kim 1993). Senge (1990b) argued that personal mastery which is about individual learning is one of the five distinct disciplines that create a learning organisation. Personal mastery is a process of personal continuous learning that links individual performance to organisational performance (Boreham & Morgan 2004; Kezar 2005). Vera and Crossan (2004) argue that learning is both individual and shared.

Most authors agree that organisational learning takes place by individuals in teams and groups throughout the organisation (Boreham & Morgan 2004). Brown and Duguid (1991) suggest learning occurs through regular exchanges of experience and knowledge between team members. A number of authors suggest that while the distinction is not clear as to the interplay between individual and organisational learning, the outcomes become part of the organisation's processes, structure and culture (Morgan 2004; Remedios & Boreham 2004; Wenger & Snyder 2000). However, Kim (1993) suggests that even though the concept of learning is essentially the same between individual and organisational learning it is the learning process that is significantly different at the organisational learning due to the

increased level of complexity when moving from an individual to an organisation. Relevant to this study, Kim (1993) does comment that in small organisations, or in young organisations without large staff numbers, individual learning and organisational learning are often synonymous. To gain some clarity between individual and organisational learning the following issues have been identified from a number of authors.

Individuals learn in different ways (Chaston, Badger, & Sadler-Smith 2000; Marquardt 1996). Failure of an individual to learn may have nothing to do with the ability to learn, but can be related to the learning experience offered (Zollo & Winter 2002). Argyris (1991) argued that failure to learn could indeed be that the individual may not have the required skills to learn or that they may unaware that they do not have the required learning skills. In order to learn an individual must and want to both perceive and process information (Argyris 1993; Hitt, Ireland & Hoskisson 2001; Vera & Crossan 2004). The concept of individuals having an individual learning style is the particular way in which an individual perceives and processes this information (Argyris & Schon 1996; Vera & Crossan 2004).

Antal and Sobczak (2004) argue that workers use a variety of learning styles throughout their work life while in their normal work. When a worker encounters a problem in their work that they have not encountered previously they may rely on individual know-how (tacit knowledge) to gain a solution (Kezar 2005). Edmondson, Bohmer and Pisano (2001) suggest that, alternatively, the worker may rely on the workplace's documented know-how (explicit knowledge) in seeking a solution. Rusch (2005) argues that whatever alternative a worker uses, individual learning occurs. Fenwick (2003) highlights a view that the interconnectedness of individual and organisational know-how is a key to developing an effective organisational learning strategy. However, Fenwick (2003) also points out that individual know-how is difficult to be completely shared and communicated with other workers in the organisation. Dawson (2007) suggests that in today's competitive environment individual learning may not be sufficient to achieve organisational success. Organisations may need to change processes, structures and

culture to ensure maintaining or gaining competitive, and this requires collective or organisational learning (Schein 2004).

Organisational learning in this context includes both formal groups within the organisation, often in the form of teams, and also informal groups emerging around shared interests, usually referred to as communities of practice (Lave & Wegner 1991; Schein 2004). Organisational learning can occur across distinct communities of practice in an organisation (Calcantone, Cavusgil & Zhao 2002). This concept of organisational learning, which Rowe and Boyle (2005) refer to as perspective taking, is a process where work communities recognise, use and evaluate the perspectives of other communities of practice as part of their work, and use these to reflect on their own work practices (Lei, Slocum & Pitts 1999). This process of perspective making allows a community of practice to then view and evaluate themselves from another perspective (Calcantone, Cavusgil & Zhao 2002).

The type and levels of organisational learning are distinguishing factors between organisations (Tsang 1997; Zack 1999). Many authors argue that organisational variances occur within the critical organisational learning components of knowledge acquisition, information distribution, information interpretation, and organisational memory (Ellstrom 2003). Dawson (2007) gives further insight and understanding into organisational learning by suggesting that organisational learning can be gained through experimentation, observation, analysis, and a willingness to examine both successes and failures.

It is generally accepted by many authors that in order for an organisation to be successful in a highly competitive environment, the organisation must encourage both individual and collective learning. The concepts of what people learn (know-how) and how they understand and apply it (know-why) will be explored in the following section on levels of organisational learning. Kim (1993) refers to this as operational and conceptual levels of learning.

2.3.2.4   Levels of organisational learning

Key concepts on the levels of organisational learning were identified and developed by Argyris and Schon (1996) which now underpin much of the more recent literature on organisational learning. Argyris and Schon (1996) described three levels of learning as single-loop, double-loop and deutero learning. Other authors have further developed the levels and have used various labels such as lower and higher level learning (Foil & Lyles 1985), adaptive and generative (Senge 1990a), adaptive and developmental (Ellstrom 2003), and non-strategic and strategic (Marquardt 2002).

Argyris and Schon (1996) describe single-loop learning as where individuals or groups detect and correct errors resulting in incremental organisational improvement without a change to organisational policies and goals. Senge (1990a) suggests that adaptive learning or single-loop learning is concerned about individuals or groups coping when solving workplace problems without examining appropriateness of actions. Organisations that focus on this level of learning essentially base learning on past successful experiences without questioning any assumptions underlying the existing way of doing the work (Dodgson 1993). Vera and Crossan (2004) suggest that at this lower level of learning the learning is operational in that the focus is about learning facts, work specific knowledge, processes and procedures and applies to current situations where changes are minimal. This level of learning does not encourage any reflection or inquiry and it accounts for the majority of learning within organisations (Malhotra 1998).

Double-loop learning occurs in addition to single-loop learning and focuses on not only questioning work practices and what has been learnt, but also questioning on why the learning has taken place (Argyris & Schon 1996). Senge (1990) focused his generative level on creating individual and learning capability by using new ways of viewing the organisation. Creating this learning capability, according to Senge (2003), requires systems thinking, shared vision, personal mastery, team learning and creative tension. Double-loop learning has a strong focus on continuous experimentation and continual feedback in the way organisations identify, analyse

and solve problems (Dodgson 1993). This higher level of learning is about learning to expand an organisation's capabilities which results in a change in organisational norms and strategies (Fiol & Lyles 1985; Marquardt 2002; Vera & Crossan 2004).

Argyris and Schon (1996) identify a third level of learning referred to as deutero learning which occurs when organisations question how to adopt and use both single and double loop learning. It is generally accepted by authors in this field that organisations must be aware that learning needs to occur to achieve all levels of learning (Vera & Crossan 2004). This level of organisational learning is about designing the future, rather than merely adapting to it (Ortenblad 2004). A key strategy for implementing this level of learning is to identify and develop a preferred organisational learning style (Grant 2005). As Vera and Crossan (2004) suggest, in developing such a strategy it would be necessary to identify and analyse key facilitators and/or impediments to the organisation's learning.

As double-loop learning and deutero learning are concerned about learning to develop organisational capability (Ellstrom 2003), a number of authors have referred to this higher level of learning as 'strategic learning' as it is an all encompassing learning approach (Petrides 2002; Schein 2004; Vera & Crossan 2004). The current view by many authors is that most organisations are based on the lower level of learning—which a number of authors have labelled as operational level of organisational learning (Rowe & Boyle 2005). These terms 'operational learning' and 'strategic learning' will be used within this research study to distinguish the lower and higher levels of organisational learning.

It is necessary to outline some of the major issues between organisational learning and the learning organisation before outlining the literature on facilitators and impediments of organisational learning.

2.3.2.5   Some issues with organisational learning and the learning organisation.

Kezar (2005) suggests that many people confuse the concepts of organisational learning and the learning organisation, as organisations by their very nature learn. Marquardt (1996) argued that learning organisations focus on the characteristics, principles, and systems of an organisation that allows it to learn collectively, while organisational learning is about the processes used to learn. This supports the current view of many authors that 'a' or 'the' learning organisation is a particular form of organisation, while organisational learning is based on activities or processes of learning within the organisation (Schon 1988; Tsang 1997; Vera & Crossan 2004).

The other most common difference between the two concepts, which is supported by many authors, is that creating a learning organisation needs specific directed effort while organisational learning exists without any specific efforts (Easterby-Smith & Lyles 2003; Friedman 2001). These common differences have been developed further by a range of authors which reduces the confusion between the two concepts.

Organisational learning is largely prescriptive and is neutral with respect to the value of learning (Argyris & Schon 1996). Most authors in the organisational learning domain agree that learning may be either good or bad and may not be aligned to improving performance (Vera & Crossan 2004). The concept of the learning organisation, however, is practitioner focused and is not neutral with respect to the value of learning but very much a preferred value (Dixon 1994; Wenger & Snyder 2000). The issue of value was further explored by Rowe and Boyle (2005) in that they suggested that organisational learning was both identifiable and obtainable, whereas the vision of the learning organisation was difficult to grasp and relatively unreachable.

Most authors contend that the learning organisation is not about organisations that merely learn, but is about creating an organisational environment that promotes a culture of learning and a community of learners so as to enhance the organisational

performance via learning to gain a competitive advantage (Kezar 2005). Authors within the organisational learning domain focus on the various models and processes that promote and enhance learning so that an organisation can adopt the processes so as to improve their strategic capability and improve their competitive advantage. Factors that will facilitate and impede organisational learning will be the focus within the next section of this literature review.

2.3.3 Organisational facilitators and impediments to organisational learning

A number of authors have suggested that certain organisational actions and factors, both positive and negative, have an influence on organisational learning (DiBella & Nevis 1998; Vera & Crossan 2004). These actions and factors are referred to as facilitators and impediments as some of the actions and factors advance organisational learning while others impede organisational learning (Hislop 2005; Mayo 2007). Dodgson (1993) suggested that factors facilitating organisational learning should be an area for research attention. Many of the facilitating factors to organisational learning within the literature are anecdotal and referred to as best practice for gaining competitive advantage based on improved performance (Tsang 1997).

In this section it is important to identify what factors and actions facilitate or impede organisational learning so as to establish that organisational learning is linked to firm capability and competitive advantage. Tosey (2005) identified that all successful learning organisations had all the key facilitating factors of: a leader with a clearly defined vision; a detailed, measurable action plan; the rapid sharing of information; inventiveness; and the ability to implement the plan. Foil and Lyles (1985) had earlier suggested that the broad factors of organisational culture, strategy, structure and environment were the key drivers to effective organisational learning. Bapuji and Crossan (2004) added organisational stage and resource position to those factors identified by Foil and Lyles. The following overview of facilitating factors is taken from a range of authors who identify a set of facilitating factors that are about best

practice in organisational learning. Impediments can be seen as the flipside of facilitators, as suggested by Collinson and Cook (2004).

Having a shared vision within the organisation is about an organisation's success or failure in communicating to its stakeholders a picture of its perceived future that it is working towards (Senge 1990a). This shared vision extends to the issue of communicating and understanding the performance gap between where an organisation is at present and where the organisation wants to be at some future time (Antal & Sobczak 2004). The process of developing this shared vision is a potential motivator for organisational learning which can be stimulated both internally and externally to the organisation (DiBella & Nevis 1998). DiNisi, Hitt and Jackson (2003) suggested that organisations that build a shared vision develop an organisational culture based on open communication.

Many authors agree that developing an open communication system is one of the key facilitating factors in developing organisational learning (Kapp 1999; King 2001; Rowe & Boyle 2005; Ulrich, Zenger & Smallwood 1999). Organisational learning occurs when information and ideas are shared across organisational boundaries in an internal environment that supports trust and openness (Fenwick 2003). Trust and openness encourages enquiry and communication required to challenge organisational assumptions—a key process within the higher levels of learning (Vera & Crossan 2004). King (2001) suggests that trust and openness are a part of shared vision, while Dawson (2007) views this as a psychologically safe environment that must be created so that effective open communication and information sharing can be pursued resulting in developing learning across boundaries.

Information sharing was identified by many authors as a key facilitating factor (Vera & Crossan 2004). Information sharing can be viewed as a communication effectiveness process, firstly, with a capacity for learning within the organisation and, secondly, with a capacity for learning shared across geographical boundaries (Collison & Cook 2004). Ellstrom (2003) suggests that sharing of information is

linked to a number of other organisational learning facilitating factors that form part of an organisation's culture such as creativity, team learning and empowerment. Mulford and Silins (2003) argue that supporting creativity within the organisation allows an organisation to apply original, imaginative and useful ideas in order to solve problems and enhance processes. Fenwick (2003) suggests that supporting team and organisational creativity is a factor that indicates an organisation's willingness to experiment with new ideas and to innovate. Senge (2003) pointed out that team learning had the potential to produce superior results for the organisation and the opportunity to allow individuals to develop more quickly. McGrath (2001) suggests that empowerment is an extension to team learning and creativity in that it leads to developing an organisational culture that includes not only sharing information, but sharing decision making.

Engstrom (2001) suggests that the facilitating factor of continuous learning needs to be present when empowerment and participative decision making are part of the organisation's work operations. A range of authors agree that continuous learning is critical as it is about an organisation's willingness to have its members equipped with the most up-to-date knowledge and skills for decision-making and developing ongoing continuous improvement, thereby gaining a competitive advantage (Dawson 2007; Fiol & Lyles 1985; McGrath 2001; Snell & Chak 1998). Continuous learning at an individual level is linked to the concept of personal mastery developed by Senge (1990a) where an individual becomes committed to developing their knowledge and skills to the required level of proficiency to do their work within a continually changing work environment.

Competitor awareness and the understanding of competitive advantage have been identified by a number of authors as important facilitating factors that enhance organisational learning (Swap, Leonard, Shields & Abrams 2001; Wegner & Snyder 2000). These factors indicate that an organisation and its people would generate ideas and competitive information by scanning their external environment. Richter (1998) and Zack (1999) suggest that learning about competitors and their operations, market position and strengths introduces such ideas as benchmarking and

intercompany learning. As McGrath (2001) suggests, the use of this learning has the benefit of allowing individuals and teams to gain an understanding of competitive advantage and the organisation as a total entity which, in itself, can help an organisation to get ahead of its competitors and so add value to the organisation.

Mulford and Silins (2003) suggest that having the organisation's people seeing the big picture is an important facilitating factor to organisational learning. This is in line with the concept of systems thinking as developed by Senge in that an organisation's people have a conceptual framework that sees all parts of the organisation as interrelated and affecting each other (Senge 1990a). A range of authors suggest that having this systems thinking creates a knowing and understanding of organisational processes which leads to much more effective decision making within the organisation (Collinson & Cook 2004; Vera & Crossan 2004). The decision making is enhanced by the willingness of the organisation to allow questioning of everyday routines and encouraging positive feedback within the processes (Fenwick 2003). Some authors suggest that questioning everyday routines is an indicator of trust and openness (Fenwick 2003; Ellstrom 2003). Feedback involves the promotion of learning, as well as the willingness to learn (Goh 2003).

Identifying and reviewing organisational facilitators and impediments in organisational learning is critical as they have a substantial impact on developing a firm's strategic capability (Kezar 2005). In summary, this review has identified the key facilitators and/or impediments of organisational learning as management's commitment to learning, making learning relevant, developing a learning culture as one of learning continuously, and connecting the people so as to engage and share in learning.

The next section is concerned with identified literature on developing firm capability using organisational learning strategies within franchised organisations in particular, as franchising has been identified as a successful tool for business growth and success.

2.4 Strategic capability and organisational learning in franchises

2.4.1 The nature of franchised organisations

Franchising had its beginnings in the United States in the 1850s with companies such as Singer Sewing Machines and Ford Motors, and by 2000 had grown to represent some 40% of retail sales in the US and employing over 6% of the total US workforce (Graham & Nafukho 2005). Franchising in Australia has developed significantly over the last twenty years to the point that it provides an important vehicle for business growth, especially in the retail and service sectors, and in entrepreneurial wealth creation (Weaven & Fraser 2005). According to the Franchise Council of Australia, franchising systems contributes some 14% of the national GDP, employ in excess of 600 000 Australians and has an annual growth rate in excess of 10% (FCA 2008). In fact, Australia has more franchisors per capita than the United States (Weaven & Fraser 2005).

The most common business model of franchising appears to occur in chains where the entrepreneur (franchisor) licenses their business concepts and strategies to small businesses, giving them the right to use its brand name, access to its marketing and business strategies, organisational routines and operating manuals (Sorensen & Stuart 2000). In return, the small business owner (franchisee) pays the franchisor an initial fee and an ongoing royalty, but does retain the rights to its own revenue (Shane 1996; Weaven & Fraser 2005).

Shane and Foo (1999) suggest these small business owners (franchisees), like any other entrepreneurs, identify and develop opportunities for growth and are concerned with developing a competitive advantage within their given marketplace. Norton (1988) points out that unlike other small business entrepreneurs, franchisees purchase varying amounts of strategic and operational support in their endeavours of pursuing opportunities, therefore, reducing risk in growing their business. In developing this formal business relationship the small business owner (franchisee) potentially ties the fate of its investment to the resource and competence capability

of the franchisor and to the characteristics of the franchise chain (Graham & Nafukho 2005; Lafontaine 1992).

In performance terms, franchisors and franchisees are dependent on each other for ongoing success and, as a consequence, much of the focus on franchising and performance has been on incentive alignment and monitoring of costs (Weaven & Fraser 2005). Most authors point out that in a traditional business model where there is a corporate office and branch offices monitoring the actions of branch offices that are substantially spread out geographically it can prove costly and difficult for the corporate office (Rubin 1978; Weaven & Fraser 2005). The business model of franchising can solve these difficulties in that the small business owner (franchisee) operates with the clear incentive of developing a business asset, managing performance of their business, earning and retaining profits, as well as taking the risk of losing their investment should the business fail (Brockhaus 1980). There are however negative operational and strategic aspects to the franchise model such as poor relationships between franchisor and franchisee, a high levels of disputes due to conflicts over territories, promotional activities, managerial control , level of support and experience of both franchisor and franchisees (Hoy 1994; Fraser & Winzar 2005). On balance franchising firms should produce superior performance against those that retain ownership and employ managers.

There are some important issues regarding the different organisational structures within franchised groups which relate to their governance and consequent performance. Examples of this are the pure franchise form of franchisor and franchisee, the hierarchical form of franchisor, master franchise (franchisor) and franchisee and the mixed business franchised form of having some corporate owned businesses (with managers) in addition to franchised offices. In addition, the actual product and service offerings within the franchised groups could be franchised such as the training, finance, business development and others. Bradach (1998) suggests that franchised chains usually mix governance types. The focus of this next section is about the review of the literature pertaining to organisational in franchised organisations.

2.4.2   Organisational learning in franchised organisations

Bradach (1998) suggests that two distinct types of learning occurring within franchises are exploitation and exploration. Exploitation is about the incremental improvement of existing routines gained by experience and feedback and delivering the franchised group efficiencies through the implementation of standardised practices (Bradach 1998; Shane & Foo 1999). Firms learn from experience by using and improving their current resources and competences (Weavner & Frasrer 2005). Exploration is about learning and developing new routines that would allow the franchised group to adapt to new markets (Shane & Foo 1999). This type of learning aims to develop useful untapped resources and competences (Kaufman & Erogle 1999).

Lafontaine (1992) suggests that both types of learning working together can deliver the real potential of strategic advantage as neither type individually offers an ideal solution. Sorensen and Stuart (2000) argue that a franchised system focusing on exploration learning has insufficient experience to operate efficiently or build any distinct strategic capability. Minkler (1992) contends that franchised systems that operate in the exploitation mode fail to recognise changes in their business environment and, as a consequence, find themselves losing competitive advantage and facing a real threat of their business receding. The balance of these two types of organisational learning processes is critical to developing strategic capability with a view of enhancing competitive advantage.

In a franchised system one of the benefits of organisational learning is that the results from the learning generated at one of the group's sites can be transferred to other sites via the central franchisor quickly and efficiently (Weavner & Fraser 2005). This organisational learning allows operations to be standardised and the efficiencies that accrue from this centralisation and standardisation create a competitive advantage over stand-alone businesses (Norton 1988). Shane (1996) suggests that the franchising system can, however, impede standardisation as the variability in

operations created by exploration limits the standardising of routines across franchised sites. As individual business owners (franchisees) operate their franchised site they develop effective and efficient strategies, procedures and systems that fit their local marketplace (Weaven & Fraser 2005). The franchisor gains financial benefits of this learning via royalties and potential future growth through useful new practices being developed (Kaufmann & Erogle 1999).

Weaven and Fraser (2005) suggest that franchised company owned businesses tend to use exploitation learning, while small business owners (franchisees) tend to more frequently use exploratory learning. Shane and Foo (1999) suggest that organisational learning will take the form of refining existing routines in franchised systems that are dominated by company owned businesses, while exploration will dominate the organisational learning within franchisee owned franchised systems. Norton (1988) makes the point that as the balance alters between company owned and franchisee owned businesses so does the balance between exploitation and exploration organisational learning.

Graham and Nafukho (2005) suggest that there is an urgent need for research into all aspects of franchising as franchising is a worldwide phenomenon that cannot be overlooked. Franchising is affecting global economies and is becoming a larger part of the retail and service industries daily. Weaven and Fraser (2005) predict that franchised systems will eventually become major influencers on suppliers, legislation, regulatory standards and safeguards, and shared technology and communications. The next section provides the conclusion on the review of the relevant literature, summarises the research issues developed for this study, and proposes a model developed for this study based on the literature.

2.5   Conclusion and appropriate research issues.

This chapter has provided a review of the relevant literature to give an understanding of organisational learning strategies that can be used to develop a firm's capability,

particularly within Australian franchised business units. The review was organised into five sections: introduction, strategic management and strategic capability, the learning organisation and organisational learning, strategic capability and organisational learning in franchised organisations, conclusions and appropriate research issues.

The review indicates that there is limited empirical knowledge on how firms practically use both operational and strategic learning strategies to develop their strategic capability with a view to gaining competitive advantage. Franchising is a key business growth strategy, not only within Australia but also within the global marketplace. This review found that there was a lack of knowledge on how franchises in Australia used organisational learning to develop their firm capability.

Section 2.2 outlined the literature on strategic management and strategic capability which was the parent field of study. Within this section, trends and challenges were identified, definitions of strategic management were reviewed, developments in strategic management identified and reviewed, and a review of the concepts of strategic capability and competitive advantage provided.

Section 2.3 provided a narrower field of study which was the concepts of the learning organisation and organisational learning. Within this section historical developments of the concepts were reviewed, a detailed review of the literature pertaining to the learning organisation and organisational learning was provided, and the concepts of strategic and operational learning were reviewed. Finally, this section identified and reviewed the literature on the facilitators and impediments to organisational learning.

Section 2.4 narrowed the field of study even further by reviewing strategic capability and organisational learning within the context of franchised organisations. Within this section the nature of franchised systems and the use organisational learning within franchised operations were reviewed.

Section 2.5 provides a conclusion and a summary of the research issues. A pre study model is presented based on the review of the literature (Figure 2.2). Building on the literature, six research issues were developed to gain further insight into the research problem. Literature sections identified to show how the framework and research issues flow.

RI1 How does the business environment influence strategic capability within Australian franchised business units? (Sections 2.2.1-2.2.4; 2.4.1)

RI2 How has strategic capability changed for gaining competitive advantage within Australian franchised business units in the past ten (10) years? (Sections2.2.2-2.2.4; 2.4.1)

RI3 How are operational learning strategies applied in franchised business units in Australia to enhance strategic capability? (Sections 2.3; 2.4)

RI4 How are strategic learning strategies applied in franchised business units in Australia to enhance strategic capability? (Sections 2.3; 2.4)

RI5 What factors promote and/or impede organisational learning in franchised business units in Australia? (Section 2.3.3)

RI6 How can franchised business units in Australia gain further competitive advantages through more effective organisational learning strategies? (Section 2.4.2)

Figure 2.2: Pre study model of Organisational Learning and Strategic Capability

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Figure 2.2 is a model developed around the research problem and research issues of this study. The outer circle components highlight that organisational context, learning facilitators and learning impediments collectively impact on both operational and strategic learning. The inner components of operational learning and strategic learning form the components of organisational learning. The model highlights how developing both components of organisational learning is central to developing strategic capability, having regard to the impact of various internal and external components of a firm. The following chapter outlines and discusses the research methodology and design developed for this study.

CHAPTER 3 – RESEARCH METHODOLOGY

3.1   Introduction

Chapter 2 provided a review of literature on strategic management and strategic capability, the learning organisation and organisational learning with a particular focus on franchised business units. Six research issues were developed from gaps in the literature. This chapter is directed at describing the research methodology used for this study which includes the research design developed to gather the data required for analysis to investigate the central research question and the six (6) research issues identified in Chapter 1. The research design is seen as a total plan which further identifies the methods needed for collecting and analysing the required information and, secondly, the procedures followed for the collection and analysis process (Zikmund 1997; Berg 1998). The research design also serves as a guide for future researchers wanting to replicate this study (Yin 1994).

One of the major criticisms of business research is the minimal or non-existent use of theoretical structures (framework) to guide the research (Gable 1994). This criticism exemplifies the belief that academic and professional researchers in business are out of touch with basic theoretical frameworks. However, in the business marketplace there had developed a culture of distrust in the ability of professional and academic researchers to generate research which was applicable to the correct business environment. In more recent times, there are signs of acceptance of research as the business community requires knowledge to solve its problems like the research problem for this study.

Business research can be defined as 'an organised, systematic, data-based, critical, and scientific enquiry or investigation into a scientific problem, undertaken with the objective of finding answers or solutions to it' (Sekarn 1992:4). The scope of business research, as Zikmund (1997) states, is limited by one's definition of business. It clearly addresses all of the traditional areas of business; production,

finance, operations, marketing, sales, information systems, as well as the broader aspects of economic, political and social issues.

The importance of this research study is that in a highly competitive global economy the business community in Australia needs to know what are the successful organisational learning strategies that develop a firm's strategic capability for competitive advantage. As argued in Chapter 1, the research problem can be justified in terms of the importance to the organisational learning theory and the potentially important contribution it can make on allowing franchised business units to be not only competitive but to be organisationally successful and profitable. The research should make a positive contribution to exploratory research using the case study research methodology within the realism paradigm.

The concept of using exploratory research is necessary as a first step in the understanding of any complex situation and is used by researchers when there is no clear direction within the research problem (Zikmund 1997; Creswell 2005). This study into organisational learning strategies is a complex area especially, in a fast growth business environment that typifies franchises in Australia. As reliability and validity are essential, this chapter will further the discussion and argument that the research method used for this study is appropriate and the one most likely to give the franchised business community meaningful information for future business development. This methodology is supported by the well-respected business researcher Perry (1998).

This chapter will develop the justification for using the critical realism paradigm and the methodology of using case studies. The chapter will further discuss the criteria for case selection, number of cases, research process used, data gathering methodology, a pilot study undertaken, the data analysis and discussion on the issues of quality, reliability and validity.

This study is important as it will give management in Australia gained knowledge into how franchised business units grow their assets and profits by using organisational learning strategies, rather than intuitive decision-making and 'shoot from the hip' problem solving. There appears to be some emerging acceptance of research by the business community as they require knowledge in how to grow and compete effectively in the complex market place.

3.2   Justification for the use of the critical realism paradigm

Denzin and Lincoln (2005) suggest that if business research was to provide accurate results and guidance for decision-making it needs to be especially concerned with validity via replicated investigation and that it should lead to finding principles that can be applied confidently in the future under similar circumstances. Zikmund (1997) argued that these characteristics are not present in much business research, and it is probably the reason for much criticism of business research. However, Hussey and Hussey (1997) suggest that a key objective of business research is to identify and expand existing business theories so as to explain, predict and provide guidance for quality decision-making within a business context. This type of research has a role to play, depending on the research problem and the development stage of the research in progress.

This study is focused on firms using organisational learning strategies to develop strategic capability in order to enhance or gain competitive advantage within a franchised business unit setting. The need for any franchised business unit to supply superior products and services is critical, especially in a highly competitive and changing marketplace. As markets are becoming more complex and competitive, franchised business units need to develop more understanding of how to develop their strategic capability which will provide them with the opportunity to develop a market advantage (Shane & Foo 1999). There is a wide range of literature and theories available within the individual areas of strategic management and organizational learning, but not specifically using organisational learning to develop strategic capability within the business setting of franchised business units. By using

a business research methodology the research findings in this study could provide franchised business units, particularly in Australia, with key information that could be applied confidently in the future to provide superior performance and a resultant competitive advantage.

In developing a research method a researcher will bring their particular assumptions and beliefs to the research that will have an influence on the research approach used in a study (Patton 1990). This research influence is termed a research paradigm. A paradigm is a model or set of values and beliefs that gives direction to the researcher (Cresswell 2005). There are four (4) distinct paradigms: positivism; critical realism; critical theory; and constructivism (Guba & Lincoln 1994). Table 3.1 provides a summary of these four (4) paradigms with an outline of their key characteristics (USQ 1999 p. 2.17).

To define a paradigm would require answering some basic questions of what is reality, the relationship between reality and the researcher, and the methodology used by the researcher in finding out about reality (USQ 1999). This section will discuss the four (4) different paradigms and argue why the selection of the critical realism paradigm is appropriate for this research.

Table 3.1: Alternative research paradigms

	Positivism	**Critical Realism**	**Critical Theory**	**Constructivism**
Nature of data (related to ontology)	An apprehendable reality exists, driven by immutable natural mechanisms, and the investigator and reality are independent.	Reality is imperfectly apprehendable because of human mental limitations and the complexity of the world, with claims about reality subjected to others; scrutinize to facilitate	Reality is shaped by social and other forces, and research should emancipate the perceptions of co-researchers/ participants.	'Reality' is constructed by people (and a researcher), and so there is no 'truth'.

	Positivism	Critical Realism	Critical Theory	Constructivism
		apprehending reality as closely as possible.		
Nature Of Research (Somewhat Similar To Epistemology)	'One-way mirror' observer	Observer with some level of participation as dualism is not possible to maintain but some objectivity is sought	Transformative intellectual	Passionate participant
Common Methodologies	Surveys and experiments	Case studies, interviews, convergent interviewing	Action research	In-depth interviews

(Source: USQ 1999, 57004 Research Methodology, Faculty of Business, University of Southern Queensland, Australia, p. 2.17)

The positivist view is that the method for gaining information and knowledge should be independent of the researcher, have certainty through data that truly measures reality, have replicability where research results can be reproduced and be limited to natural, physical and material approaches (Perry, Riege & Brown 1999). Positivist researchers will primarily use scientific methods so that the research is systematic, impartial and responsible, as well as being able to be replicated and generalised. The most common data collection methods used in this paradigm is controlled experiments and surveys as the primary focus is about verifying hypotheses. This paradigm would not be appropriate for this study as any real scientific measurements could be costly, out-dated quickly and just too difficult to plan, evaluate and implement.

The critical theory view is more common within the humanities and social sciences areas. The view is centred on the critique and examination of social theory that relates to the enhancement of understanding within society which would include

such areas as social science, economics, history, and political science (Healy & Perry 2000). An example of business research in this paradigm is a longitudinal ethnographic study where the concepts of social research are aligned clearly with business research depending on the definition of business research. The importance of this type of study would be, for example, to gain an understanding within a longitudinal study on the critical driving factors that influenced an organization to change its management structures rather than accept a common sense, or what is regarded as common knowledge factors. The researcher does provide assumptions as to common sense factors, is involvement and in consequence it is subjective and is thus value dependant, not value free (Guba & Lincoln 1994).

As franchised business units are in a growth phase and their management are required to quickly act and react to a changing and highly competitive marketplace, this method of research would be out-dated quickly, costly, and extremely time consuming.

Within the constructivism view, researchers join with participants in constructing a view of the world around them (Hatch 2002). This view of the world or reality is constructed by each participant bringing their own experience and understanding to the research activity that will clash at the point of contact to produce a newly constructed meaning (Holstein & Gubrium 2000). Gable (1994) states that this research has key elements of in-depth interviews with the researcher as a joint participant, and a collaborative relationship with the research participants in constructing the subjective reality being examined. As the researcher has bias, there is no real truth, however, a greater understanding can be forthcoming Hatch (2002).

Even though Hatch (2002) points out that this approach can be used effectively within an educational setting Creswell (2005) suggests that it is rarely used in a business context because there is no search for a generalisable 'truth'. As this study is about finding out how organizational learning strategies are used within a business context the constructivist view is not appropriate.

The critical realism paradigm has the focus of acknowledging that reality is in existence, however, as change may be so frequent and complex, it is difficult to observe and measure separate parts of it (Guba & Lincoln 1994). The emphasis in this paradigm is qualitative research where case study research can give a better and more detailed understanding of the research problem (Perry 1998). The focus of this paradigm is on inductive theory building and is the preferred paradigm for case study research (Perry 1998).

In this study, the focus is on 'how' to build strategic capability using organisational learning strategies and, as such, requires the study to be in the contextual setting of a franchised business where the process occurs. Developing strategic capability competences with a view to gaining a competitive advantage encompasses developing many management competences such as transformational leadership, organisational learning, motivation, appropriate organisational structure and many other factors including the nature of work itself. All these factors that affect developing strategic capability are somewhat difficult to identify or measure— especially organisational learning as it is an emerging discipline.

The context of this study is a unique environment of franchised business units in Australia and, as a consequence, the study needs to deal with how franchisors, franchisees and their staff use organisational learning strategies to develop the business unit's strategic capability. This will require gaining understanding of the relationships, interactions and culture within the internal environment and gaining an understanding of the external environment such as the issues of competitive advantage and change.

There needs to be a bridge between pure and applied research, especially when there is increasing complexity and change in the marketplace. There needs to be a balance in the argument and application between the positivist and critical paradigms depending on the research problem and the research development phase. As the major criticism of business research appears to be the lack of appropriate

methodology, the need for a balanced solution with a lower cost of on-going research has seen the emergence of the critical realism paradigm. In this study, the dynamics and competitiveness of franchised business units are substantial and, as a result, any real scientific measurements could be costly, out-dated quickly and just too difficult to plan, evaluate and implement. The critical realism paradigm would provide a much greater understanding of business needs in this changing competitive time.

If this study was within the positivism paradigm, then the study is required to be systematic, impartial and responsible. Because most franchised business units are relatively unique and complex, the franchised businesses need to act and react to a market which is also complex, therefore, certainly using case studies and interviews would be a much more beneficial means of gaining knowledge. The critical realism paradigm would provide, through greater qualitative research, a greater understanding of what is actually happening within franchised business unit and the market at a particular point in time.

The study is focused on the question of 'how', which means that the focus is on building an understanding and, as a consequence, having case study research within the critical realism paradigm is the most appropriate. The next section outlines the justification of the case study methodology used in this study.

3.3   Justification of the methodology

Most decisions that management of any organisation must make requires information. In a business environment where competition is high and changing daily it is not possible for management to know all of the activities of the business or the marketplace. In consequence, research is becoming increasingly important in providing managers and staff relevant knowledge.

Research usually involves formal studies that are undertaken to solve a particular problem. The first activity is defining the problem and setting the research objectives. As Guba and Lincoln (1994) argue, many research problems go wrong because management do not have a clear view as to what information they need from the research. Once the decision has been reached as to what information is required, there are many different approaches that can be used to collecting the information; face-to-face interviews, telephone interviews or mailed out questionnaires. Each technique has its strengths and weaknesses and it is important to explore them so as to gain the most accurate, best performance result in answering the research question.

Before deciding what data to gather for a study and how to collect it, it is necessary to decide whether to use a quantitative or qualitative research method, or possibly both. Qualitative research design is commonly used when there is little known about a problem or when a detailed understanding is required of a specific phenomenon (Creswell 2005). This section outlines the justification for using a qualitative research approach, followed by a description and justification of the case study methodology undertaken.

3.3.1 Quantitative or qualitative research?

In very broad terms, qualitative research can be used to explore the research problem, to define the parameters of the study, to understand the nature of a given process, and to understand why people act and behave the way they do. Qualitative research is an essential pre-requisite to most quantitative research in that it will certainly help clarify the issues to be addressed, the parameters to be defined and measured, and any likely relationships between them (Denzi & Lincoln 2005).

Over the years there has been much distinction between these two types of research methods and they were often presented in such a way that there were specific alternatives. In recent times there has been a growing acceptance that a more balanced approach has emerged in which researchers on either side have

acknowledged the contribution of the other (Guba & Lincoln 1994). In recognition of this, Gable (1994) suggests that qualitative research has been acknowledged as essential to address the questions of what, how (process) and why (understanding), while quantitative research is appropriate to answer questions concerning causal relationships between variables.

Generally, qualitative research is best suited to areas needing a flexible approach, while quantitative research is necessary to define the issues identified through qualitative methods (Denzi & Lincoln 2005). Patton (1990) has argued that the most important areas for qualitative research are basic exploratory studies, creative development, diagnostic studies and tactical research projects. Quantitative research is often seen as 'hard' science such as physics and chemistry, while qualitative research is seen as 'soft' as in the social sciences and humanities. The use of triangulation (combining both methods) can increase the rigor of data collection and analysis (Zikmund 1997).

Table 3.2 below demonstrates the differences as argued by Halfpenny (1979)

Table 3.2: Qualitative Versus Quantitative Research

Qualitative	Quantitative
Soft	Hard
Dry	Wet
Flexible	Fixed
Grounded	Abstract
Descriptive / Exploratory	Explanatory
Pre-scientific	Scientific
Subjective	Objective
Inductive	Deductive
Speculative	Hypothesis Testing
Political	Value Free
Non-rigorous	Rigorous
Ideographic	Nomothetic
Holistic	Atomistic
Interpretivist	Positivist

Qualitative	Quantitative
Phenomenological	Empiricist/Behaviour
Relative Case Study	Universalistic Survey
Good	Bad
Bad	Good

(Source: Halfpenny 1979)

Creswell (2005) suggests that there is no one research method more superior than the other, however, the critical determinant is to obtain valid and meaningful results by using the most appropriate method. The quantitative approach tends to collect more limited data about a large participant group, while the qualitative approach collects more rich data from a small participant group (Creswell 2005). The qualitative approach is appropriate for this study as it may better illustrate the contribution of organisational learning within a franchised business setting. The characteristics of this approach are in line with obtaining valid and meaningful results for this study. Denzi and Lincoln (2005 p. 3) offer the following definition of qualitative research:

> '*Qualitative research is a situated activity that locates the observer in the world. It consists of a set of interpretive, material practices that makes the world visible. These practices transform the world. They turn the world into a series of representations, including field notes, interviews, conversations, photographs, recordings, and memos to self...qualitative research involves an interpretative, naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.*'

For this study, the qualitative approach provides a number of important advantages as follows: a) an investigation in natural settings, rather than those that are contrived; b) a focus on participant's perspectives; c) the researcher as the data gathering instrument; d) an emphasis on the centrality of meaning; e) sensitivity to wholeness

and complexity; f) subjectivity; g) emergent design; h) inductive data analysis; and i) flexibility.

Clearly the nature of the research question and research issues supports the use of qualitative research in addressing the 'how' issues within this study. Yin (1994) advocates that if research questions are of an exploratory nature and are focused on new problems, rather than ones of a historical nature, then the application of the case study approach is appropriate. The next section outlines and discusses the case study approach and its appropriateness for this study.

3.3.2   Case study method and justification

There are a number of different qualitative research methods that could be undertaken within the critical realism paradigm, each with its own strengths and weaknesses. The type of research question will determine the method based on the context of the study, cost, time, and generally the best fit between methods and associated constraints. So that the best outcome can be achieved it is important that the researcher understand the techniques used and their respective strengths and potential weaknesses. Some common qualitative methods are ethnography, focus groups, convergent interviews and case studies (Creswell 2005; Hatch 2002). The case study approach has been chosen for as the most appropriate method for this study.

Case study research is an ideal approach when a holistic, in-depth investigation is required (Gable 1994). Yin (1994) argues that case study research undertaken correctly can give a rich, insightful analysis and can make a worthwhile contribution to theory development. Riege and Nair (1996, p. 142) state *'A case study methodology is a research method which focuses on a particular part of an organisation or an industry, within its context, in order to rigorously explore and analyse contemporary real-life experiences in-depth, using a variety of evidence'.* This study aims to gain an in-depth understanding of the use of organisational learning strategies in developing strategic capacity by rigorously exploring and

analysing the real-life experiences of participants within the context of Australian franchised business units.

Yin (1994) further argues that case study research is an empirical inquiry which investigates contemporary phenomenon within a real-life context and where boundaries between phenomenon and context are not clearly evident. This type of research can be used to explore, describe, illustrate and explain different phenomena and have been increasingly used in business. This study involves research issues of an exploratory nature using the 'how' questions and fits within a contemporary real-life context and, in consequence, justifies using the exploratory case study approach. It is important to identify the broad advantages and weaknesses of such an approach so that it is clear that the most appropriate method has been selected.

Advantages of using case study research have been identified by a number of authors. Creswell (2005) suggests that most authors agree that case study research gives a holistic approach to researching the research problem within a given context using a variety of rigorous evidence. Zikmund (1997) agrees that by utilising a number of different sources of evidence and techniques a more detailed analysis of the research problem will occur. Case studies having interaction and a flexible design will result in a more in-depth understanding of the business research problem and allow the business community confidence in commissioning more research. For the business community it has a large variety of applications across all disciplines within a business context.

Some of the weaknesses of case study research have been identified by various authors. To some observers it may lack rigor and be subjective, rather than objective (Creswell 2005). As Patton (1990) suggests, a researcher should be able to demonstrate or prove validity of the findings through repeated or replicated investigation, however, case study research does not have this ability. Patton (1990) further suggests that if research is to be scientifically significant it should lead to finding principles that can be applied confidently in the future under similar

circumstances—in other words, generalisability. This is not the situation with case study research (Gable 1994; Yin 1994). These weaknesses have been discussed earlier and will be further addressed later in the chapter.

The major advantages of using case study research over other research methods for this study would be as follows: it would provide a much greater understanding of franchised business's organisational learning and competitive strategies in a constantly changing competitive environment; it would be more cost effective than other research approaches; the understanding and knowledge gained would be current; and less time needed to plan, evaluate and implement (Creswell 2005). The business community becomes frustrated with outdated information as they must act today and remain in business in the future. Using alternative research approaches means many franchises could cease to exist while all the research issues and results are digested.

While it is also true that most disciplines including business have both an academic and practical side, it is generally agreed, however, that there must be a bridge between them (Zikmund 1997). This bridge appears to be utility and this refers to the usefulness of the theoretical systems (Hatch 2002). The advantages of this case study research can bring usefulness to the franchised business community in a timely manner.

Within this research question and associated issues, a multiple case approach is proposed for this study to overcome some of the weaknesses outlined and to provide a more robust insight into the problem, rather than to be limited to a single use approach and, in consequence, this should provide a higher level of external validity and reliability. Each of the cases are stand-alone, and a cross case analysis can be made to provide a more in-depth understanding of research issues (Creswell 2005; Yin 1994). The research question as outlined in Chapter 1 does create the need to answer the question, 'how' and 'why', and it is set within a real life situation, thus, the case study (multi case) approach is appropriate.

3.4   Criteria for case selection and number of cases

The selection and number of cases play a critical role in the success of an understanding of the research problem so that the knowledge gained can be useful to franchised business units in Australia in developing their on-going strategic capability. Case studies can be either single or multi-case design. Single cases are used to confirm or challenge a theory or to represent a unique or extreme case (Yin 1994). Single case designs require careful investigation to avoid misrepresentation and to maximise the researcher's access to the evidence. A multi-case approach follows a replication concept (Cresswell 2005). Each individual case study within the multiple cases consists of a 'whole' study in which the information is gathered from various sources and conclusions drawn from that information (Gable 1994).

Yin (1994) suggests that multiple cases should be chosen in a similar way to those of scientific studies where multiple experiments are undertaken. Yin (1994) further suggests that the replication logic of multiple cases should not be confused with sampling logic where a selection is made from a population for inclusion in a study. This type of sample selection is improper in a case study. Creswell (2005) suggests that representation, as in sampling, is not the criteria for case selection but, rather, that the researcher should make case selection on the basis of literal or theoretical replication. Selection should be either to predict similar results or to produce contrasting results for predictable reasons. In this study, each case was selected on the basis of set criteria that met the key objective that the study needed to produce 'information rich' cases.

3.4.1   Case selection criteria

The business setting for this study was franchised business units at both franchisor and franchisee business levels based and located within Australia. The assertion that all organisations learn (Dibella & Nevis 1998) suggests that any franchised business could be selected for this study. However, learning capacity does differ among

organisations (Senge 2003) and, therefore, it was beneficial to study a range of franchises that were at various stages of their development and had expressed some interest in enhancing their strategic capacity. Yin (1994) identified that case studies could be exploratory, explanatory and descriptive and that in all of these types of studies there can be single or multiple case applications.

The considerations for case selection in this exploratory study are as follows:

1. Franchised business units that have proven records of market growth and are well recognised within their industry sector.

2. Accessibility of executive and senior management.

3. Management's keenness to participate within the study.

4. The ability of the case participants to make a significant contribution to the study.

5. To have a case selection of franchises from across Australia even though it may be challenging for access geographically, and high in cost.

6. Time and cost constraints.

7. Ability to support literal replication, as well as theoretical replication (Gable 1994; Yin 1994).

The ideal number of cases used is probably determined by whether any additional cases are likely to add to the learning and understanding of the study. The number of cases should be selected on the basis of maximising what can be learned within the timeframe available for the study. Case studies tend to focus on one or two issues that are fundamental to understanding the system being examined. The number of cases depends on cost and time constraints, as well as the degree of certainty required by case replication. As Yin (1994) argues, the higher the degree of certainty, the greater the external validity of the study. Yin (1994) further suggests

that fewer cases are needed when the external environment has a minimal effect in producing any variations to the issues being studied.

In this study, the cases chosen are all franchised business units across a number of different industries, but have all demonstrated substantial and sustained growth within their sectors, and all have achieved high profitability for their industry sector. All the cases have developed within a highly competitive market and all have been subjected to similar external factors which would suggest that they are similar even though they are from different industry sectors. As a consequence, five cases were selected, all of which are Australian owned and operated and are well regarded within their industry sector. This number exceeds the minimum of four recommended by Yin (1994) and Perry (1998). Gable (1994) suggests that fewer than four cases may create a difficulty in generating theory and its empirical grounding could be unconvincing. A broad description of the cases is detailed below.

1. A franchised owner-managed branch banking business that is Australia's fastest growing retail bank with a network of more than 280 branches and is one of Australia's top 100 listed companies.

2. An Australian real estate franchise with over 500 offices throughout Australia and in excess of 100 franchisees in Queensland. The company is regarded in the real estate industry as one of the 'big four' and has been operating in Australia for some 130 years.

3. A national café hospitality franchise group which has a retail and direct service client base which relies on continued repeat business.

4. A real estate franchise group that has been operating for some five years and has grown to fifty-two franchises, which is remarkable growth within industry standards.

5. An Australian hair care franchise which operates within the wholesale market suppling products to the retail hairdresser for shop use and resale to hairdressing clients.

The different dimensions that are encountered within this study are as follows:

Case 1 wholesale, service sector, low cost commodity, multi-sale locations

 Case 2 service, high cost commodity, multi-locations for sales

Case 3 service, high cost commodity, multi-sale locations

Case 4 retail, repeat business, service based, multi-sale locations

Case 5 service retailer, low cost commodity, repeat business, multi-sale locations

There were ten interviews per case involving executive or senior management from the franchisor and owners and senior staff from the franchised units. They are all likely to be key 'actors' in developing strategic capability in enhancing or gaining a competitive advantage within their industry marketplace. Having in-depth interviews with the key managers is of great importance as the literature views management's commitment to learning as a key factor in developing a learning organisation.

For each franchised business ten (10) personnel participated in in-depth interviews. The interviews were selected on the following basis:

1.   chief executive

2.   sales/marketing role

3.   availability and from different functional areas

4.   keenness to make a contribution to the study.

It was essential that a broad cross section of functional areas were represented so as to give the study a comprehensive base for understanding of the issues raised and to have a broadness of data. The interviewees were first asked general questions about the franchise, followed by in-depth probing questions relating to developing strategic capacity, competitive advantage, the use of organisational learning strategies, and issues that facilitated or impeded learning.

3.5 Research process

Since this is an exploratory study, the research process followed a pre-determined set of procedures of developing the initial ideas to form the basis of the study's hypothesis. Yin (1994) argues that case study research uses a combination of both inductive and deductive research. The induction of the results could produce analytical generalisations (Yin 1994).

The initial step of the study was to define the research problem. The topic of the research idea was developed from the author's experience in business strategy consultancy as a partner in a public accounting practice. From the years of experience within the practice, especially dealing with franchised businesses, the author formed the opinion that many franchise business units had limited foresight in developing their strategic capability by using learning tools to create the required skills to gain a competitive advantage within the marketplace. The author became interested in, 'how' does a successful business learn and develop their strategic capability? The study did not commence with data collection, but with an initial review of literature.

A pilot study was developed and completed using a franchisee from the hair care industry so as to provide some further insight into the initial research problems. This study allowed the researcher to gain a clearer direction for the detailed literature review. After that was complete, a detailed literature review was completed in order to identify the research problem and associated issues and gaps. Further discussion on the pilot study follows in a later section.

The data gathering process was to ensure that a rich set of data on the phenomenon under study was obtained. It was also necessary to capture the complexity of the issues and to triangulate the findings (Patton 1990; Yin 1994). Case study research is known as a triangulated research strategy as it arises from an ethical need to confirm the validity of the processes (Yin 1994). The real issue in case study research is to establish meaning. Gable (1994) states the protocols that are used to ensure accuracy and explanations are called triangulations.

After conducting each group of interviews from the relative case study, each case was analysed separately. The case summary was reviewed for its accuracy of reporting and also to make sure that there was adherence to confidentiality of information. After all cases had been summarised and analysed, a cross case analysis was performed. The major objective was to produce an accurate and convincing position and to make sure that any other alternative explanations or issues could be eliminated (Creswell 2005; Yin 1994). The process is summarised in Table 3.3.

Table 3.3: The research process–this study.

1.	Ideas developed
2	Define research topic and problem
3.	Initial literature review
4.	Pilot study - generate focused literature review
5.	Literature review - research question - gaps
6.	Define and document research design and method
7.	In-depth interviews
8.	Data analysis
9.	Cross case analysis

10.	Modify theoretical model
11.	Prepare case study report
12.	Hypothesis for further research

Adapted from Yin (1994)

Data collection procedures involve field work and must be properly designed as the researcher does not control the data collection environment (Zikmund 1997). During in-depth interviews which are open ended in nature the researcher must plan for issues such as the participant's time schedules, having the required research resources in the field, permission to access the franchised business units and provide for unexpected events. The next section will outline the data collection process undertaken in this study.

3.5.1   Data collection

The key objectives of data gathering are:

1. Obtain a rich set of data

2. Capture of contextual complexity

3. Triangulate the findings.

As it was important that the information gained in the data collection process was accurate, the researcher used a number of sources. These included:

1.   In-depth interviews with two (2) key executives from each organisation, with one being a senior executive; having two (2) would allow for a more accurate picture and balance so as to not have weighted answers, especially when the senior executive could be the owner of the franchise. Ten (10) in-depth interviews from each franchise were undertaken which formed the primary data

collection technique. An in-depth interview was outlined by McDaniel and Gates (1999, p. 150) as '*one-on-one interviews that probe and elicit detailed answers to questions'*.

2.   A cross check of the information gained from interviews was undertaken against official company documentation. This included viewing strategic and business plans, balance sheets, profit and loss statements, press releases, brochures, and also having detailed access to internet sites.

The combination of multiple sources of evidence was used and documented which enhanced the validity and reliability of the study. These measures are important as there are always numerous weaknesses inherent in in-depth interviews such as loss of accurate recall, especially over a number of years; bias, especially by an entrepreneur who started the business; and interview techniques which may produce response bias (Berg 1998; Yin 1994). Yin (1994) also suggests that these documents may also lead to bias if they are not complete and can be subject to subjective rather than objective researcher bias and on many occasions are not accessible. By using multiple sources of evidence the study's dependence on a single source of evidence was minimised.

3.5.2   Case study protocol

This section will outline a brief overview of the procedures and conventions which have been used in the data collection phase of this study. As in-depth interviews are the primary data collection instrument for this study, it is important to outline the exact process which includes the interview guide, the interview questions, interview procedures and the general rules that should be followed in using the research instrument in the field.

Following the literature review phase of the study, the next stage is that of actioning the case studies. The initial process is to restate the research problem and associated research issues so as to give scope and direction for the case study component of the research.

The following is a brief review of the procedures for field work activity. It must be noted that this procedure is important as it gives the study its ability to have the process replicated for any future studies and it enhances reliability. The interview guide was developed and reviewed by the pilot case study participants so that the final guide is clearly understood.

A letter of introduction was developed outlining the requirements of the franchised business unit's participation; as well as determining issues such as length of interview, recording of interview, access to company documentation, including a copy of the final report. An interview record form (Appendix 1) was developed and tested on the pilot group. This record form needs to be in a format where the interview summary and relevancy is recorded.

The interviewing technique used for this case study was a combination of structured, unstructured and open questions which not only produces balance but gives a greater depth and understanding to the interview. It relaxes the interviewee and allows them to answer in their own style without the interview losing direction (Hatch 2002). The open-ended questions (probe questions) formed the majority of questions, as outlined in Part C of Appendix 1, as there needed to be much emphasis on depth rather than breadth. It also provided a prompt for discussion which again led to a greater depth of understanding. As participants were keen to make a substantial contribution to the study their depth of knowledge needed to be probed continuously. Non-evaluative listening techniques were used by the interviewer to keep the participant speaking. The questions that had still not been answered were then asked of the participant. Questions were asked in a way that would not indicate to the participant what answer the researcher preferred.

Interviews for the study were on a one-on-one basis set within a quiet office area without distraction by phone calls or any other interruptions. Each interview lasted for between 75-90 minutes duration, held at times suited to the participants, which on a number of occasions was not during normal work hours. All interviews were conducted in a relaxed atmosphere suited to the individual as requested by the researcher.

At the commencement of each interview, the researcher had a standard format to follow as outlined in the interview guide. The interviewee was told of the reason for the interview, the format that was to be followed and the process used to give them confidence of confidentiality. The procedure was simple in that letters and numbers were used to avoid the use of names. The need for confidentiality was critical as the interviewees were to release significant information about their strategies and give access to financial and personal data files.

All interviewees were asked permission to record the interview, and were given the option to stop the interview at any stage and to remove themselves from the study. There were no objections raised concerning this matter. Taping the interview was preferred for a number of reasons. First, it was too difficult to make detailed notes continuously during a 75-90 minute open questioning interview. Second, it was important to keep a complete set of detailed data for further and future reference. Third, it allowed the researcher time after the interview to decide the importance of particular data.

All company documents and relevant company material (Appendix 3) was obtained at least one week prior to the interview so that any reference to it during the interview could be easily explained and understood by both parties. The interview record form was used during the interviews so that any gaps in information required could be identified quickly. It was felt that taping the interview did not appear to

hinder the interviewee's relaxed mode, but enhanced the quality of discussion as interviewees were confident that their points were noted. Telephone was used for initial contact and any follow up.

3.5.3   Pilot study

Yin (1994) argues that a pilot case study is recommended in case study research as it is useful in clarifying initial ideas and observations so as to get past the common sense position on the topic. It was also useful as the researcher had his own experience and observations which could produce bias. Undertaking such a pilot study tests whether the research design will answer the research question and research issues (Yin 1994). It also allows the interview protocol to be verified and the data collection and reporting systems to be trialled for their utility (Berg 1998; Yin 1994). If any concerns emerge they can be addressed prior to undertaking the extensive research.

Using the pilot case was essential in fine-tuning the procedures, as well as the interview instrument and the concept of whether tape recording could cause any negative reaction during the interview. The pilot study provided valuable input before any more effort and resources were allocated and provided an important step in establishing validity and reliability.

A pilot study consisting of three interviews was undertaken with personnel selected (one interviewee from each organisational level) from a franchised business unit. The franchised business unit selected for the pilot study met the criteria as set out in section 3.4.1 and was chosen mainly on the basis of ease of accessibility, local vicinity and timing. The interview participants were selected after discussions with the executive management team of the franchisor and all interviews were undertaken on a face-to-face basis.

The probe questions were designed in consultation with an independent industry expert with the interview format emphasis being focused on an unstructured format utilising mainly open questions as prompts (Berg 1998; Yin 1994). This approach

was utilised to allow interviewees to tell their stories of experiences and observations and give their opinions without the interviewees feeling that they were being directed. This enhanced the development of gaining rich and unbiased data about the research question and research issues.

The three interviewees were asked to comment on several aspects to help refine the process. First, they were asked about their feelings on being tape recorded and if there were any concerns on this what measures they thought could be included to adjust or enhance the process. Second, were there any questions they found difficult to answer and, if so, to give advice on adjustments or enhancements to the techniques used. Third, whether there was any duplication or irrelevancy of questioning noticed. Based on the three interviews the interview protocol and guide were fine tuned in consultation with the independent industry expert and research supervisor to eliminate some duplication and redundancy. The fine tuning allowed the major data collection process to focus on collecting relevant data and also for the interviews to stay within the predetermined interview time allocation.

After completion of the case study review any adjustments were made, thus further strengthening the reliability and validity of the study.

3.6   Data analysis

Once the data collection phase is completed, the data must be analysed. This section is about the methodology and approach used in the analysis of the 50 in-depth interviews and supporting documentation. This means that some sense has to be made of the volumes of information that has been collected. The main aim is to produce a final outcome that provides weight to the understanding, and eliminates alternative explanations. Zikmund (1997) suggests that the key aspect of analysis is to identify consistent patterns or themes and summarise those by providing a description and interpretation of what was studied. The important concept here is gaining meaning related to the study's objectives, research question and associated issues (Creswell 2005; Yin 1994). The data analysis process is a key phase in determining theoretical outcomes from the research, rather than simply describing the data (Gable 1994).

The researcher's ability to store and retrieve the data effectively and to treat the data equally without bias will be critical to this analysis. Yin (1994) suggests that a researcher can enhance the quality of the data analysis process if they rely on all available and relevant data, consider alternative explanations and theories, focus on the key aspects of the study and build on the researcher's prior expertise and experience.

In this study the common manual tabular technique of the use of empty table shells was used to help focus and organise the data collected (Miles & Huberman 1994). These tables were used as templates to provide structure for the data to be collected, a useful tool for organising and storing the data. The use of the templates additionally ensured that the data collected across the cases was complete, consistent and was an excellent tool in facilitating the analysis of the data within and between cases. This manual tabular technique was adopted with the aims of bringing themes, patterns and ideas out into the open within a controllable process. Further details are given in Section 4.1.1.

The process of data analysis used for this study has three (3) major parts after the data collection phase: data reduction, which is the process of reducing the amount of data to a more manageable size; data display, which is the process of presenting the study's data in a useful way, including the process of cross case analysis; and data conclusion which is about drawing conclusions from the more manageable data display and analysis undertaken. The research question, and issues of the study, guides the data analysis process.

Data reduction is a process that is about identifying the most critical and meaningful parts of the data, simplifying and restructuring it into a more manageable form that is suited to achieve the research objective. In this process there needs to be some elimination of data that may be superfluous which occurred during the actual interview as some of the open-ended questions were responded to with somewhat lengthy answers. The interview record form became an important tool in the data reduction process as it aided the process of eliminating unnecessary information (Sekarn 1992). In this study, the need to simplify the transcripts of the taped interviews while maintaining the original meaning and context was critical to the

overall achievement of the study. Common techniques in data reduction are summaries, bullet points, tables and diagrams (Sekarn 1992).

In this study the use of the summaries and tables was adopted with the aim of bringing themes, patterns, or ideas out into the open. The individual responses taken from the interview record form were summarised by each of the main questions using a simple table and matrix .The use of summary tables allowed the researcher to make comparisons and contrasts of these summaries, identifying relationships between variables, patterns, themes, and any particular differences between the five cases. Any data that was identified as different across cases was explored. The use of these summary tables was useful as they reflected the data analysis logic for each interview question.

Data display is the technique used for presenting and communicating the study's data in a visual format that allows the researcher to draw valid conclusions from it (Hussey & Hussey 1997). Data display formats in qualitative research can be various, but two forms predominate: the use of matrices; and the use of networks with a series of nodes to link them (Creswell 2005). Data display is a skilful technique to give explanation and aid in case analysis (Creswell 2005). It is a useful technique used for within and cross-case analysis. Hussey and Hussey (1997) argue that data should be presented in way that it can be understood clearly and concisely so that the reader can easily make an informed decision. This study will use data display tables in Chapter 4 as it is an ideal way of displaying the data in this study.

Data conclusion involves drawing conclusions from the reduced data and data displays to develop an understanding of the research issues with regard to the study. Researchers within qualitative research use inductive analysis to develop themes, patterns and categories from the data by identifying phrases and statements that give understanding to the interview questions (Creswell 2005). In this study the seven research issues were used as a guide to develop the themes and patterns.

Both a within-case and cross-case analysis was conducted. The importance of these processes was that there was a considerable amount of data collected from 50 in-depth interviews each between 75-90 minutes in duration. The within-case analysis helped identify patterns within each case and provided the basis for the cross-case analysis (Patton 1990). Individual case study summaries were reviewed by an observer to enhance construct validity. Using the research issues as the guide, a cross-case analysis was performed to provide a master summary of the five-case study. Multiple cases strengthen the results by replicating the pattern-matching and consequently increasing the confidence in the robustness of the theory (Yin 1994). This data analysis within-case and cross-case can provide a means of triangulation which is needed to confirm validity of the process. This data analysis, together with prior theory gained through the literature review, can properly address the research problem and associated issues. This is further addressed in Chapters 4 and 5.

3.7   Criteria for judging validity and reliability

In general terms, the validity of a test or measurement is reflected in the extent in which the instrument measures that which it purports to measure (Zikmund 1997), while reliability is concerned about consistency of the instrument measuring whatever it measures. It is the degree to which the instrument will give similar results for same individuals at different times. According to Sekarn (1992) reliability may be affected by factors outside the actual interview itself, for example; familiarity with such interviews, fatigue, emotional strain, physical conditions of the interview environment, health of the interviewee, memory fluctuations, skill of being interviewed, and whether the interviewee has had a long or short history within the specific job functions. As Yin (1994) states that as case study research is less well defined than other research methods, it can be viewed as having a less robust knowledge base but, in contrast, it has greater flexibility and allows for more in-depth research techniques. This study has used three common tests to ensure the reliability and validity of the research findings; construct validity, external validity and reliability.

Zikmund (1997) suggests that construct validity becomes useful when determining relevance. Construct validity also becomes useful when researchers cannot agree on

a construct which is being measured by the experiments that are already in place. The method of construct validity is to create tests and various measures that correlate with each other and then theorise about what the tests are actually measuring (Creswell 2005). Yin (1994:33) argues that it is about 'establishing correct operational measures for the concepts being studied'. The three measures used in this study to increase the correct operational measures for this study were multiple sources of evidence, establishing a chain of evidence that could be linked back to the questions asked, and the review of data provided in the pilot study by informants (Yin 1994). These three measures were all used within this study.

Zikmund (1997) suggests that external validity is about the generalising of the study's findings beyond the conditions of the study to that of the conditions within the external environment. This research study is exploratory research where its main goal is to find understanding and not to determine generalisability. However, external validity in this study is established through the use of its five case studies as outlined in section 3.4.1. Gable (1994) argues that case study research is firstly concerned with understanding the case being researched and, in consequence, this study uses 'analytical generalisation' to the broader theory as outlined in Chapter 2, rather than to the whole small business community.

Reliability is about the extent to which a test or any measuring process produces the same result on replication (Sekarn 1992). Yin (1994) suggests a common threat to validity is reliability as an unreliable instrument will not test consistently for what it was designed to measure due to high error components. Therefore, reliability is an essential component of validity, but reliability alone does not guarantee validity (McDaniel & Gates 1999). According to Yin (1994), reliability in case study research can be improved by the following processes which this study has adopted; using a case study protocol; operationalising all the steps set in the methodology plan; and using triangulation of methods and evidence.

Reliability is often at risk when assessments are taken over an extended period of time, performed by different people, or the assessments are highly subjective (Creswell 2005). In this study, these risks were minimised by following the processes for improved reliability as outlined above by Yin (1994). This study, in

addition, used an organised filing system for maintaining field notes, copies of interviews, company documents and working papers.

To increase study reliability it was necessary to address issues such as scheduling some interviews Monday mornings when fresh; reducing interviewee fatigue by providing light refreshments during a break time; and providing a relaxed environment for the interview. The feedback from the pilot study provided helpful advice with many points being adopted, thus, resulting in improved reliability.

3.8   Summary

As the research question focuses on 'how' franchised business units in Australia use organisational learning strategies to develop their strategic capacity with a view to gain a competitive advantage, the case study approach within the realism paradigm was appropriate with using a multi-case approach. The findings of this study should give an understanding of foundational knowledge for future studies. This chapter developed the procedures and foundation for data collection and analysis detailed in the next chapter. The chapter also provided justification and criteria for case selection and justified the number of cases to be used for the study.

CHAPTER 4: ANALYSIS OF DATA

4.1   Introduction

A description of the data collection method used for this study was presented in Chapter 3. This chapter presents the findings from the data collected which relate to the six (6) research issues identified in Chapter 1. The focus of this chapter is to identify the key ingredients of organisational learning strategies that build strategic capability from the data gained across the five case studies. Chapter 5 will focus on a discussion of the findings from the data analysis, as detailed in this chapter within the context of the literature as detailed in Chapter 2, and their implications for both practice and theory.

This research study was guided by the research question and the six (6) research issues. The findings from the five case studies (fifty interviews and examination of secondary data) will be discussed in addressing the question and issues posed. For convenience the research question and issues are shown.

Research question and research issues

RQ. How do strategic franchised business units in Australia use organisational learning strategies to develop their strategic capability with a view to gaining competitive advantage?

RI 1. How does the business environment influence strategic capability within Australian franchised business units?

RI 2. How has strategic capability changed for gaining competitive advantage within Australian franchised business units in the past ten (10) years?

RI 3. How are operational learning strategies applied in franchised business units in Australia?

RI 4. How are strategic learning strategies applied in franchised business units in Australia?

RI 5. What factors promote and/or impede organisational learning in franchised business units in Australia?

RI 6. How can franchised business units in Australia gain further competitive advantages through more effective organisational learning strategies?

Chapter 4 commences with this introduction (4.1), followed by a brief description of the five cases used for this research study (4.2); and an introduction to cross-case analysis (4.3) presenting executive, management and staff findings, cross-firm findings, and cross hierarchal group findings as they apply to each of the seven research issues. The chapter concludes (4.4) with a consideration of the findings for the six research issues collectively.

4.1.1   The three stages of the analysis

Initially, the data management process as detailed in Chapter 3 was actioned. The three stages of this process were data reduction, data display, and conclusion drawing and verification.

The first process was the reduction of the fifty tape recorded interviews into interview detailed notes. These notes were then summarised using the probe questions to create a format of a record for each interview (Appendix 1). Data reduction was refined further using coding and display matrices to summarise data from the five separate franchises and then expanded to fifteen by linking the interviews to the hierarchal work activities of executive management, senior management and staff.

The data display process was completed by using display grids to facilitate within and cross-case analysis. The information gained via this process was then analysed for common themes and patterns that related to the research issues and, as a consequence, formed the database for this study. At this point the emerging common themes and patterns were verified back to the original notes in a checking process.

The third stage of analysis was based on cross-case analysis and pattern matching for the purpose of answering the research question and to explore theoretical

generalisations about the research issues. A summary of the multiple-case study was completed after conclusion drawing and data verification was undertaken for each research issue. Data verification was undertaken using the record of interview, cross referencing between franchises, testing with observation notes and secondary data sources gathered from the respective franchises.

The major objective of the analysis of data is in answering the research question and research issues that have been identified within this study. While working through this objective additional information, other areas of interest were uncovered during the interviews and gathering of secondary data. This additional information is summarised and presented in the respective sections.

4.1.2 Interview identification structure

As discussed in Chapter 3, five franchised business units were selected for this study with a mix of personnel from franchisors, franchisees, executive management, senior managers and operations staff. The five franchised business groups identified were broadly service oriented industries with distribution across all major areas of Australia. Two cases are studied within the one industry (real estate) on the basis of one having an operational history in excess of 100 years and the other some five years therefore bringing a balance to operational experience. The specific franchises chosen had excellent accessibility to interviewees and company information for this study.

The five cases in this study were identified individually using four characters: first, a franchised business unit identification character (A to E); second and third, a team identification (*em* executive management, *sm* senior management or *os* operations staff), and interviewees within each team were coded using the identification (1 to 4). This identification system kept the cases separate and interviewee anonymity. As an example, B*sm*2 refers to the second senior management interviewee from

franchised business unit B. Table 4.1 identifies the cases used and the identification system.

To identify the source when direct quotes from interviewees are used within this chapter the following example demonstrates the process used. For example C*em*3 refers to comments made by the third executive manager from franchised business unit C.

Table 4.1: Interview Code System

Franchised Business Unit	Position	Interviewee Number
A. Hair Care (National Chain)	*em* = executive management	1 = 1st interviewee
B. Real Estate Chain	*sm* = senior management	2 = 2nd interviewee
C. Property Group	*os* = operations staff	
D. Bank (National Chain)		
E. Hospitality (National Chain)		

4.2   Description of the cases used in the research

The five franchised business units in this study are all known for their leadership roles within their respective industries as they all commenced as start up operations and developed market acceptance and substantial growth early in their operations.

All of the selected strategic business units have operations in multi locations within Queensland; three have substantial operations throughout Australia; the fourth has a three year plan to expand significantly in other Australian markets; and the fifth, a Queensland operation of a national group which operates separately in each state. Types of secondary data gathered are shown in Appendix 2.

Franchised Business Unit A

This is a franchised distribution operation in the hair care industry where the franchise business units sell hair care products to hair salons either for on selling to the end consumer, or for in-house use in providing a hair service to the client such as hair colour, wash or styling. The business was a small operation when the current owner bought it some seven years ago. In the last seven years, through growing the business via franchising, it now has 32 outlets serving a targeted 100 salons per franchise. As the Australian market has just over 9000 salons, Franchised Business Unit A has a vision of growth to 80 plus franchise outlets by 2010.

Three separate workgroups of personnel were interviewed. The first group was that of executive management (*em*), the second group senior management (*sm*), and the third group was that of operations staff (*os*). The interviews took place in corporate offices for executive staff, and private meeting rooms for senior management and operations staff. The interviews were selected as outlined in section 3.4.3 and were all tape-recorded.

The executive management consisted of the franchisors with job functions of National Sales Manager and National Franchise Director respectively. The senior management group consisted of the Advertising Manager and three franchisees. The operations group consisted of customer service and sales staff from both the central office staff and franchise staff. Ten interviews in total were conducted (*em* 2, *sm* 4, *os* 4).

Franchised Business Unit B

This is a real estate sales and property management operation. The Queensland operation has a long term master franchise agreement with the central business head office in Sydney and, therefore, has control over its own destiny. Currently, there are 112 franchised offices in Queensland and the franchised operation is regarded as one

of the major players within the property industry. Operations in Queensland commenced some 25 years ago and even though during that time some minor changes had occurred in ownership, the current situation is that the original franchisor is the current franchisor owning 100% of the master franchise. In expanding the operation over the 25 years the strategy was to expand via franchising with the result there is now 112 franchised offices.

Personnel from three separate workgroups were interviewed. The first group was that of executive management (*em*), the second group senior management (*sm*), and the third operations staff (*os*). The interviews of the executive team took place in their offices within the corporate head office. The interviews for the senior management group were undertaken in their local geographical locations and the operations staff interviews were completed in the board room or meeting rooms. The interviews were selected as outlined in section 3.3.4 and were all tape-recorded.

The executive management group consisted of the franchisor, and the Chief Executive Officer who is on a five year profit share contract. The senior management group consisted of four franchisees and the General Manager—Training. The operations staff consisted of personnel from the corporate office, as well as franchisee offices. Ten interviews in total were conducted (*em 2,sm 5,os 3*).

Franchised Business Unit C

This is a relatively small real estate sales and property management franchise operation which only commenced in 2001. It has built its operations to 46 franchises in Queensland and three (3) in Sydney and has visions to build significantly through office expansion to 200 franchises throughout Australia by end of 2010.

Personnel from three separate work groups were interviewed. The first group was that of executive management (*em*), the second group senior management (*sm*), and

the third group was that of operations staff (*os*). The interviews of the executive group were conducted at various office locations, but all in a closed private office facility. The interviews for senior managers and operations staff were undertaken in franchise office's meeting rooms. The interviews were selected as outlined in section 3.3.4 and were all tape-recorded.

The executive management group consisted of the franchisor as the Managing Director, and two directors. The senior management group consisted of three franchisees and the Franchise Manager. The operations staff consisted of franchise staff and head office staff. There were ten interviews in total (*em 3, sm4, os 3*).

Franchised Business Unit D

This firm's history dates back to 1874 as Queensland's first building society. It is now listed in the country's top 100 listed companies and is regarded within the industry as the fastest growing retail banking network in the country. It currently has in excess of 280 branches, with the unique attribute of having owner-managed branches. In 2007 it acquired, through a merger, a building society in Western Australia with 35 branches. Its growth strategy is to merge, acquire or create a large network of franchised branches with a vision by 2015 of having something in excess of 1000 franchised branches.

The branches are genuine full-serviced branches which offer more convenient banking hours, highly committed management and service-oriented staff who are there for the long haul. While the corporate office tightly controls the brand, credit policies and procedures, the franchised business units have the incentive of building their own business and managing their local market. The franchised business units can make local decisions based on local knowledge and using their own network of contacts. They are a small business like any other.

Personnel from three separate work groups were interviewed. The first group was that of executive management (*em*), the second group senior management (*sm*), and the third group that of operational staff (*os*). The interviews of the executive management took place within a corporate office, and interviews of senior management and operational staff in a private setting without interruptions. The interviews were selected as outlined in section 3.3.4 and were all tape-recorded. There were ten interviews in total (*em 2, sm 5,os 3).

Franchised Business Unit E

This is a franchised operation within the hospitality industry. This operation commenced in 1989 and has grown to 118 franchises throughout Australia. The operation is based on product and service, and is still actioning a growth strategy. It has developed over time a membership concept and a loyalty program, and is seen within the industry as a leader and innovator.

Personnel from three separate work groups were interviewed. The first group was that of executive management (*em)*, the second group senior management (*sm*), and the third group operational staff (*os*). The interviews of the executive management took place within a corporate office, and interviews of senior management and operational staff in a private setting without interruptions. The interviews were selected as outlined in section 3.3.4 and were all tape-recorded.

The executive management consisted of one of the franchisors with the position of Franchise Director. The senior management group consisted of five franchisees, one of whom was the franchisee of the number 1 franchise in 2006. The operational staff consisted of personnel from customer service positions within franchise operations. Ten interviews were conducted in total (*em 1, sm 5,os 4*).

Summary

A summary of the interviews and the organisational levels of the interviewees are presented in Table 4.2 below.

Table 4.2: Interviews by FBUs and workgroups

FBUs	*em*	*sm*	*os*	Total
A	2	4	4	10
B	2	5	3	10
C	3	4	3	10
D	2	5	3	10
E	1	5	4	10
Total	10	23	17	50

.

The available secondary sources of information included annual reports, internet websites and press releases, and internal confidential material were supplied by all of the five cases (Appendix 4).

4.3 Cross-case analysis of the data for each of the research issues

The major focus of this section is to gain an understanding of the organisational learning strategies that the franchised business units in this study used to develop their strategic capability. To achieve this understanding, each of the six research issues will be discussed for each franchised business unit contrasting the three different groupings within each franchised business unit. After discussion of within-case study analysis, consideration will be focused on a cross-case analysis and the findings will be discussed for the seven research issues.

Where direct quotations from interviewees are given these are referenced by code. For example, (A*sm*2) refers to a quotation given by the interviewee being the second senior manager interviewed from franchised business unit A.

4.3.1 Research Issue 1: How does the business environment influence strategic capability within Australian franchised business units?

The focus of the first research issue was to discover what influencing factors within the business environment had a major influence on a franchised business unit's strategic capability. Responses from the probe questions 1 and 4-8 inclusive, as detailed in Appendix 1 (Part C), were used for the purposes of analysis.

In considering all the data from the fifty interviews, twelve influencing factors within the business environment were identified as having an impact on strategic capability within franchised business units. These are listed below in Table 4.3a (by FBU) and Table 4.3b (by work group).

Table 4.3a: Influencing factors within the business environment that impact

Influencing factors within the business environment	A	B	C	D	E	Total
1.Critical relationships in the marketplace	90	80	80	90	90	**86%**
2.A more aware consumer is demanding superior performance	70	80	90	80	90	**82%**
3. Labour force dynamics such as staff turnover, retention, casualization, education and career development	80	80	80	70	90	**80%**
4.Busier lifestyles: higher household incomes, more disposable income for spending and investment	70	70	70	80	90	**76%**
5.Consumers want easy access to products and services	70	60	70	80	90	**74%**
6. General financial and economic issues such as interest rates and economic growth	40	70	70	80	60	**64%**
7.Ease of access to financial resources has allowed for growth	20	50	70	80	50	**54%**
8. Pressure for increased investment returns	40	70	40	70	40	**52%**
9.More rapid expansion through use of technology	20	50	40	50	20	**36%**
10.The global market has developed new opportunities	70	20	20	10	0	**24%**
11.The global market has increased competition	30	10	10	10	0	**12%**

The header "Percentage % support" spans columns A B C D E Total.

Table 4.3b: Influencing factors within the business environment that impact strategic capability (by workgroup).

Influencing factors within the business environment	em	sm	os	Total
	Percentage % support			
1.Critical relationships in the marketplace	100	83	82	**86**
2.A more aware consumer is demanding superior performance	100	91	59	**82**
3.Labour market dynamics such as staff turnover, retention, casualization, education and career development	100	78	71	**80**
4.Busier lifestyles: higher household incomes, more disposable income for spending and investment	80	78	71	**76**
5.Consumers want easy access to products & services	100	87	47	**76**
6.General financial and economic issues such as interest rates and economic growth	70	61	59	**62**
7.Ease of access to financial resources has allowed for growth	100	57	24	**54**
8.Pressure for increased investment returns	100	57	18	**52**
9.More rapid expansion through use of technology	70	22	35	**36**
10.The global market has developed new opportunities	70	22	0	**24**
11.The global market has increased competition	30	13	0	**12**

From the two tables above, six influencing factors are seen to be important as more than half the interviewees identified them as environmental factors that are currently having an influence on their business and, hence, indirectly or directly having an impact on their firm's strategic capability. Such an impact can be viewed as putting pressure on the firm's capability to respond. These seven influencing factors are now described in detail.

Significant influencing factors within the business environment:

1. Critical relationships in the marketplace

One theme that was apparent across all cases was that constant change has delivered a huge pressure on the firm's capability to be able to produce the required budgeted revenues and profits. In this context most of the interviewees highlighted the increased focus on people and the critical nature of relationships in the marketplace. Franchised business units must secure a loyal ongoing client base as a platform to developing further growth. The interviewees also highlighted the interdependent nature of relationships between staff and customers and clients. Hence, the dominant influencing factor identified by interviewees was the increasing significance of

developing critical relationships in the marketplace and this, in turn, points to a more constructive engagement with clients, customers and staff.

Some examples of comments are:

- *We have noticed that building a strong relationship with your staff and clients is essential in today's marketplace (Asm1).*
- *As we grow in gaining clients we must grow in looking after our people…businesses need strong customer loyalty and a reliable workforce (Dsm2).*
- *We have learnt that it is a people business. We can grow through people and respond to their needs (Bem1).*
- *As the market changes we have noticed that the large multinationals focus on product while we focus on people…a major difference (Asm4).*
- *Our growth is in duplication. Our service is a large proportion of our product and as a result the competence of our staff reflects our future growth through client satisfaction (Esm2).*

All cases and work groups identified strongly with this influencing factor. Four out of the seven interviewees that did not identify this as an influencing were from the real estate industry, at either senior management or operations staff where clients may be seen as one offs. It is worth noting that all the executive management group within the real estate cases identified this factor as significant.

2. A more aware consumer is demanding superior performance

All of the cases referenced this influencing factor and, supported by the general comments, appear to indicate that the consumer had a large range of sources to consult before making buying decisions. Comments gained uncovered such sources as product brochures, television advertising, product brokers, media watch, internet research and informed word of mouth. The findings indicate that many consumers

are careful to compare their purchasing options. Some examples of the interviewee's comments were:

- *Clients know what they want (Dsm5).*
- *If service is poor, clients leave (Eos2).*
- *Modern marketing has educated the consumer and consumers react accordingly (Dsm3).*
- *Consumers get frustrated with poor service...if they get it they generally go to a competitor (Aos3).*
- *We all seem to be demanding more of our suppliers (Aem1).*

This influencing factor was strongly supported. All the executive management group, and all but two of the senior management group, supported this factor. The operational staff group had a somewhat lower support for this influencing factor with comments such that it was more a management issue.

3. Labour market dynamics such as staff turnover, retention, casualisation, education and career development

All cases referenced this influencing factor. In building a business, especially within the service sector, most of the interviewees had indicated that the general marketplace labour dynamics was a critical influencing factor in developing capability. Firms must not only be aware of these labour market dynamics (such as staff turnover, retention, casualisation, education and career development), but they must have a plan, process and commitment to manage these dynamics. Hence, the influencing factor was the significance of awareness and understanding of the implications of these dynamics within the marketplace and how industries and firms might respond. Comments gained during the interviews indicated that this influencing factor was significant as the business units had to manage these factors so that their business unit operated smoothly, effectively and efficiently. The findings indicate that as these factors are critical, the majority of business units develop some strategies to counter any negative aspects of this influencing factor.

Some examples of this factor and strategies are given from comments by interviewees:

- *Our clients want continuity of staff. In real estate the people make the difference (Bos1).*

- *We profile our staff in our client newsletters...it develops loyalty (Dsm3).*

- *Qualifications and continuing education are critical these days for career development and building skills (Csm1).*

- *Many organisations such as ours depend on flexibility...we use casual staff extensively (Esm4).*

- *Our focus is on building relationships...our clients have the same mission...well trained and empowered staff make the difference (Dsm1).*

- *The real estate industry has a poor reputation in recruiting poorly trained sales staff. Buyers and sellers are becoming more consumer aware which places more pressure on the industry to have highly trained staff. The legal requirements for sales and property management are now complex which requires a need for well trained and competent operators. The pressure is on the industry to recruit and train to a high standard. (Csm1).*

The executive management group had total support for this influencing factor, while the other work groups also had strong support. The support between cases was fairly even, except for Case E which was more dependent on casual staff in relation to a large range of shifts.

4. Busier lifestyles: higher household incomes, more disposable incomes for spending and investment

One theme that was apparent across all of the interviewees was that as people in the general community were having busier lifestyles it brought a substantial impact on the way that firms needed to transact their business. It was identified during the interviews that households had become busier over recent years; households had higher incomes via multiple workers and, as a consequence, greater disposable incomes for general spending and/or investment. The comments obtained from interviewees demonstrate that they regard this influencing factor as having a significant external impact on their business. It highlighted the issue that firms needed to respond to the constant change within the marketplace caused by this particular influencing factor. Some examples of comments made were:

- *We have many more clients now who want transport convenience housing so as to cope with their busy lifestyle (Bos2).*
- *People are eating out more as they become busier (Esm3).*
- *Our clients are after a more premium product. They want to look and feel better and they have the money to pay. (Aos4).*
- *The hair care market is booming in both the female and male markets. It is about what is quick, easy and looks good (Aem1).*
- *When economic growth is good our business goes through the roof (Csm3).*

All cases referenced this influencing factor, with very strong support from Case E which is in the hospitality industry. There was relatively even support between work groups.

5. Consumers want easy access to products and services

From comments gained in the interviews it was noted that as consumers are becoming more consumer aware and lifestyles are busier there is a pressure from the competitive marketplace to have easy access to products and services. The findings identified that consumers want convenience of purchase and they indicated that

consumers change suppliers if they are not satisfied with this ease of access. Hence, firms need to respond to this critical influencing factor, otherwise consumers will switch to competitors. Some of the comments gained through the interviews were:

- *We find that if consumers can't get your product they will buy the competitors' (Aos2).*
- *As people are busy they want ease of purchase (Bos2).*
- *Marketing tools have allowed consumers access to purchasing information...they then want to finish the buying process easily (Csm3).*

This influencing factor was supported by all cases and all work groups. All the executive management group identified this factor. It also had very strong support from Case E, which was in the highly competitive hospitality industry. It was least supported by Case B, which had a highly respected positioning within the marketplace.

6. General financial and economic issues such as interest rate and economic growth

Some of the interviewees suggested that many well-respected reports in 2007 indicated that the world economy was in great shape and with good economic growth forecasted. In the latter part of 2008 it is generally accepted that economic growth has slowed and interest rates are falling. Each economic situation has an impact on business and this brings particular pressure to bear on the firm's capacity to deliver a competitive advantage. Comments gained identified that interests rates not only have an effect on a business's financial capacity but on the consumer's capacity to purchase. Some comments suggested that when economic times become uncertain consumers stop spending and firms feel the negative impact of slowdown. Some examples of the comments are:

- *High interest rates reduce the number of investors in the marketplace (Csm1).*

- *Some of the American companies have entered the market such as Century 21 and RE/MAX as the Australian economic outlook is so much more buoyant (Bem2).*

- *Higher interest rates generally reduce disposable income which we find generally reduces industry sales in premium priced hair care products (Asm2).*

- *Consumers wanting to borrow reduces when economic times become uncertain (Dsm3).*

These influencing factors were referenced across all cases. It had weak support from Case A. There were comments from the interviewees from Case A which suggested that the majority of Australia's population not only use shampoo and conditioners but, additionally, many other hair care products. Hence, their industry would survive no matter what the economic outlook. There was little difference between work groups in identification of this factor.

4.3.1.1 Summary

Within the total group of fifty interviewed, eleven influencing factors were identified: critical relationships in the marketplace; a more aware consumer is demanding superior performance; labour market dynamics such as staff turnover, retention, casualisation, education and career development; busier lifestyles; consumers wanting easy access to products and services; general financial and economic issues of interest rates and economic growth; ease of access to financial resources has allowed for growth; pressure for increased investment returns; more rapid expansion through use of technology; the global market has developed new opportunities; and the global market has increased competition..

In summary the findings represent three main streams of influence which are:

a) Stakeholders—consumers, labour force and investors

b)   Global marketplace dynamics—opportunities, increased competition and changes in the economy

c)   Technology—use of various technologies.

Understanding these three main streams of influencing factors will undoubtedly be a key prerequisite to building the appropriate strategic capability of the franchise and the separate business units. Identifying these key streams of influencing factors will also allow firms to develop an appropriate response in building strategic capacity.

4.3.2   Research Issue 2:   How has strategic capability changed for gaining competitive advantage in Australian franchised business units within the past ten (10) years?

The second research issue concerns how franchised business units have perceived changes in their strategic capability with a view of gaining competitive advantage. In considering the findings for Research Issue 2, responses from probe questions 1-8, 18 and 19 were considered—as detailed in Appendix 1 (Part C). In addition, the information gained will be used to obtain an understanding of how these franchised business units defined strategic capability and to identify the components of strategic capability as it pertained to gaining a competitive advantage within their work environment. From the literature review, strategic capability was defined in terms of a strategic business unit having the ability to perform at a level required for success. This ability is underpinned by the strategic business unit's resources and competences.

In considering all the data gathered, twelve attributes about gaining competitive advantage by developing strategic capability were identified which were seen to lead to gaining a competitive advantage. These are listed in Tables 4.4a (by franchised business unit) and Table 4.4b (by work group). As a guide to gaining an understanding on the aspect of competitive advantage, this study has used the concept of a competitive advantage grid as outlined by Johnson, Scholes and Whittington (2008). This grid presents the proposition that a firm needs to have unique resources and core competences that are better than their competitors, are

difficult to imitate and form the basis to outperform competitors, or are able to provide better value for money. Attributes identified as significant are tabled at the end of each attribute and findings detailed. The tables provide a visual reference as to whether franchised business units utilitise the particular attribute.

Table 4.4a: Changes in strategic capability for gaining competitive advantage within the last ten years. Number of interviewees that noted such changes (by FBU)

Changes in strategic support	Percentage % support					
	A	B	C	D	E	Total
1.Increased focus on self reliance and self development	70	80	90	70	60	**74**
2.Greater employee acceptance of empowerment to decision make and innovate in problem solving	80	80	50	70	90	**74**
3.Greater reliance on self managed work groups	70	60	70	80	80	**72**
4.More focus on product and delivery improvements as a consequence of a shift in customer expectations from medium to high	90	70	60	70	70	**72**
5.Creating a learning system	90	60	80	70	50	**70**
6.Changing skill and knowledge sets from narrow to broad to enhance the performance of the customer encounter	80	60	70	80	50	**68**
7.Improved communication between staff internally and with clients	30	20	60	40	30	**36**
8.Staff being able to see the big picture	60	20	40	30	30	**36**
9.Higher participation of staff in planning processes	50	30	30	20	40	**34**
10.Greater emphasis on the use of technology	20	50	30	40	30	**34**
11.Better management of financial resources	30	20	30	30	40	**30**
12.Change in relationship between Corporate and FBU	40	20	20	20	30	**26**

Table 4.4b: Changes in strategic capability for gaining competitive advantage within the last ten years. Number of interviewees that noted such changes (by work group).

	Percentage% support			
Changes in strategic capability	*em*	*sm*	*os*	**Total**
1.Increased focus on self reliance and self development	90	65	76	**74**
2.Greater employee acceptance of empowerment to decision make and innovate in problem solving	80	74	71	**74**
3.Greater reliance on self managed work groups	80	52	94	**72**
4.More focus on product development and delivery improvements as a consequence of a shift in customer expectations from medium to high	100	74	53	**72**
5.Creating a learning system	100	43	88	**70**
6.Changing skill and knowledge sets from narrow to broad to enhance the performance of the customer encounter	80	52	82	**68**
7.Improved communication between staff internally and with clients	50	26	41	**36**
8.Staff being able to see the big picture	80	26	24	**36**
9.Higher participation of staff in planning processes	40	26	41	**34**
10.Greater emphasis on the use of technology	40	22	47	**34**
11.Better management of financial resources	70	26	12	**30**
12.Change in relationship between Corporate and FBU	70	9	24	**26**

As indicated in the two tables above, six changes are seen to be important as over two thirds of the interviewees identified them as attributes of strategic capability that has changed within the last ten years. These attributes currently have an influence on their business building strategic capability and, hence, indirectly or directly have an impact on their firm's competitive advantage. These six attributes are now described in detail.

1. Increased focus on self reliance and self development

Comments gained through the interviews suggested that to gain a consistently high quality customer encounter there needed to be a greater focus on self reliance. Many of the interviewees had worked previously in firms that had very defined work structures and processes which caused delays and frustrations in problem solving and decision making. Many interviewees have noticed that changing this focus by having a greater reliance on self reliant individuals resulted in producing a more satisfied, loyal customer. With this change came the change for individuals being responsible for identifying their skill and competency gaps. Self development was a key concept that was apparent across all case studies. Comments throughout the interviews suggested that when working in highly productive teams there was a keenness to make sure individuals had a high level of skill and that it was a responsibility of individuals to identify those skills and to gain them. Some of the comments gained were:

- *We need to have staff make decisions as if we were not here.(Esm3)*
- *I need to learn more so that I can enjoy the job...I need to be able to make decisions (Cos2).*
- *We as a staff need to take charge of the customer encounter (Asm1).*
- *There are too many products....I need to learn more about them as I need confidence in dealing with the client (Dos3).*
- *We need to feel confident in ourselves so that team members can rely on us (Cos3).*

This attribute was supported across all cases and across all work groups and has been identified as a significant attribute of change in strategic capability for gaining a competitive advantage. Hence, from the interview data the following four themes were apparent and further explain what this attribute was about.

Self confidence was needed to redevelop skills

All except one of the franchised business units referenced this theme. As staff are working in teams and are responsible for the required outcomes they have needed to build their own skill sets to be able to participate within the team effectively. To do this building effectively they needed to be able to identify the skill gaps and have the confidence to undertake this self development. Comments made in relation to this theme included gaining an increase in productivity (*Esm3*), having a positive effect on self motivation (*Bos1*), and increasing positive teaming and work practices (*Dsm2*) which will, in turn, gain and/or maintain competitive advantage.

As growth occurs new skill sets are required

Reference to this theme was made by four of the franchised business units. The comments made centred on issues during periods, especially of fast growth, where there was a need to multi skill as the volume of work increased. The focus of the franchised business units was on continuing development with training programs such as training skills, mentoring skills, customer service skills, and managing work/life skills. For example, one of the franchised business units (A) had their staff complete a Certificate IV in Training and Assessment as they deemed it critical that the staff had the skill to not only train other staff members, but via assessment, to ensure that the skills had been transferred.

This theme has a critical positive impact on competitive advantage as one executive manager (*Cem2*) commented that their staff are at the cutting edge of new knowledge and skill—both content or process based.

Individual staff members need to be able to manage the customer encounter

This theme was referenced by all of the franchised business units and comments made centred on the empowerment given to staff to manage the customer encounter. As the businesses changed over time and all have grown in this period it was essential in all businesses that decisions were made promptly and accurately for the best result for the client and the business. For this to have occurred the staff needed

the right information and the know-how to make good decisions. All of the franchised business units have given the staff the authority to manage the customer encounter process.

This was identified as a critical issue for competitive advantage as many competitors get engaged in bureaucracy, resulting in client dissatisfaction. For example, in most real estate offices a prospective client can only talk with the salesperson who has the listing, however, in the offices from the franchised business units interviewed a team management approach is taken and, as a result, a prospective client can easily obtain the information required (*Bem2; Cos2*). Comments suggested that this is difficult to duplicate as it is an innovative process which has formed as part of the organisational culture (*Bsm1*).

Workplace learning needed to be accelerated

All of the franchised business units referenced this theme as they all seem to believe that this was and is a critical success factor to their organisations. As each of their businesses has changed they have adopted a number of different learning strategies to continually develop staff so that they could grow the business. All appear to have developed this to a position that when the business changes for any particular reason then the learning process is present to support the changes. For example, one of the real estate franchises has responded quickly to a law change by including the new change training as a part of their regular learning process *(Cem1)*. In this case, all of their sales and property management staff were up-to-date when competitive offices, virtually next door, were in the early processes of discussing how they should respond to the new laws.

These four themes, which support the significant attribute of more focus on self reliance and self development, have been identified by the interviewees as having a significant impact on competitive advantage. The attributes are all about how the customer interaction is perceived, and by having such attributes in place it would be

anticipated that the client perception would be that the business is responsive and of a high quality in product and delivery.

2. Greater employee acceptance of empowerment to decision-make and innovate in problem solving

One theme that was apparent across all of the cases was that in a franchised business it was essential to strive towards having a high quality customer encounter, resulting in gaining further sales. From the interviews it was apparent that to make this happen there needed to be a greater employee acceptance of empowerment to decision make and innovate in solving problems. As 74% of interviewees referenced this attribute it was clear that the need for staff to become part of the business, and not just work for the business, was essential. Some of the comments gained concerning this attribute are:

- *Staff never wanted to make decisions but we had to encourage them to do it (Aem1).*
- *Many staff want to ask someone else however in self managed work groups they encourage each other to make decisions (Cos1)*
- *As growth occurred the management were not available for consulting so staff became empowered by default (Bsm1)*
- *When we opened up in other states we left the staff to run the operation and it worked (Aem1)*
- *Staff seem very motivated to run the operation and decision make (Dsm5).*

The interviewees highlighted four key ingredients that were present in their firms to make this acceptance of empowerment to be a decision-maker and to be innovative at work. These four ingredients are explained further to reinforce and highlight this change as it relates to competitive advantage. All of the franchised business units had referenced all four ingredients as they felt that it was not only critical for management to empower staff, but that staff had to be developed on the issue of accepting that empowerment. Reference was made to the point that in many previous

workplaces staff had been critical of management for not empowering them (*Dsm2*), however, if empowered the same staff wanted a manager to make the decisions (*Dsm4*). Interviewees referenced this as a critical issue and, if developed correctly, has a strong link to competitive advantage by value adding to the client service encounter (*Esm3*).

A need for staff to decision make

Comments were made by many of the interviewees that having staff make decisions was critical for the fast growth of their business (*Aem1; Bsm1; Dos2*). For example, in franchised business unit (*A*) during the early stages of their growth, the warehouse manager was a 19 year old who had developed within the job from the commencement of the company. As the company grew the warehouse needed to purchase a forklift. The owner told him to go and investigate and then order the most appropriate forklift which would cater for the then present workload and for some potential for growth. The young manager went to complete the task, however, he was stalled in the last stage of placing the order as the supplier did not feel he had the authority. The owner gave the young manager an authority letter and the order was placed. This was indicative of the types of decisions to be made. Another example was that staff at one of the franchised business units designed the new office communications system and project-managed its installation (*Cos2*).

As referenced, this decision making needed to allow for a free flow of work process and allow for executive management's time to be freed up for other activities (*Eem1*). It can be unique, as many companies follow a culture of structured management which does not allow for such decision making.

The need for staff to learn how to be a decision maker

All of the franchised business units referenced this ingredient as it was seen as an issue that was lacking in many organisations (*Bsm4*). Staff generally wanted to be able to make decisions, but on many occasions lacked the knowledge, skill and

confidence to make the decisions (*Asm2; Cem3; Dsm1*). It was clear from responses that the business units developed and implemented various learning strategies to improve staff decision making.

With all of the franchised business units, this attribute was identified as making a strong linkage to competitive advantage as it allowed for the business to go forward without the constraint of perceived poor decision-making and poor service. For example, all sales staff within the real estate franchise were trained and mentored in sales skills so that team members felt confident in decisions that fellow team members made on their behalf for their client (*Csm4*). In the absence of this skill, many staff would be reluctant to allow other team members such decision-making authority as it could have a negative result which could cost the staff member many thousands of dollars in lost commission (*Cos2*).

Participation in a team that decision makes

Reference to this ingredient was made by all franchised business units, with the comments indicating that many staff initially felt uncomfortable in working in a team that is empowered to decision-make (*Bos3; Eos2*). Participating in a team that is involved indecision-making not only forms part of the organisational culture, but the learning of this skill also becomes part of the culture (*Dsm2; Cos1; Aem1*). Many of the interviewees describe the processes of this learning as both formal and informal mentoring, on the job training both formal and informal, and the use of various work processes which staff learn via doing and reflecting on their experiences within the team (*Bos2; Asm2*).

The linkage to competitive advantage is via developing the learning strategy to participate within this empowered decision-making environment so that all staff feel comfortable in the process which, in turn, delivers superior productivity and superior positioning within the marketplace. Furthering a previous example of buying a forklift, the warehouse manager had the warehouse team research and decision make

so that not only did all of the staff have some ownership of the forklift decision, but a more thorough needs identification process was implemented (*Aem1*).

Developing empowerment as part of the culture

All franchised business units referenced this ingredient as it was seen as critical that not only executive management had to learn how to empower staff, but that all levels needed to develop the skill. It was noted that the executive group generally found it an easy process, especially during time of growth as they did not have the time to get involved with many of the decisions (*Bem1; Aem2; Cem2*). It was commented that some of the bottlenecks within the empowerment process was within teams (*Dsm2; Esm4*). Many interviewees commented that some of the more experienced team members in their franchised business unit would make all the decisions, mainly because others asked them to do so (*Eos2; Cos3*). As a consequence, different learning strategies were tried and, as a result, these strategies (like mentoring, empowerment) became part of the culture.

The linkage to competitive advantage is that the franchised business unit becomes superior in performance delivery and is positioned in the competitive market place as a leader. Clients are loyal to high performers, especially when pricing is competitive (*Bsm3*). This attribute is a process, not an extra cost layer in the pricing structure (*Bem2*). Furthering the example of buying the forklift, some team members did not feel it was their job or responsibility to make such a decision. However, after a learning strategy was implemented the staff not only realised that they were in the best position to decide, but the process was not complicated. The result was that they were able to have a forklift that suited their requirements which, in turn, boosted productivity and gave the company a competitive advantage (*Aem1*).

From the findings as outlined, the interviewees clearly identified that having greater employee acceptance of empowerment to decision-make and innovate was a

significant attribute that has become essential in gaining a competitive advantage in the present marketplace.

3. Greater reliance on self managed work groups

It was apparent across all cases and all workgroups that interviewees felt that over the years there has been a much greater reliance on self-managed work groups. Many of the interviewees indicated that even though they had worked in so called self-managed teams previously, working in their present team highlighted for them that there was a much greater reliance on the self managed workgroups to perform and obtain key results. As a large proportion of the interviewees identified this attribute, it is regarded as important in contributing towards gaining a competitive advantage. Some of the comments were:

- *We have strong groups that can manage their own area. (Bem2)*
- *The warehouse shifts run themselves with teams appointing their own leaders (Asm2)*
- *All the routine jobs in the office are divided up by the salespeople (Cos1)*
- *The franchise is a self managed group (Dsm4)*
- *Customer service develops its own plan to improve the level of service (Dsm3)*

To further explain this attribute the following four themes were apparent from the interviews. The interviewees highlighted these four themes, linking a greater reliance on self-managed work groups with gaining competitive advantage.

More productive output was gained through self managed work groups

All franchised business units referenced the issue that self managed teams improved output significantly and, in consequence, added to their competitive advantage.

Comments were given that indicated that costs per product or service delivered decreased as self managed work groups were able to reduce bottle-necks, usually as a result of their good understanding of the work processes.

Decisions can be made more quickly

All franchised business units referenced this theme. Interviewees indicated that staff do not get frustrated waiting on someone in management to make a decision when they can rely on self managed teams. The work flows more smoothly as each work group appears to work on the same basis. Decisions are also made between teams and staff empowered to problem solve between teams. This theme has a positive effect on competitive advantage as clients gain the benefits of superior performance within a timely manner.

Helping each other to achieve a positive result

This theme was referenced by all franchised business units. It was referenced as an indication of formal and informal mentorships in progress. Interviewees commented that some workers are slower than others, however, in a team environment the overall output was the critical measurement. In this study it was apparent that workgroups had high output. Comment was also made suggesting that staff were happy and well satisfied with the process. It is worth noting that reference was made to the issue that when the act of helping others does not occur, staff satisfaction was low. It was apparent that this theme has a positive effect on competitive advantage as it is difficult to duplicate and adds significantly to increased productivity.

Everyone develops as a leader through empowerment

This theme was not referenced by all franchised business units. The references to this theme were concerned with the idea that individually within the team each develops some special expertise or talent. An example offered was that of the most effective way to clean a coffee machine. This skill was passed on via on-the-job informal

training and, as a consequence, that individual has demonstrated leadership (Eos2). This theme is clearly used as empowered employees develop ongoing learning for their fellow workers. This has a positive result on developing competitive advantage.

From the findings as outlined, a high proportion of the interviewees across all work groups clearly identified that having greater reliance on self-managed work groups was an important attribute that has become essential in gaining a competitive advantage in the present marketplace.

4. More focus on product development and delivery improvements as a consequence of shift in customer expectations from medium to high

A high proportion of the interviewees identified that within the last ten years there has been a significant increase in the focus of developing new products and improving the delivery systems. For example, Case A increased their product selection to clients from sixteen (16) products in 2001 to 153 products in 2008. This is an increase of 137 products over seven years, which averages approximately twenty (20) a year. As this occurred they changed their delivery system from internal to outsourced delivery. This example was indicative of product development across the cases. In Case D, service delivery was improved by developing franchised bank branches. These franchised branches were able to improve customer service delivery and business development by allowing local decision-making to occur, which is not the traditional banking model. The entire executive management group identified this attribute and comments suggested that it was critical to the future strategic direction of the business. Some of the comments concerning this attribute were:

- *We need to continue to offer a larger range of products (Aem1)*
- *Our clients have become more aggressive in their approach to purchasing a meal that a family or a group can enjoy. So we needed to respond by developing our product range (Eos1)*

- *Our delivery systems need to keep up with our growth (Dos2)*
- *As we have grown our competitors have duplicated some of our service concepts. To keep ahead we continually innovate our service delivery (Bsm4).*
- *People have joined our franchise group because we have a great vision and now we must not only deliver but continually earn their loyalty by continually improving our product and service (Cem2)*
- *We cannot stand still...We have won market share by delivering a superior product and we must continue to improve to keep that and develop growth (Csm3).*

From the interview data, four key themes were apparent that explain this attribute further. These are as follows:

Establishing processes to document performance

All of the franchised business units referenced this theme as there was a common agreement that performance in all areas of the business needed to be documented and reviewed. In addition, there was agreement that learning took place not only in establishing the processes but also in documenting performance. This added to the framework of a continuous improvement program as individuals and teams became involved in such a process on an ongoing basis.

Many comments suggested that change, no matter whether it occurred slowly or quickly, had the affect of processes needing to be altered. The comments indicated that teams were empowered to make such changes. An example of this was one of the franchised business unit's staff was empowered to develop and action a new employee induction program. In actioning this program they developed induction day content reviews as formative assessment, a feedback process and a workplace mentor system for new staff (*Csm4*).

This theme contributed positively to the development of competitive advantage as staff became involved in developing best practice for their business unit, and thereby superior performance resulted. Another example given was that the time required from the development of a product idea to the time the product was producing positive revenue for the organisation was cut significantly merely by documenting the process in detail, and actioning the processes in all future product developments (*Dsm1*).

Adjust plans and strategies as a result of feedback.

All the franchised business units referenced this theme. All the business units have strategic plans or business plans. An example of this attribute was given by franchised business unit (Bsm2) where the real estate franchisor contracts a facilitator to be available for strategic and operational planning sessions with the franchise offices. This appears to work well as the facilitator guides the team/s in the processes. The staff are still empowered to develop and action the plans, but they have an experienced facilitator. Built into the process is a feedback loop which is critical for ensuring that processes are current and are at the cutting edge within the industry.

The linkage to competitive advantage is through staff being keen to learn, participate and be part of an exciting business (*Asm1; Dsm4; Eos1*). This results in individuals, teams and the business unit continually learning and adjusting their plans and strategies to reflect current client, organisational and individual needs. All franchised business units had common agreement that this theme made a positive impact on competitive advantage.

Develop strategies to involve all staff in decision making

Reference to this theme was made by all of the franchised business units. Many of the interviewees made comment that this staff participation in decision-making was mentioned in the recruitment process and reinforced during new staff induction

programs (*Eos3; Cos2; Aos4*). In all of the business units interviewed there is an informal mentoring process in place, with two of the business units having formal mentoring programs operating. As staff operate in self managed teams, the team becomes central to this process.

Some teams are created so that new staff can be trained in this decision-making process. As an example, a team was created in one of the franchised business units to organise the company's Christmas party (*Asm1*). Two new staff members were members of that team. The team was empowered to look for and book the venue, decide on menus, and choose and purchase presents for staff and major clients.

The linkage to competitive advantage is that this attribute is a critical part of the building block to producing superior performing teams that will outperform competitors in the market place, and in real terms at a lower cost as there is little wastage of time.

Develop a system to communicate ideas and information.

This theme was referenced by all of the business units as it was seen as an important key in ensuring that self managed teams had accurate information and data from other sources within the organisation (*Bsm3; Cem2; Dsm5*). A common comment from the interviewees was that many staff had negative experiences in the past from making decisions based on wrong or out-of-date information. Comments that were forthcoming centred on staff needing to develop the system. As an example, one of the franchised business units has a formal accredited Certificate IV in Business operating in-house (*Bem1*). As part of their work-based learning assessment projects, the current cohort has been empowered to review the current system of communications with internal staff and to action any changes necessary with a three month review period after implementation (*Bsm2*).

The linkage to competitive advantage is that with self-managed teams empowered to decision make, an up-to-date system of communication will allow the business unit to function at a peak performance level.

From the findings as outlined a high proportion of the interviewees across all work groups clearly identified that having more of a focus on product development and delivery improvements was an important attribute that has become essential in gaining a competitive advantage in the present marketplace. It was noted that this focus was due largely to the shift in the marketplace of customer expectations.

5. Creating a learning system

It was apparent from the interviews that as well as having innovative product development, improved delivery systems and superior customer encounters, it was essential for firms to create a learning system to support such endeavours. Some 70% of interviewees identified that it was critical that formal and informal learning take place for not only new staff, but that it was needed for all work groups. The identification that people learn in different ways was a familiar comment made across all cases and work groups. It was identified that a learning system was needed to keep the firm at the competitive cutting edge of their respective markets. Some of the examples given in the interviews were:

- *Our staff need different learning strategies to keep up with all the new product information and government legislation (Dsm2)*
- *We use each other to learn about the best way to list a property (Bos2)*
- *The company has a flexible open door concept where you can talk to anyone in the organisation with a view of gaining knowledge (Cos3)*
- *The staff use a variety of knowledge sharing strategies, for example inter group emails, group meetings, inter group work meetings,*

customer focus groups, work directed formal training and self development programs (Bsm3)

- *We are encouraged to develop ourselves in any endeavour as well as developing work skills. Some of my work mates are studying in areas such as education, building and drama (Aos4).*

From the interview data the following four themes give further explanation to this key attribute of change as relates to gaining competitive advantage.

Ongoing development of expertise needed to build the business

This theme was referenced by all of the franchised business units as learning how to build the business was seen as the responsibility of all staff (*Aem2; Bsm4; Cem3; Dsm4; Esm2*). Keeping a client meant superior performance not only in product delivery, but in service. By superior service it was suggested that the client would be retained, which would result in repeat business (*Aos2; Esm2*). One of the franchised business units commented about what is important to develop was an insight of successful techniques for developing clients and some insights into problem solving with clients (*Dsm1*). In building this expertise across all franchises then, not only would the individual franchise grow but it would be anticipated that the number of franchises would grow (*Bem1*). One of the real estate franchises has the vision of growing from some forty offices at present to two hundred over the next few years (*Cem2*).

The linkage to competitive advantage is that with the development of this expertise, individuals would continually develop which, in turn, would result in the franchise growing. As the individuals learn, they then become positioned to start a new franchise in the future which becomes a part of career planning.

Understanding of the work processes

Reference to this theme was made by all franchised business units with the comments that this is core to the high performance of the daily operations. As change occurs, no matter what caused the change, then generally work practices change. It is critical via empowerment that all individuals and work groups be kept up-to-date (*Asm1; Bsm4; Csm4*). An example given was that one of the franchised business units has a monthly catalogue posted to clients (4500) by calendar month, rather than lunar month, for clients to order from when the sales agent physically calls monthly (*Aem1*). The team empowerment issue centred on the word monthly, as the New South Wales team changed their sales call cycle to every four weeks so that the client would be called on the same day of the week. This then caused confusion with clients and the catalogues, as well as the customer service staff. In this case the issue was resolved by operations staff going out into the field and understanding the sales cycle that customers required.

The linkage to competitive advantage is that if all work groups are trained via a range of learning strategies then the work flow will be smooth, the work groups will have high work satisfaction and, as a consequence, the client has a superior service encounter. Comments suggested in the interviews that this will have a positive outcome on competitive advantage.

Development of working in a high performance team

This theme was referenced by all the franchised business units as it was commented that self managed teams were a key component of the work culture in their business units (*Asm3; Bsm2; Dsm4*). As the groups are empowered to make decisions it was clear that one of the critical keys to success was to ensure that the business unit itself was regarded as a team and it had to operate in a high performance team mode. Comments suggested that this was a huge challenge as individuals and their teams needed to understand the whole business, which was reflected in a previous attribute. An example of this was with one of the franchises (E) where individual franchises were starting to break with some of the menus as local clients' needs were perceived

as different. Unfortunately, there were numerous complaints from other franchisees as they perceived the value of their business had fallen as it was now not perceived as a true national franchise (*Esm2*).

The linkage to competitive advantage is that if the groups are strong and consistent, and the client has a consistency of superior product and service, then this attribute will have a positive effect on competitive advantage.

Ongoing development of the individual

Reference to this theme was made by all of the franchised business units as the comments centred on the issue that most organisations consist of individuals grouped and working together to produce a product or service (*Bem2; Csm1; Dsm4*). There was much comment on the issue that if an individual has the correct tools and has the required competency to use those tools effectively then the organisation can be well satisfied (*Aem2; Dsm1; Esm4*). In addition, if the franchised business unit developed the individual with skills that they could use for their career vision no matter the direction, then the individuals tend to give superior performances (*Bem1; Bsm3; Dsm5*). An example of this was that of the warehouse manager of franchised business unit (A) who wanted to be a builder. He was given the opportunity to work flexible hours to fit in his program and time to work at the building job in the field. As part of an empowered self-managed team he was able to fulfil his job responsibilities, as well as develop his future career (*Asm1*). Another example occurred in one of the real estate franchise offices where a staff member had career aspirations of becoming a teacher. Flexible arrangements were arranged to suit all participants (*Csm2*).

In three of the franchised business units, accredited courses are run in-house with skill development in areas such as training and assessment, developing work priorities, customer service, warehousing, real estate and general administrative and management competencies. Many of the senior management have completed

advanced management short courses, and have either completed or currently studying business and management programs within the higher education sector.

The linkage to competitive advantage is that this theme focuses on developing the individual to a superior standard which, if achieved, will deliver competitive advantage via superior performance.

From the findings as outlined a high proportion of the interviewees across all work groups clearly identified that creating a learning system was a significant attribute that has become essential in gaining a competitive advantage in the present marketplace. It was noted that the entire executive management group identified this attribute.

6. Changing skill and knowledge sets from narrow to broad to enhance performance of the customer encounter

Over two thirds of interviewees identified that changing skill and knowledge sets from narrow to broad was a key change in developing strategic capability. It was apparent from the comments that for franchise business units to develop the staff needed to have skill and knowledge competencies across a range of areas such as product knowledge, sales skills, customer service skills, business development skills, government legislation knowledge, working in teams skills, negotiation skills and problem solving and decision making knowledge and skills. Within the last ten years, many did not have these broad skills but, rather, very narrow skills. Some of the examples given in the interviews were:

- *We are a multi skilled workplace and we need all of these skills to keep developing the business (Aos4)*

- *I did not know so much was involved. We need to redevelop and gain a greater range of knowledge with the growth and change.. especially in government requirements (Bos1)*

- *Getting involved reducing errors means that we need to understand the order process (Aem2)*

- *The office is small so we need to be able to learn all the positions (Dsm1)*

- *The job is a lot different now to what it was only three months ago. I thought that I was hired for administrative work. I now find myself interacting with clients, doing property searches and preparing marketing material for clients (Cos2)*

- *We need to develop our people to become business orientated instead of just having a sales orientation. Many of them will become our future franchisees (Bem2).*

From the interview data the following four themes explain the nature of this attribute further.

Individuals need to be multi skilled

This theme was referenced by all cases as multi skilling had shown to be a key driver in their firm outperforming the competition (*Aem2; Bsm4; Cos3; Dsm2; Esm1).* All cases participated in multi skilling as small businesses invariably had to slot staff from one area to another, for example, when staff are absent due to sickness or holidays. As the businesses grew then it was easier for new staff to be trained when all people had various skills. An example given was that all staff needed to have the skills from opening up the office in the morning to balancing the tills at the end of the day (Dsm2).

Having a greater understanding of the 'big picture'

This theme was referenced as many of the interviewees commented that as a result of multi-skilling it was much easier to see the big picture and, therefore, be able to participate within the whole client encounter. This improved client encounter gained via increased customer and staff satisfaction and allowed the business to grow through providing a superior performance (Dsm3).

Ease of job rotation

This theme was clearly seen by all cases to support the concept of multi skilling and a mechanism for gaining job satisfaction, job security and a smooth work flow when any interruptions came, whether it was holidays or sickness. In Case A, all staff in their induction program had time in the office, warehouse and the sales field, not only observing but actually doing the real work (Aem1).

Empowerment becomes easier through broader skills.

To solve problems, fix errors, to develop new systems and to have a high quality customer encounter were seen as important ingredients in empowering the staff to make good decisions that would create a competitive advantage. All cases referenced the issue that their people have broader skills, rather than narrow ones. Hence, it helped the staff become more empowered which resulted in increased customer satisfaction. One senior manager stated that within his business unit staff are empowered to budget and run promotional campaigns without senior management approval and this was only able to occur as a result of their learnt broad skills (Asm1).

From the findings as outlined over two thirds of the interviewees across all work groups clearly identified that changing skill and knowledge sets, from narrow to broad, to enhance the performance of the customer encounter was a significant attribute that has become essential in gaining a competitive advantage in the present marketplace.

4.3.2.1 Summary

Within the total group of fifty interviewed, twelve attributes of changes in strategic capability for gaining competitive advantage within the last ten years were identified. These attributes are: more focus on self reliance and self development; a greater employee acceptance of empowerment to decision-make and innovate in problem solving; a greater reliance on self managed work groups; more focus on product development and delivery improvements as a consequence of a shift in customer expectations from medium to high; creating a learning system; changing skill and knowledge sets from narrow to broad to enhance the performance of the customer encounter; improved communication between staff internally and with clients; staff being able to see the big picture; higher participation of staff in planning processes; greater emphasis on the use of technology; better management of financial resources; and the change in relationship between corporate and the franchised business unit.

In summary the findings represent four specific areas of change which are:

a)   Capability of individuals and groups—self reliance, self development, self managed work groups, empowerment

b)   Development of systems–learning, product development and product delivery

c)   Financial, planning and technological

d)   Improved communications—labour force and consumers.

Understanding these four specific areas of change in strategic capability will be useful in allowing franchises in the future to build strategic capability to gain a competitive advantage.

4.3.3 Research Issue 3. How are operational learning strategies applied in franchised business units in Australia?

The third research issue is concerned about how operational learning strategies are applied in developing strategic capability within franchised business units in Australia. The concept of operational learning, as stated previously within the literature review, occurs under two conditions. Firstly, operational learning occurs when an organisation achieves what was intended to be achieved (Senge 1990). Secondly, operational learning occurs when initially the organisation does not achieve what was intended, identifies the error or mismatch, and rectifies the error or mismatch by corrective action so that the organisation then achieves what was intended (Senge 1990). In considering the findings for Research Issue 3, responses from probe questions 9 to 14 and 16 were considered (Appendix 1 Part C).

In considering all the data gathered, eleven operational learning strategies were identified. These are listed in Table 4.5 (by franchised business group). The table identifies which cases are using which strategies. This research issue allowed the information gained to help develop an understanding of what operational learning strategies are used and how they are applied within the five franchised business cases studied.

Table 4.5: Operational Learning Strategies used by the five FBUs

Operational learning strategies	A	B	C	D	E
1.Set up of rules and routines	X	X	X	X	X
2.Regular internal training	X	X	X	X	X
3.External short courses	X	X	X	X	
4.Accredited in-house courses	X	X	X		
5.Informal buddy/mentoring	X		X		
6.Controlled on-the-job training	X	X	X	X	X
7.Doing the job itself (work experience)	X	X	X	X	X
8.Listening to others in the workplace	X	X	X	X	X
9.Watching others in work practice	X	X	X	X	X
10.Job rotation	X				X
11.General communicating in the workplace	X	X	X	X	X

Strategy 1 Set up rules and routines

Reference to this strategy was made by all of the franchised business cases. The business units identified the critical importance of having structured rules and routines as the first learning encounter. It was identified as the platform for setting out the work direction for new staff members. Comments suggested that one of the critical success factors of franchises is the consistency of a high quality product and delivery system. It was noted that the rules and routines in all of the franchised business units were detailed and structured. An example in all of the franchised business units was their respective induction programs. In all cases staff members were given a brief on the organisational history, culture, vision, and work structure. Most of the programs had components of the staff members working alongside other staff in different areas of the organisation so that they could have a working appreciation of those different areas. An example was that a new administrative staff member in one of the real estate offices went out on some house valuations with some of the sales staff (*Csm3*). Another example was that all new staff members in another organisation had to be trained and work for two days in the warehouse in a pick and pack capacity (*Aem1*).

The induction program itself was a vehicle to outline to new staff the rules and routines of the franchised business unit so that new staff learnt the right methods of operation. Strategies used included listening, watching, and participating in different work activities which were selected to maximize their ability to achieve the desired learning outcome. All of the induction programs included a feedback review to be completed by both parties detailing the level of understanding and compliance to the rules and routines, and any necessary revisiting of issues. Three of the franchised business units had empowered operational staff to design and facilitate the induction programs (*Asm2; Bsm5; Cem2*).

From the findings as outlined, interviewees across all work groups clearly identified that the strategy of the set-up of rules and routines within the workplace was a significant operational learning strategy.

Strategy 2 Regular internal training

This strategy was referenced by all of the franchised business units. This was identified as a relatively broad strategy as it covered many different aspects of operational learning. Regular training was identified by all franchises as occurring at least monthly, with topics decided prior to the actual training. This meant that it was somewhat planned and relevant. It was found from the interviews that the majority of the training was conducted by internal staff with the required knowledge and skill sets. Examples of the comments gained through the interviews were:

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- *Every Monday morning between 8.30am to 9.30am we have group training meetings to review invoicing errors and revisit customer service skills. We use role play within these sessions to practise (Asm3).*
- *Sales training is once a month. We review particular sales and listing techniques and review stock. We all take the training from time to time depending on our expertise. Last week we had introduction to auctioning training (Cos3).*
- *Shift meetings are once a week to discuss customer satisfaction feedback, work practices and operating results for various shifts (Esm5).*
- *Monthly zone training sessions are held once a week to develop business and sales skills (Cos3).*

From the findings as outlined, interviewees across all work groups clearly identified that the strategy of internal training within the workplace was a significant operational learning strategy which certainly was effective in correcting errors that had been identified. It was apparent from the interviews that this strategy was consistently used to identify and rectify most operational errors.

Strategy 3 External short courses

Four of the five franchised business cases referenced this strategy. Comments from within the four firms suggested that they used this strategy extensively as it had the advantage of allowing staff to mix with other workplaces and to learn the skills from outside the organisation. This strategy allowed them to bring the learning back to the business unit (*Aos2; Bsm1; Csm3; Dsm1*). On numerous occasions the training was identified as being of a technical nature which the business unit did not possess (*Bsm2*). The four franchised business units all accessed many different training providers, even over a twelve month period. Some of the examples of the courses attended and the providers are as follows:

- *Time Management (Australian Institute of Management)* (*Bem1*)
- *Negotiation skills (Australian School of Business &Law)* (*Asm2*)
- *Crystal Reporting (Applied Computing Institute)* (*Asm1*)
- *Real Estate Sales (REIQ)* (*Bsm2; Cem2*)
- *Straightening Techniques (Wella Australia)* (*Aos3*)
- *Building Customer Confidence (Commerce Queensland)* (*Dsm4*)

All of the four franchise cases have a system of a participant's review so that an evaluation can be made as to whether the course will be used in the future. In two of the franchised business units staff present a brief of the major components learnt and generally pass the skill on via different learning strategies such as formal internal training, or by adopting the new process and encouraging fellow workers to observe (*Bem2; Csm3*).

From the findings as outlined, interviewees across all work groups clearly identified that the strategy of using external short courses was a significant operational learning strategy. The strategy was an effective tool in identifying any problems with existing processes or work practices and it was regarded as extremely useful in gaining the required skills and competences to rectify the issues.

Strategy 4 Accredited in-house courses

Three of the franchised business units have accredited national training programs in operation in-house. Interviewees from the cases who were participants in this strategy suggested that this was one of the most progressive strategies for learning that they had ever undertaken. The programs were nationally accredited and in Australia three programs have been developed by industry councils set in place to identify and create programs that are regarded as best practice within the specific industry. It was apparent from the interviews that the participants were motivated by gaining specifically nationally recognised qualifications.

The content of the programs in part addressed operational issues of work. The interviewees commented that the programs were a great way of identifying errors in processes and work practices. The participants used the workplace for the formal assessment of their competencies. This was identified as a significant operational learning strategy. The programs in place within these franchise cases are:

Certificate IV in Property program is in operation in both franchise cases B and C

The course was designed to give participants the content knowledge and skills required by the Office of Fair Trading for issue of a Real Estate Licence. In all Australian states it is a requirement by law that a person needs a licence to own a real estate office, whether a franchise or an independent. The Office of Fair Trading in Queensland requires a specific four units of the course to be successfully completed before a person can be registered to sell real estate (*Bem1; Cem3*). This course is required so that there is consistency and accuracy of processes within the industry (*Bsm1*). It is content driven, with assessments being competency based (*Csm4*).

Certificate IV in Business program is in operation in franchise cases A, B and C

This course was designed to give participants skills within a broad area of business activities, which can be tailored to a franchised business unit's needs within the scope of units offered (*Aem1; Bsm5*). In addition, the assessments are competency based with no examinations but, rather, work-based learning projects (*Bos2*). The program has units that are content based as well as process based, which allows both employees and employers to gain required skills to be more productive within the work environment (*Csm4; Aos2*). This strategy fits the operational learning concept as it is about producing the right match outcome without attempting to reflect on the system.

Certificate IV in Training is in operation in franchise cases B and C

This program is about learning how to train and assess skills and competency within the workplace (Bsm5). It is specifically work-based and competency-based and it is about training trainers how to design appropriate learning programs, how to deliver effective training and how to assess whether learning has been effective (*Bsm1; Csm4*).

From the findings as outlined, interviewees across all work groups of these three cases clearly identified that the strategy using accredited in-house courses within the workplace was a significant operational learning strategy. In addition, it should be noted that a fourth franchised business unit sponsors employees to attend the *Certificate III in Hospitality* in their own time (*Esm4*). This business unit has identified the advantages of learning these content skills via this operational learning strategy.

Strategy 5 Informal buddy/mentoring strategy

Two of the franchised business units have referenced this strategy, however, they both use it a different way as presented as follows: franchised business unit (A) uses

this strategy for its new staff members during their first year (*Aos2*). During their induction program they are given a buddy within their own team (*Aos3*). After one month they are given a new buddy who is from another team and becomes their mentor for the remainder of their first twelve months in the job (*Aos2*).

This strategy allows the new staff member to not only have a starting point where confidence in the job can be supported but, in addition to the continual support person, the staff member is continually learning about the job roles and content from different work areas (*Asm3*). The strategy is a '*care*' concept (*Aem1*). The staff are empowered to develop a buddy system and as a result this '*care program*' was introduced over three years ago (Aem2). It has been refined on a regular basis and many of the staff continue to participate (*Aos2*).

Franchised business unit (C) uses this strategy in its sales area, firstly by pairing up new staff from different offices (*Cos1*). Staff are encouraged to communicate weekly via telephone, to meet monthly so that they can chat about their experiences, and to learn from each other (*Csm4*). Secondly, they are paired with a franchisee from another office so as to pick up on finer detail of sales skills and issues associated with the content within property (*Cem2*). This strategy allows new members to not only have support persons available, but to have informal training sessions about property content specific and sales skills. This operational learning strategy delivers high quality performance, as stated by many interviewees, from both franchised business units A and C.

Strategy 6   Controlled on-the-job training

This strategy was referenced by all of the franchised business units. This strategy is about having support for fixing errors and one-on-one learning during the early stages of any new job role that an individual undertakes. Some examples of this strategy that were identified during the interviews are presented as follows:

Franchised business unit (A) uses the double jacking system of peer listening to customer service telephone calls (*Asm3*). This could be viewed as a QA (Quality Assurance) system, but interviewees commented that it is a very helpful learning strategy (*Aos4; Asm2*).

Franchised business unit (B) uses the on-the-job learning strategy for its sales people in a three-staged approach (*Bsm1*). Firstly, a new sales person goes on sales calls with either the franchisee or sales manager (*Bsm5*). Secondly, with any sale that a new salesperson makes within the first two months, the franchisee or sales manager has at least two joint meetings with the salesperson and vendor (*Bsm3*). Thirdly, within the first six months all new salespersons must take a peer to house valuations at least once a week (*Bos2*).

Franchised business unit (C) uses this strategy for all new property management staff (*Cem2*). The staff must have at least two weeks work experience within another property management office which allows for operational learning to occur between staff (*Csm4*).

Franchised business unit (D) uses this strategy for all of its franchisees (*Dsm1*). Before officially taking up a franchise, the new owner must work for two weeks within an existing franchise and it is recommended that the practice continue by working at least one week per annum in another franchise (*Esm1*).

Franchised business unit (E) continues to use this strategy in its kitchen area by having franchisee or senior staff working directly with new staff as product delivery is critical in gaining customer satisfaction and repeat business (*Esm3*).

Strategy 7 Doing the job itself (work experience)

This strategy is about learning how and what to do by doing the job. As employees go about their work they are either achieving what they are required to achieve or, on occasions, tasks may not be achieved as required (*Bsm2*). The employee takes corrective action and learns from that experience so that it should not reoccur. An example was given by (*Bos2*), with a real estate salesperson having a client sign a contract for the sale of a house. When the contract is being processed there is an error detected in that one of the pages was not signed by the client and, therefore, the salesperson needs to revisit the client for the signature. Another example was given by (*Eos1*) where a wrong meal was delivered to a client as a result of the order not being accurately recorded.

This strategy is an operational learning strategy which may have a positive outcome, however, it cannot be certain that what is learnt is necessarily correct. When errors occur they are corrected as part of the busy working environment. As commented by a number of interviewees, if errors are minimal then this appears to be a very effective way of learning (*Aos2; Bsm3; Ds4*).

Strategy 8 Listening to others in the workplace

All of the franchised business units referenced this strategy. It was commented that this strategy is not only part of all the induction courses, but it is an expectation of all staff that they learn through listening (*Esm1; Dos2; Bem2*).   Comments from interviewees from four of the franchised business units suggested that they had training for staff on being attentive, especially when dealing with a service encounter. Some specific examples of learning sessions on listening are presented:

- *Training sessions on being focused when taking menu orders (Esm1)*
- *Training sessions on note taking when valuing a property as listening skills are a major part of the process (Bos1)*
- *We had listening sessions by peers on our customer service calls (Dos3)*

- *We have had listening training sessions so that we learn to listen to different teams members as well as different teams (Asm4).*

Listening to the general work chatter around the office was noted as having positive outcomes for the achievement of what needs to be achieved. A common comment from all franchises was that they learn from each other.

Strategy 9 Watching of other staff in work practice

All franchise business units referenced this strategy as it was identified as a critical learning tool for all business units. All of the franchised business units had functions of operation which had a physical aspect to them. Four of the business units had referenced the point that part of their induction program and ongoing training had watching/observation skills included at different stages. Some of the examples given are presented as follows:

- *Formal observation of sales presentations (Cem3)*
- *Watching a peer's new way for picking and packing large orders (Aos4)*
- *Observing a new technique for prospecting for new clients (Dos3)*
- *Watching how to unjam the photocopier (Bos2)*
- *Observing how another staff member manages extra table groups on a busy shift (Eos1).*

According to the interviewees, observation of all aspects of the workplace is an operational learning strategy which is used extensively.

Strategy 10 Job Rotation

Reference to this strategy was noted by two of the franchised business units. Both those franchised business units commented that this strategy brought many benefits to the business, and certainly increased the general job learning of the staff. It meant

that during busy times staff could be required to work in another workgroup. As a consequence of this strategy the work is completed at a high standard. Some of the comments from these two business units are presented as follows.

- *Error rates are lower…job rotation has helped that (Aem2)*
- *On busy nights we need more help in the kitchen…it is a much simpler operation when all our staff have had some experience (Esm5)*
- *When some areas are slow and others busy the staff, via empowerment, help out in busy areas. There is an incentive process in place which encourages work groups to help other work groups when in need (Aos2).*

It was commented by the executives of both franchises that this strategy has been in place within these franchised business units for many years and that staff want it kept in place (*Aem1; Esm4).*

Strategy 11   General communication in the workplace

All franchised business units referenced this strategy as a commonsense approach to operational learning (*Aem1; Bem1; Cem3; Dsm2; Esm5*). All of the franchised business units had a policy concept of no constrains to general communication as it is recognised as a superior strategy for learning what needs to be learnt so as to achieve the desired outcome. All the franchised business units had an open door policy in management so that all staff felt at ease in just 'dropping in' and discussing issues. It was also noted by two of the franchised business units that work groups communicated freely with other work groups without going through a command-rigid management structure (*Bsm2; Dos1*). An example of this within one of the real estate franchises was that an individual or a group could directly communicate with the head office executive and vice versa (*Bsm2*). Another example was given within the banking franchise in that it was encouraged that branches communicate with each other without the need of regional management approval (*Dos1*).

Comments were noted that the communication channels were open as a consequence of other strategies such as buddy/mentoring, induction programs, internal training, and job rotation (*Asm1; Bem3; Csm3*).

4.3.3.1 Summary

Within the total group of fifty interviewed, eleven operational learning strategies were identified which were: the setting up of rules and routines; regular internal training; external short courses; accredited in-house courses; informal buddy/mentoring; controlled on-the-job training; doing the job itself; listening to others in the workplace; watching others in the workplace; job rotation; and general communications in the workplace.

In summary, the findings represent a key focus on the people within the business having the required skills and competencies to perform at the standard required to gain a competitive advantage. These operational learning strategy findings can be narrowed to three main elements which are:

a) The day-to-day working

b) A specific learning intervention

c) Internal system development intervention.

Franchised business units use a combination of operational learning strategies to obtain the desired outcomes for the business unit. It is worth noting that all the franchised business units use strategies that most business units would classify as good practice. In addition, the strategies of the use of external short courses, accredited in-house courses, buddy/mentoring concept, and job rotation have been used by many of the franchised business units.

4.3.4 Research Issue 4: How are strategic learning strategies applied in franchised business units in Australia?

The fourth research issue concerns how franchised business units use strategic learning strategies in their workplace. What is critical to this study is to discover the links between these strategic learning strategies and establishing and maintaining a competitive advantage. The concept of strategic learning, as stated previously within the literature review, is more about workplace effectiveness and efficiency rather than just efficiency. It is concerned with determining the appropriate objectives, and making sure that the business unit is doing the right things by questioning and modifying as necessary organisational culture, policies, objectives, strategies and structure. In considering the findings for Research Issue 4, responses from probe questions 9 to 14 and 16 to 19 were considered (Appendix 1 Part C).

In considering all the data from the fifty interviews, seven strategic learning strategies were identified as having been applied within the cases within the past ten years. These are listed below in Table 4.6. The table identifies which strategies each of the cases has applied within their franchised group.

Table 4.6: The strategic learning strategies used by the five FBUs

Strategic learning strategies	A	B	C	D	E
1.Open communication system	X	X	X	X	X
2.Empowerment of individuals and teams	X	X	X	X	X
3.Self management		X	X	X	
4.Higher education			X	X	
5.Training evaluation and reviews	X	X	X	X	
6.State and National Conferences	X	X	X	X	X
7.Mentorship	X	X	X	X	

Strategy 1 Open communication system

Reference was made to this strategy by all of the franchised business units. Comments gained from employees from all levels of workgroups strongly suggested that not having barriers in the communication system was of critical importance. The relative ease of being able to communicate freely between individuals, workgroups and clients allows new ideas to be generated which positively impacts on improvement of the effectiveness of the business unit. Some of the examples are presented as follows:

- *We get to help improve the system by chatting with the general manager and other senior management (Aos3)*
- *Our office has regular breakfast meetings where we put forward our ideas on how we could improve the organisation (Bos2)*
- *All staff are encouraged to participate in putting forward their feedback on the system and how processes could be improved...and they do (Csm3)*
- *Our franchise has changed many processes because the staff communicated with each other, management and clients (Dsm2)*
- *Communications at weekly meetings help with providing the best solution for the operations of the business (Esm3).*

Comments suggest that an open communication system is a mandatory element for strategic learning to occur. The findings demonstrate that by operating an open communication system staff share advice readily, adapt to new ideas more quickly, share stories about experiences and are able to progress to the point of some analysis about changes and continuous improvement.

Strategy 2 Empowerment of individuals and teams

All franchised business cases referenced the strategy of empowerment as a critical requirement for successful strategic learning to take place. Giving employees a

reasonable amount of authority and guidelines for decision-making allowed the individuals to not only work effectively but, in addition, to put forward constructive ways of improving the operations. As individuals developed their own work practice this had a flow-on effect onto the team's operations. This meant that teams were empowered to deliver not only an efficient outcome, but an effective system of operations. To achieve this, franchised business units allowed employees to be participants in realigning policies, procedures, and strategies to deliver the desired results required by shareholders and clients. Some of the examples gained by the interviews and secondary data are presented as follows:

- *The customer service team developed a strategy of sending out a bag of mixed lollies with a client's first order. The strategy developed into gifts for Easter (bag of Easter eggs with all client orders) and Christmas (a small gift with every client order). The current outcome is the team setting up a customer loyalty program (AEm1).*

- *The team set up a totally new marketing concept of providing the local community with property workshops so that the franchise could be positioned as a market leader in providing high quality market information. The staff developed the strategy, they were empowered to action the strategy as a result this became the new system for developing marketing strategy (Bsm1).*

- *Staff wanted more training. They were empowered to research and purchase within a given budget. They came back with an ongoing concept of short course topics and a methodology of internet delivery. This has been adopted and is now a central selling element for growing the franchise distribution (Csm4).*

- *Our customer service team has been empowered to develop the entire 'new business' strategy. They developed a special 'kids' promotional account concept which has been adopted with great success (Dsm1). This has now been adopted by the entire franchised network (Dsmo3).*

- *Team empowerment has produced a new operating system that is innovative, efficient, effective, and is producing increased revenue for our franchise (Esm5).*

General comment was that this strategy has allowed strategic learning to take place and has resulted in much higher productivity and an increase in revenue. The findings showed that empowering staff resulted in a greater motivation in staff wanting to participate in delivering a competitive advantage.

Strategy 3   Self-Management

This strategy was referenced by three of the franchised business cases. The comments gained gave an indication that staff of these three franchised business units participated in a formal self-management strategy. As an individual reviewed their skills against their unit's strategic plan, a list of individual skill gaps was developed. The next stage in the process was that the individual prepared an action process to address the gaps by using a variety of learning strategies which included formal higher education, short content courses, joining professional associations, developing informal and formal mentorships, job rotation, and peer review. Some of the skill gaps that were referenced are presented as follows:

- *The ongoing development of expertise in building a successful franchise (Bsm2).*
- *Understanding of the motivational and work ethic of commissioned salespeople (Cem3).*
- *Becoming more confident in working as part of an empowered decision making work group (Csm1).*
- *Understanding hairdressers as a small business segment (Asm4).*
- *Being able to cope with working weekends (Csm3).*

By focusing on these skill gaps the franchised business units developed different ways of doing what was required to rectify the gap. As an example, it was

commented that one of the external mentors of a real estate franchisee was a senior partner in an accounting practice as the mentor had extensive experience with growing and developing small businesses (*Bsm2*). The result was that the franchisee learnt how to question existing policies and procedures, which resulted in modification, where necessary, to deliver a superior result (*Bem1*).

The findings demonstrate that a self management strategy is an important factor in developing strategic learning as the participants adopt the process of a higher level of learning in the development of their self management strategy.

Strategy 4 Higher education

Two of the franchised groups referenced this strategy. Both of these franchised business cases provided in-house accredited competency based courses to staff. Evaluation of the courses by the staff referenced the view that these courses were only designed to improve or provide skill development, and fell well short of questioning whether the organisation was providing the right or best solutions for the future operations. As some of the staff had higher educational qualifications they proposed that their organisation sponsor higher education, especially at the post-graduate level, as workplace assessments could be undertaken. Comments suggested that this strategy has been successful and is growing in its usefulness within these franchised business units. Some examples are presented as follows.

- *A Graduate Certificate unit in Information Systems for Managers has allowed the organisation to question our current system to the extent that we now have budget allocation for a system change over the next two years (Bsm1).*
- *The content of the marketing major of a post graduate business course has allowed a senior manager to use our marketing problem as a major group assignment topic. As a consequence we have had outside students (managers of other business units in their own rights) work on our marketing problem. In completing this task the group questioned the current work strategy, redefined our direction*

and provided an action plan with procedures to implement the new marketing strategy (Csm2).

This strategy of sponsoring higher education to improve business unit effectiveness has resulted in a different level of learning. Comments suggested that this was about learning to adapt, and learning to learn. Comments referenced about learning to adapt focused on strategic learning gained from experiences of successes and failures. Comments referenced about learning to learn focused on strategic learning gained from innovation and creativity.

Strategy 5 Training evaluation and reviews

Four of the franchised cases referenced this strategy. Comments gained by the interviewees focus on the issue that evaluation is about determining the learning value of the training programs and assessing their effectiveness in providing the desired result. The two aspects of evaluation which were referenced were formative and summative evaluation. Formative evaluation was referred to as that process of providing information which would lead to immediate change, and summative evaluation being an evaluation post course, which may lead to a course content change in the future. Much of the views given were that of formative evaluation as the interviewees deemed it too late after the event. Many interviewees appeared to view evaluation as a work in progress and that programs needed to reflect current needs that could change in the future. Some examples are presented as follows:

- *If we attend training we need to ensure it is appropriate for our needs to achieve desired results (Csm2).*
- *We need to question the content for our needs...our people have been to too many training courses where the best aspect is the lunch (Dsm3).*
- *Too many courses are not based on the workplace needs...we need to adjust during the course not be the helpers for the next course (Bos2).*

- *Empowering staff appears to develop the best content as they question and modify content and methodology as required at the time (Bos1).*

This strategy was concerned about how this strategic learning strategy is applied in the workplace. The focus was strong on formative evaluation and review by empowered individuals and teams.

Strategy 6 State and National Franchise Conferences

This strategy was referenced by all the franchised cases in that they all have their own franchise conferences. The comments gained focused on the business units' need to gain valuable insight into new ideas, systems, products and services, service encounters, and generally ways of doing business right. It was identified that the best insights can be gained by empowered staff. Empowered work groups are able to gain most of the information which can provide such insights. As it is difficult to arrange times, venues, and time off the job to gain this insight from collective groups of staff, all of the franchised business units have in place state and national conferences that suit their industry. Information gained by reviewing conference agendas indicate that all have sessions which would gain such insight and, in addition, workshop sessions that have cross sectional group members. This strategy captures much valuable information gained by open discussion and, on many occasions, debate. Examples of workshop topics and discussion issues are presented as follows:

- *'How do we improve delivery times in Victoria?' (Asm1).*
- *'Should we extend trading hours on weekends?' (Eos2).*
- *A lengthy discussion transpired at the last national conference on the issue of the strategy being used to increase the number of franchisees within Queensland (Bsm3).*
- *The state meeting gave us some strategies on what we should be thinking about (Dsm3)*

Using the strategy of national and state conferences appears to be successful in strategic learning as all participants are away from their normal work activity and much informal interaction results in learning. Comments certainly supported that this strategy was a key success factor in gaining and maintaining competitive advantage. This strategy extended the family concept of the franchise system where issues can be questioned and strategies modified.

Strategy 7 Mentorship

Four of the franchised cases referenced this strategy. The comments gained suggested that the mentor relationship can be formal or informal but, in practice, it needed to make a positive contribution to learning both in operational and strategic terms. A number of common themes about mentoring were noted. First, there are many benefits to be gained by both the mentor and mentored. Second, there must be willingness for both participants to enter into a mentor relationship. Third, the relationship needs to be a sharing relationship where there is positive interaction from both participants. This strategy is a holistic approach which involves questioning, modifying, and continual evaluation of current process and strategies. Some examples from the interviewees on the mentor relationships are presented as follows:

- *Real estate franchisee mentoring a new salesperson from another office on different sales strategies for the commercial market segments (Csm4).*
- *A senior partner in a large accounting practice mentoring a real estate franchisee on different strategies on business growth and appropriate operational systems (Bem2).*
- *The National Sales Manager mentoring a customer service agent on how to collect outstanding accounts without affecting the long term client relationship (Aos1).*
- *A minister of religion mentoring a hospitality industry franchisee on how to effectively develop different strategies to retain staff (Esm2).*

The strategy of informal mentoring appears to be strong and effective in developing a higher level of learning. A few of the mentor relationships are formal, but appear to be in the executive management sector as a requirement of a franchise agreement (*Dem1*).

4.3.4.1 Summary

Within the total group of fifty interviewed, seven strategic learning strategies were identified which were: applying an open communication system; empowerment of individuals and teams; self management; higher education; training evaluation and reviews; state and national conferences; and mentorship. In summary, the findings represent three main learning strategies which are:

a) Individual self development

b) Specific learning activities

c) Supported strategic learning.

The seven strategies identified have the key element of exchange in common. The strategies are about developing the individual, the group, and the business.

4.3.5 Research Issue 5: What factors promote and/or impede organisational learning in franchised business units in Australia?

The fifth research issue is about identifying what factors are used within the business units that promote and/or impede organisational learning. The critical issue is to discover what influences advance or impede organisational learning within the five franchised business cases. Responses from probe questions 12, and 14 to 16 (Appendix 1 Part C) were used to gain the required information. It should be noted that it was important to identify any specific impediments, rather than merely identifying the flip side of positive influences.

In considering all the data from the fifty interviews, eight specific factors were identified that promoted organisational learning and four specific factors that impeded organisational learning within the franchised business units. Table 4.7 presents the eight factors that promote organisational learning and Table 4.8 the four factors that impede organisational learning. The tables identify the respective factor by case.

Table 4.7: Factors that promote organisational learning in the strategic business units

Factors that promote organisational learning	A	B	C	D	E
1.Encouragement	X	X	X	X	X
2.Empowering staff to decision make	X	X	X	X	X
3.Mentoring staff in their development	X	X	X	X	
4.Work sponsorship of higher education	X		X	X	
5.Training undertaken in-house during work time	X	X	X	X	X
6.Work-based learning in the workplace	X	X	X	X	X
7.Recognition of achievements of individuals and teams	X	X	X	X	X
8.Role models in learning	X	X	X	X	X

Table 4.8: Factors that impede organisational learning in FBUs

Factors that impede organisational learning	A	B	C	D	E
1.Learning difficulties	X	X		X	
2.Perception of no benefit to the individual	X	X	X	X	X
3.Not enough time to achieve completion of work tasks	X	X	X	X	X
4.Some staff just do not want to participate	X	X	X	X	X

Factor 1 Encouragement

All franchised business units referenced this factor as it was noted by many of the interviewees as a critical success factor for the business unit. Much comment was made concerning that encouragement should be seen as a given in any firm. From comments made it is perceived as mandatory in being linked to empowering staff to make decisions and actioning their continual learning in the workplace. Examples of the level of encouragement are presented as follows:

- *Encouragement given concerning the process used by a young manager when ordering a forklift (Aem1).*
- *Encouragement given to a peer when dealing with a difficult client owing substantial money (Dos3).*
- *Encouragement given when the sales team identified a new market strategy in a slowing real estate market (Bsm4).*
- *The encouragement given by peers when a new product concept was developed by staff, released to the market but failed to produce the budgeted results (Cos2).*

Comments focused on the need for the encouragement to be genuine, regular and shared around between peers and management. Encouragement was seen as a key to developing the learning of the individual/s, groups and the firm as a whole. All sectors benefited as the people supported each other and, in consequence, created a positive work environment.

Factor 2   Empowering staff to decision-make

This factor of promoting organisational learning was referenced by all of the franchised business units. Comments given focused on the issue that to achieve and sustain a competitive advantage, especially during the early stages of the business unit, genuine empowerment of staff was necessary. As a result, the staff developed their skills and learning to the required level so as to deliver the desired results. Through the lack of a clear decision-making process many of the franchised business

units interviewed had indicated that they provided the strategy of empowerment to rectify any delays in decision-making. Examples of this factor in operation are presented as follows:

- *The concept of growing a business via the concept of franchising is empowerment to a franchisee (Bem1).*
- *The customer service people are empowered to develop a customer loyalty program (Asm2).*
- *Our people were empowered to run the operations while the franchisee was hospitalised. They rotated management roles, and developed a new system of incentives and peer evaluation (Esm5).*
- *The staff developed the mentor program (Cem3).*

Most comments centred on the issue that management needed courage to implement the strategy of empowering staff. Comments from the senior executives suggested that the positive results of empowering your people are significant.

Factor 3   Mentoring staff in their development

Four of the franchised business cases referenced mentoring as a learning relationship that was able to make a positive contribution to organisational learning, as well as being compatible to an individual's learning style. It was apparent from the interviews that the dimensions of the mentorships were different, not only between franchised business units but also within firms. Dimensions noted from interviewees covered issues such as formal and informal structures, hierarchical or peer, diversity of participants, same firm or different firm, and the intensity of the relationship ranging from weak to strong. It was also noted that mentor relationships change as circumstances change. Some examples are presented as follows:

- *Regional Sales Manager being mentored by an executive manager from one of Australia's leading financial institutions. Dimensions are external, informal and medium in intensity. The need for the*

> *mentorship was to bridge the learning gap of becoming more confident in working as part of an executive decision making team. The mentor's knowledge, skill, advice, and encouragement were valuable as a learning tool (Dsm1).*

- *Franchisee being mentored by the franchisor of a real estate group. Dimensions are internal, informal and of medium intensity. The need for the mentorship was to bridge the learning gap of understanding of the motivation and work ethic of commissioned sales agents. The mentor has had vast experience in developing sales agents in real estate offices with the group now numbering 110 offices in Queensland and over 600 sales agents (Bem1).*

- *Franchisee of a hair care outlet being mentored by a retired senior human resource manager. Dimensions are external, informal and of weak intensity. The need for the mentorship was to bridge the learning gap of developing new strategies for dealing with high staff turnover. The mentor relationship took the form of discussion, a listening board, advice, encouragement and helping to understand why people leave employment (Asm1).*

As outlined by these examples mentoring, in almost all instances, was informal and ranged from weak to medium in intensity. Without exception, the comments were all positive as they had identified that mentoring is a successful tool for promoting organisational learning at a strategic level rather than at an operational level.

Factor 4   Work sponsorship of higher education

Three of the franchised business units referenced this factor, however, these business units commented that this factor has had a significant impact on promoting organisational learning. The higher education programs have been in business with each participant undertaking a similar core of business units and then each having a varying major. All units undertaken had theory components and an application component which, in many cases, focused on the participant's workplace. Summative assessments included workplace learning and, as a consequence, the

skills of questioning policies, procedures, strategies, and vision were part of this learning strategy. Comments noted from the interviewees strongly indicated that this learning was about learning to adapt and learning to learn. Examples of this factor are presented as follows:

- *The warehouse manager has completed a major in occupation health and safety. The knowledge gained has allowed him to lead an empowered workgroup in formulating workplace policies and procedures in this area (Asm4).*

- *The regional franchise manager in undertaking an MBA program majored in entrepreneurship. With the combination of his experience and higher education studies in business and entrepreneurship he totally questioned and changed the franchise support strategy of the business unit. Since that time franchisee satisfaction has grown significantly (Dsm5).*

- *A Director has undertaken studies in business with a major in training and development. It was felt that he had a learning skill gap in understanding best practice in training processes. By undertaking this study he was able to gain content knowledge and apply the learning within the franchise group (Csm1).*

- *The national sales manager had undertaken a course in hospitality management not for the hospitality aspect but for the service side. Comments indicate that as hospitality is a service driven industry then undertaking such a course would give superior insight into superior service strategies. By transferring that learning across to the real estate market it should give the group a competitive edge (Cem3).*

In summary, comments gained indicated that promoting higher education learning within the workplace has benefits for both the participant and the organisation. The key issues seem to be that a wide range of learning methodologies are used within the higher education sector which allows for positive higher levels of learning. In particular, the post-graduate level of learning allows the participant to develop their

learning by much work-based learning assessments. Comments were noted that this style of learning has a positive impact on the individual as well as the firm.

Factor 5   Training undertaken in-house during work time

All the franchised business units referenced this factor. Comments indicated that as the training was undertaken in work time it automatically had a positive effect on staff attitudes to learning. Even though this required work scheduling changes the learning process was seen as productive time. Both the employers and employees were making a contribution. It was noted that where franchised business units had paid for the training but scheduled it after work, staff retention in sessions of this nature were low as it was seen as of little benefit to the employee. Comments were made by many of the interviewees that formal courses needed to be nationally accredited so as to have portability across industries. This was noted as a key promotional factor.

The benefits to the individual are that learning is in work time, focused and relevant to the job and the participant is accredited with a nationally recognised qualification. The benefits to the franchised business unit are that learning occurs, skills increased and improved and staff retention is high, therefore having a positive impact on competitive advantage. Examples of some of the courses are presented below:

- *Certificate IV and Diploma in Business; Certificate IV in Training and Assessment; Diploma in Customer Contact Leadership (Aem1).*
- *Certificate IV and Diploma in Property; Diploma in Business (Bem2).*
- *Certificate IV in Property (Cem1).*
- *Certificate IV in Business; Diploma in Business (Dsm2).*
- *Certificate IV and Diploma in Business (Esm2).*

The in-house training undertaken by all of the franchised business units promoted ongoing organisational learning. Each of the programs uses a cross section of learning methodologies and a varied range of competency assessments. What was identified as critical was that this learning was perceived as supporting the individuals and teams within the workplace. Comments were made by many of the participants that the learning was work-based and the staff enjoyed the processes involved. An example of an assessment was the development of a new 'Leave Policies and Procedures Manual' (Aos2). Another example was the creation of a 'new sales meeting format' which included a training series on 'Prospecting for Listings' (Bos3).

Factor 6   Work-based learning in the workplace

This factor of promotion of organisational learning was referenced by all of the franchised business units. Comments indicated that interviewees perceived that the more traditional training was criticised for sometimes being too theoretical, too removed from the workplace, irrelevant to the franchised business unit's needs and developed by people not at the workface. The methods of delivery were suggested to be inflexible in terms of learning styles, length of training programs and recognition of a participant's previous skills. The work-based learning strategy is about having participants challenged to apply their learning in the workplace by thinking about current policies, processes, and strategies and actioning changes developed by the learning groups in response to changed needs. Examples of some work-based projects are presented as follows:

- *A work-based learning project was developed to investigate the high level of sick leave taken by office staff and to recommend corrective action to be taken. The solution adopted was the introduction of rostered days off. The business unit was located in an industrial estate where it was difficult for staff to go shopping during lunch time or to run short time errands so instead they had taken sick leave to achieve their personal requirements. Rostered days off reduced sick leave significantly (Asm1).*

- *A learning group within the franchisors office of a real estate group undertook a learning project of developing a new awards program. The requirement was to evaluate the existing program and modify if required. This project allowed the participants to understand the needs of franchise offices, sales people and the need for accurate data for judging awards. The result was a totally new quarterly format and a new process of confirmation of performance figures (Bsm4).*

- *The learning group led by a facilitator was empowered to develop a franchise news bulletin that was to be distributed to franchise offices and clients (Aos3).*

Comments by many of the interviewees indicated that the work-based learning was successful as staff learnt from each other while involved with work related matters. To successfully complete projects much interaction was needed with peers, other work groups, management and clients. This created a positive sharing work environment which promoted organisational learning.

Factor 7 Recognition of achievements of individuals and teams

All of the franchised business units referenced this factor. Comments were made that even though all firms have some form of staff recognition concept many interviewees suggested that in their firm, individuals and teams are recognised regularly for their achievements. There were many examples given concerning all aspects of the jobs undertaken within a franchised operation, however, examples focused on were about recognising learning. For example, recognition of learning within many of the franchised business units interviewed came in the form of a formal presentation of certificates for successful completion of accredited vocational education courses and degrees from the university sector. Some examples of these are presented as follows:

- *From a staff of 43 we have 42 employees who have gained a qualification at Certificate IV level, 15 have completed a Diploma, and have 11 currently studying university courses (Aem1).*

- *Our office manager and our training manager have recently completed a Diploma in Business. They are both mature aged employees and these are the first post compulsory qualifications that they have obtained and they are both elated and keen to further their formal learning(Bem1).*

- *As a part of a new strategy we have had our short courses assessed as having an educational value. The individuals have been given formal accredited recognition for their expertise gained from these courses. Our people have commented on how impressive this concept is for recognition of achievement (Csm2).*

- *The in-house job specific training undertaken by our staff has been recognised by a local TAFE as having fulfilled the workplace component of a hospitality course (Esm1).*

- *Franchise teams are recognised in our awards night if they achieve targets set by their team (Bos2).*

The recognition received, as presented in the examples, had promoted organisational learning on an ongoing basis. Staff felt that learning had personal benefits attached—a key one being recognition of achievement.

Factor 8   Role models in learning

All of the franchised business units referenced this factor not as critical, but as important. A major reason given was that key people or groups in all of the business units endorsed the concept of continual learning as a process to improve work skills, business productivity and competitive advantage. Comments were common that team members are influenced by role models within the firm regardless of whether these are individuals or groups. A common view shared by many of those interviewed was that having good role models lifted the whole workings of a firm,

which had a positive effect on total productivity. It was also identified as a key driver of promoting organisational learning. Even though many general examples were given, the following represent examples of role models in learning:

- *The first cohort of Diploma participants gave positive evaluations of the content, work-based learning projects, and relevance to the workplace (Asm1).*
- *The General Manager participated within the learning group. This was a role model influence on management participation within a learning group (Bem2).*

A key factor that came from the many comments of the interviewees was that having good role models in learning was about having good leadership in learning. This leadership does not have to be management, and on many occasions is an individual or a group. As one interviewee suggested, 'in our firm, role models are everyone as we all have important skills and talents to share' (Cos2).

Factor 1   Learning difficulties

Three of the franchised business cases have referenced this factor. Comments from interviews indicated that issues of learning difficulties had arisen within the workplace. Literacy and numeracy skills were identified. One of the workplaces professionally tests staff for difficulties so that the required help may be obtained. The staff of this firm had requested that testing of this nature not be used in selection processes and management had agreed. Learning difficulties are perceived as positive challenges where peers and management can help valuable team members develop an alternative learning style. Examples of this factor are presented as follows:

- *A staff member was found to have dyslexia where the issue was visual sequential memory disorder. That staff member had been suspended from school for behavioural problems but had become a*

loyal staff member. Their error rate was high in the workplace and they became obstructive within training sessions. Once the learning difficulty was identified alternative strategies were adopted within the workplace and for their learning. They have now completed a Diploma in Business and have completed a major within a degree program (Asm2).

- *The Training Manager in a real estate corporate office has poor skills in writing and had been identified at school as having a learning difficulty. This individual avoided detection within the workplace until formal accreditation of real estate learning was required under the new State legislation. Working within groups uncovered the learning difficulty. Alternative learning strategies were adopted to overcome this issue (Bem2).*

- *Error rates were on the increase and after close review it was found that one staff member had numeracy sequencing problem which caused a majority of the errors. It appears that the staff member tried to hide the problem. The solution created by the team was to trial a new team buddy system where the work group could redesign the work processes to overcome the problem. Error rates declined and all staff happy with outcome (Dos2).*

Comments from many interviewees suggested that learning difficulties are sometimes difficult to identify as staff tend to not want to participate in learning sessions as they are not keen to have the difficulty exposed. This issue tends to impede organisational learning because of the avoidance issue. The comments that were forthcoming on this factor pointed to the key issue of identification and finding a positive solution. Comments also focused on the issue that many of the interviewees viewed this factor as a team issue, rather than a management issue.

Factor 2   Perception of no benefit to the individual

This factor was referenced by all of the franchised business units. Comments centred on the issue that staff could perceive that training reminded them of negative

experiences of school, that learning in a classroom setting is too theoretical and too removed from the real workplace. However, the major issue by far was that individuals do not want to be assessed or reviewed. The concept of assessment or review will undoubtedly lead to a judgement of performance that is not work related and staff may see no benefit to the individual. Examples are presented as follows:

- *Many warehouse staff initially felt that they had the required skills to pick and pack stock. After one day of training the process is not complicated so why the need to complete any further learning processes especially a formal qualification (Aos2).*
- *Wait staff who are working part time to help finance their university study could not identify much benefit in completing any further formal or informal learning (Esm2).*
- *What was the point of completing a full real estate licence course when only the four simple units were required to obtain sales registration (Cos2)?*

It was apparent that this factor can impede organisational learning as the perception was that if the qualification is not required by law then it is not really necessary to learn such content. There was much comment on the issue of previous workplaces where learning was not perceived as a part of work. Comments generally hinged on the issue that historically learning was about rectifying problems that caused poor performance.

Factor 3   Not enough time given to achieve completion of work tasks

Reference to this factor was noted from all of the franchised business units. Comments recorded focused on the issue that the workplace can be so busy at times that it is difficult to get the normal workload completed at a quality standard. Then, in addition, management want ongoing learning to be a priority. There were some comments that suggested that many of the people, both franchisees and operational staff, viewed learning as a separate function to that of work. The conflict that arises

is one of priority of learning or completing the work tasks. Comments focused on issues such as staff wanting to avoid conflict by completing work tasks rather than participating in learning activities. Management comments suggested that organisational learning may be the loser which could cause a sub-standard business result. This lack of time certainly was identified as a factor that had the potential of impeding organisational learning on an ongoing basis. This was noted as a critical factor. Examples are presented as follows:

- *At the end of month and beginning of the next month processing sales is a critical task. Salespeople get angry and frustrated if their client orders are not processed on time. As formal learning sessions are set for the first Tuesday in each month, there are numerous months where there is a conflict between work and learning. The conflict spills over into management as executive management argue over work priorities (Asm4).*

- *Within a real estate office the focus is on sales. On numerous occasions when formal training sessions are scheduled sales staff may be absent due to having to get a contract signed or having to complete a house appraisal. To overcome this conflict of priorities the staff were empowered to set up operational guidelines to ease the conflict (Bos3).*

- *Training session during busy times will not work. We prefer mentoring, however, some mentors fall short of their roles as they focus on the work load too much and neglect their mentoree (Esm5).*

As these examples demonstrate, staff become caught in conflicts of work priority versus the need for learning as they perceive the two functions as separate. From the comments gained, this conflict is real and causes many staff stress and as a consequence can impede organisational learning.

Factor 4   A number of staff do not want to participate

All of the franchised business units referenced this factor. Comments noted focused around the issues that for some staff there are three distinct periods of a day: before work, work, and after work. There were many comments that suggested that many individuals would rather focus their energies into the before and after work categories as they perceive work to be a function of earning money. With this in mind these individuals will undertake the job but do not want to participate in any other activity, especially a learning activity. Many still have a negative view of learning brought from their schooling days. Examples are presented as follows:

- *Many of our staff had poor school results and some of those just do not want to participate in any activity that they think is learning (Aos2).*

- *A number of our customer service people just do not want to participate in any learning. They wanted to know was it a job requirement as they felt that they were awarded the job on the basis of their skills. Why was this learning requirement not referenced at the job interview (Dsm1)?*

- *Some of our sales people are in the over 60 year old age bracket with loads of experience and they want to be left alone to focus on their job (Bos3).*

- *Many of our casual staff are full-time university students. They comment that they do not want to cloud their brain with any more information but are happy to work to achieve quality outcomes (Esm1).*

As the examples have demonstrated there are individuals with good reasons for not wanting to participate within the learning process as they perceive it as a separate function to work. As a consequence, this factor can impede organisational learning but was not commented on as a critical factor.

4.3.5.1 Summary

Within the total group of fifty interviewed, eight factors were identified that promoted organisational learning within the five case studies. These factors are: encouragement; empowering staff to decision-make; mentoring staff in their development; work sponsorship of higher education; training undertaken in-house during work time; work-based learning in the workplace; recognition of achievements of individuals and teams; and role models in learning. In addition, four factors were identified that impeded organisational learning, namely: learning difficulties; perception of no benefit to the individual; not enough time to achieve completion of work tasks; and some staff just do not want to participate.

In summary, the findings indicate that the learning should not be based on the traditional classroom focused training as it was criticised for being too removed from real workplace issues and not relevant to the needs of the firm or the individual. It was essential that the learning be sensitive to a wide variety of learning styles and at the same time be effective learning so that desired outcomes can be achieved. The findings represent two major elements of promoting or impeding organisational learning which are:

a) Creating a supportive and productive learning environment

b) Using innovative learning strategies.

The factors that promote organisational learning are concerned about encouraging individuals and groups to get involved with using the workplace as a continual learning environment. This learning environment includes mentoring, accredited in-house training programs, and sponsorship of higher education together with using work-based learning projects as a means of creating relevancy within the workplace. Peers and management are jointly responsible for encouraging, empowering and recognising achievements of individuals and teams.

Factors that impede organisational learning are concerned with learning difficulties, the perception of no benefit to the individual, conflict between work activity and learning activity, and some staff not wanting to participate. Comments were noted that many of the factors that impede organisational learning can be overcome by using different learning methodologies or utilising the factors that promote organisational learning.

4.3.6 Research Issue 6: How can franchised business units in Australia gain further competitive advantages through more effective organisational learning strategies?

The focus of the sixth research issue is to discover from the interviews what effective organisational learning strategies and ideas the interviewees put forward in developing organisational learning capacity with a view of gaining further competitive advantage. In considering the findings for this research issue, responses from probe questions 1, 2, 6 to 9, 11, 14, 19 and 20 were considered (Appendix 1 Part C). Even though probe questions 14, 19 and 20 were set to develop rich responses to this research issue, the other probe questions identified allowed more information to flow.

This research issue used the information gained to establish an understanding of the learning strategies that these business units have used to improve competitive advantage. In considering all the data from the fifty interviews, six organisational learning strategies were identified as potentially having a key impact on gaining further competitive advantage. These organisational learning strategies are listed by franchised business unit in Table 4.9 and by work group in Table 4.10.

Table 4.9: Organisational learning strategies that would gain further competitive advantage for FBUs in Australia (by SBU)

Percentage %support

Organisational learning support	A	B	C	D	E	Total
1.Empowerment	100	100	100	100	100	**100**
2.Encouragement of work-based learning	100	100	100	80	80	**92**
3.FBU conferences	80	90	90	90	70	**84**
4.Accredited in-house learning	100	100	100	100	0	**80**
5.Formal and informal mentoring	100	100	100	100	0	**80**
6.Sponsorship of higher education	90	80	90	80	0	**68**

Table 4.10: Organisational learning strategies that would gain further competitive advantage for FBUs in Australia (by work group)

Percentage % support

Organisational learning strategies	*em*	*sm*	*os*	Total
1.Empowerment	100	100	100	**100**
2.Encouragement of work-based learning	100	91	86	**92**
3.FBU conferences	100	78	82	**84**
4.Accredited in-house learning	90	74	82	**80**
5.Formal and informal mentoring	90	78	76	**80**
6.Sponsorship of higher education	80	78	47	**68**

From the two tables above, the six organisational learning strategies are seen to be important as over two thirds of the interviewees identified them as organisational learning strategies that would impact the business unit's performance and gain further competitive advantage. Such an impact can be viewed as positive. These six strategies are now described.

Strategy 1 Empowerment

This strategy had total support from all franchised business units and across all work groups. Comments noted that the strategy was critical, as gaining competitive advantage needed timely and accurate decisions (*Cos2; Dos2; Asm3*). To continue to have accurate decisions staff needed to have access to current information (*Bos1; Asm4; Eos2*). The best practice way of ensuring this was to empower the staff to create the processes, policies and strategies (*Bsm4; Dsm2*). The issue of how much empowerment was noted (*Cem3*). It was commented that increasing the degree of empowerment would gain competitive advantage (*Bsm3*). Examples of degrees are presented as follows.

- *High Degree. Warehouse staff to redesign the warehouse layout and work shift structure to respond to increased sales (Aem1).*
- *Low Degree. A customer service staff member deciding to rectify an order error by giving extra stock with value of $50 (Aos3).*
- *Medium Degree. A real estate office employee empowered to arrange an awards night (Bsm3).*

Empowerment combined with encouragement was identified as a key to continual learning (*Cem2; Esm1*). It provided individuals with skill sets of innovation, creativity, and a real sense of achievement. By growing and extending empowerment, business units can gain further competitive advantage.

Strategy 2 Encouragement of work-based learning

This strategy was strongly supported by all franchised business units and across all work groups. All of the comments indicated that this strategy is mandatory and should form a partnership with other strategies when being actioned. An example would be that encouragement must be present when the strategy of empowerment is in operation (*Csm1*). The key issue that was presented was that the learning needed

to be tied to the workplace and that learning became part of work (*Aos2; Bsm1; Cem3*). This key issue was further strengthened by numerous references to the idea that management should not separate the concepts of learning and work, otherwise it would tend to be viewed as remedial learning as if in a school setting.

Strategy 3 Franchise Business Conferences

This strategy had strong support across business units and workgroups. The focus on this strategy was important as the conferences are perceived to support open communications across work groups (*Aem1; Dsm2*). Part of conference agendas in four of the franchises were workshops that delivered: learning across work groups (*Cem2*); opportunities for open questioning of franchise's future direction (*Bem1*); and setting up of cross-branch working parties to develop future processes for modifying policies, processes and strategies (*Bos2*). All franchised business units attended a state or national conference annually and, in addition, work group meetings at least quarterly.

The comments indicated that this strategy, if continued with a high quality level of input, would deliver ongoing competitive advantage by virtue of its currency of learning capacity (*Aem1; Cem2; Dsm3*). It was also noted that the strategy recommended for developing content for conferences should be that of empowerment to a project across-workgroup team (*Csm3*).

Strategy 4 Accredited in-house learning

This strategy was strongly supported by four of the franchised business units and strongly supported across all work groups within those business units. Comments from interviewees within those franchised business units suggested that this strategy was extremely beneficial for developing superior performance in operational areas. Examples were given such as: 'lifting techniques in the warehouse' (*Aos1*); 'techniques for listing a property' (*Bos3*); 'the process of conducting an auction'

(C*em3*); 'customer service processes on resolving a conflict without losing a client' (*Dsm3*); and 'creating a sales budget' (*Esm2*).

Comments suggested that benefits gained included creating a sense of achievement for the individual, an increased skill/competency set concept instead of focusing on a specific job skill, and it develops a happy and satisfied workplace.

Strategy 5   Formal and informal mentoring

This strategy had total support across work groups in four of the franchised business units. Comments indicated that this strategy could be set up formally, however, the majority of mentoring within the business units was informal. It was noted that quality planning needed to occur to match the right mentor and mentoree (*Bem1; Bsm3; Dsm5*). Decisions to be made were formal/informal (*Bem1*), internal/external (*Cem3*), hierarchical/peer (*Dsm2*); as well as the relationship intensity (*Aem1; Bem2*).

Benefits that were noted included creating long term success for the organisation through developing skills and knowledge by creating a learning relationship (*Asm2; Bsm3*). It is a different learning methodology and has been successful within four of the business units. To gain further competitive advantage a business unit can modify mentorships depending on the needs and the skill gaps identified (*Bem1*). It was noted that mentoring is a highly productive learning strategy that can be ongoing and adapted to current and future needs (*Cem2; Dsm3*).

Strategy 6 Sponsorship of higher education

This strategy was strongly supported by four of the franchised business units. It was also supported strongly across the management groups within those four business units. Comments indicated that this strategy is one that few that businesses had identified as contributing significantly to organisational learning, and yet it has been

critical for the users in developing new strategy, policies and growth. An example is that one participant undertook a group project in an MBA assessment on developing a new franchised business unit sales strategy using an alternative distribution chain (*Aem2*). The outcome for the franchised group was gaining a new market segment for the product brand, together with producing a higher than industry profit margin (*Asm1*). Another example was one participant undertook post-graduate studies in property development which allowed for the franchise group to develop specialized expertise within property development. This gave the franchise group a competitive advantage against its competitors in the Fraser Coast area of Queensland (*Cem2*).

All participants interviewed that had undertaken or are currently undertaking studies focusing on business qualifications. Comments made were that the business studies, especially at post-graduate level, allow for work-based assessments to be undertaken. All except one has accessed studies at post-graduate level as the participants indicated that it is much more workplace relevant than under-graduate studies. The majority of core units have relevance, and participants can access their job specific area by course majors (*Bsm2*).

4.3.6.1   Summary

Within the total group of fifty interviewed, six organisational learning strategies were identified that would improve the effectiveness of the business unit and result in gaining further competitive advantage. These strategies were: empowerment; encouragement of work-based learning; franchise conferences; accredited in-house training; formal and informal mentoring; and sponsorship of higher education. In summary the findings represent a key concept of connecting learning to business operations. All the strategies were of a supportive nature.

4.4 Conclusion

This chapter presented a cross analysis of the data collected by interviews from five franchised business cases. This chapter also identified patterns in the findings for each of the six research issues guiding this study.

The case study methodology used has provided insights into the research question: 'How do franchised business units in Australia use organisational learning strategies to develop their strategic capability for competitive advantage?' The final chapter, Chapter 5, suggests conclusions and implications for the findings presented in this chapter.

CHAPTER 5: CONCLUSIONS AND IMPLICATIONS

5.1   Introduction

The focus of this study was to gain an understanding of how franchised business units in Australia use organisational learning strategies to develop their strategic capability with a view of gaining competitive advantage. This chapter will outline the conclusions of the research and discuss their implications for theory and practice. The conclusions outlined will focus on the six research issues developed from the literature review undertaken.

The chapter outlines the conclusions of the six research issues and research question by comparing the data analysis findings from Chapter 4 with the review of literature outlined in Chapter 2. The conclusions drawn about the research question identify the research contribution of this study. The chapter includes a discussion on the 'developing strategic capability' model as presented at Figure 2.2 with specific reference to the findings of the study. The contribution of this study to theory on developing strategic capability will be outlined and discussed, together with the implications for practice. The chapter concludes with a discussion on the limitations of the study and a direction for future research will be suggested, particularly for theory development.

5.2   Conclusions about the research issues

This section is about examining the findings for each of the six research issues in the context of the literature outlined in Chapter 2. Through this examination, conclusions are drawn as to the extent that the research issues have been covered by existing literature and the extended contribution which has been gained by the data analysis as presented in Chapter 4. Most of the literature was reviewed in Chapter 2, however, it was necessary to include further literature concerning issues raised within the data analysis section.

5.2.1 Research Issue 1: How does the business environment influence strategic capability within Australian franchised business units?

Research issue 1 sought to discover what influencing factors within the business environment had a major influence on a franchised business unit's strategic capability. The findings in section 4.3.1 indicated that across the total group of fifty interviewed, eleven influencing factors were identified as having an impact on strategic capability within franchised business units. These influencing factors were: critical relationships in the marketplace; a more aware consumer is demanding superior performance; labour market dynamics such as staff turnover, retention, casualisation, education and career development; busier lifestyles; consumers want easy access to products and services; general financial and economic issues of interest rates and economic growth; ease of access to financial resources has allowed for growth; pressure for increased investment returns; more rapid expansion through use of technology; the global market has developed new opportunities; and the global market has increased competition.

The findings represent three main streams of influence which are:

a)   Stakeholders—consumers, labour force and investors

b)   Global marketplace dynamics—opportunities, increased competition and changes in the economy

c)   Technology—use of various technologies.

Stakeholders are obviously a driver to any business, however, the interviewees identified some specific issues about stakeholders in the present business environment. It was not surprising that these issues were about stakeholders becoming more active in regular encounters with the franchised business unit. Consumers, for example, are becoming more aware of their buying power within a competitive and busier marketplace. The stakeholder group, which includes investors, the labour force and consumers, are demanding key benefits from the

superior performance of the business. In the Trends and Challenges section of the literature (section 2.2.1) it suggests that organisations of today are faced with rapid change in the form of demanding customers with rapidly changing desires, demanding employees with greater needs and wants, and investors that not only require superior performance of their capital investment, but require management to respond to the growing power of the consumer. De Kluyver and Pearce (2006) suggested that firms had to transform themselves to contend with the growing power of consumers. The literature (section 2.2.1) also suggests that the pace of change in the business environment is accelerating and, as a consequence, there is increasing pressure on firms and their managers to make both major and minor changes to respond. Sussan and Johnson (2003) argued that it did not matter what caused an organisation to change, or whether the change happened suddenly or gradually, but what was important was being aware of the change and to understand its implications for developing future organisational capability. The study confirms that stakeholder influence is a significant business environmental factor that influences strategic capability.

Within the global marketplace stream of influence the findings overall support the literature concerning the importance of global market opportunities and global competition. Within the Trends and Challenges section of the literature (section 2.2.1) it suggests that globalization has had a huge impact on the competitive business environment, however, the findings of this study—even though in support of the literature—did not indicate such a huge significance on competitive advantage. Pearce and Robinson (2005) stated that globalization had the effect of increasing business opportunities, as well as increasing competition. David (2007) suggested that these were long term trends and that there was no doubt about their significance. The findings within the executive management group do support the literature concerning the importance of this stream which is not surprising. However, the other two work groups have weak support on this stream of influence which relates more to the situation that these groups have greater involvement with the business operations. Another reason for the findings not supporting the literature is that the literature may have a leaning towards global and large businesses.

Within the use of technology stream of influence the findings give support to the literature, even though it was not identified as a strong influencing factor to competitive advantage. Grant (2005) suggested that the rapid pace of technology, globalization and social change has created a need for firms to enhance their strategic capability. Pearce and Robinson (2005) highlighted that the widespread availability of technology is having a significant effect on a firm's capability to expand rapidly. The findings demonstrated that the different levels of the work groups identified the influencing factors somewhat differently. The findings of the executive management group were much more in line with the literature than that of the operations staff. This view supports the literature as the literature uses the terminology management.

Understanding these three main streams of influencing factors will undoubtedly be a key prerequisite to building the appropriate strategic capability of the franchise and the separate business units. Identifying these key streams of influencing factors will allow firms to develop an appropriate response in building strategic capacity.

5.2.2 Research issue 2: How has strategic capability changed for gaining competitive advantage in Australian franchised business units within the past ten (10) years?

Research issue 2 sought to discover how franchised business units have perceived changes in their strategic capability with a view of gaining competitive advantage. The findings in section 4.3.2 indicated that across the total group of fifty interviewed, twelve attributes of changes in strategic capability for gaining competitive advantage within the last ten years were identified. These attributes are: more focus on self reliance and self development; a greater employee acceptance of empowerment to decision-make and innovate in problem solving; a greater reliance on self-managed work groups; more focus on product development and delivery improvements as a consequence of a shift in customer expectations from medium to high; creating a learning system; changing skill and knowledge sets from narrow to broad to enhance the performance of the customer encounter; improved

communication between staff internally and with clients; staff being able to see the big picture; higher participation of staff in planning processes; greater emphasis on the use of technology; better management of financial resources; and the change in relationship between corporate and the franchised business unit.

The findings represent four specific areas of change which are:

a) Capability of individuals and groups—self reliance, self development, self managed work groups, empowerment

b) Development of systems—learning, product development and product delivery

c) Financial, planning and technological

d) Improved communications— labour force and consumers.

These four specific areas of change can be condensed into the two major areas of change in strategic capacity of individuals and groups within the firm and the development of systems capability within the firm. The individuals and groups are obviously a significant driver to a business, especially to service focused businesses of which the cases interviewed are a part. It is these people who are the main operatives of the business and are at the frontline of the customer encounter. It was not surprising that interviewees identified some specific issues regarding their skills and the need for continual development of these as being key ingredients in providing their firm with a competitive advantage in the marketplace. The systems theme was about developing a process where individuals and groups could access and learn the skill sets required to produce a highly productive customer encounter which would result in gaining the firm a competitive advantage. These two major areas of change were supported across all five cases.

The major area concerned about the firm capability of the individuals and groups centred on the three highest supported attributes which were: more focus on self reliance and self development; greater employee acceptance of empowerment to

decision-make and innovate in problem solving; and greater reliance on self-managed work groups. The major area of change in strategic capability revolved around the change in the development of systems as an important driver in building firm capability for competitive advantage, and was much more focused on process—process meaning the process of developing the systems required to support the individual and group capabilities to gain competitive advantage. This systems change centred on the remaining three significant attributes which were: more focus on product and delivery improvements as a consequence of a shift in customer expectations from medium to high; creating a learning system; and changing skill and knowledge sets from narrow to broad to enhance the performance of the customer encounter.

The findings show that both the executive management and the operations staff were very strong supporters of these change factors. It is not surprising that the executive management would support these as they are the key executives who are responsible for growing the franchise groups. The mere concept of a franchise business is to empower branches or smaller business units to duplicate in regions away from the corporate headquarters. It is for this reason that this group would support empowerment and self reliance as key drivers of business growth.

In the relevant literature (sections 2.2.2–2.2.4) it suggests that firms need to look more internally at their capabilities to gain competitive advantage, rather than focus on gaining competitive advantage in their external environment. Even back in the mid 1990s, Edmondson and Moingeon (1996a) argued that analysing a firm's skills and capabilities was of a greater value in gaining a competitive advantage than an analysis of its competitive environment. Connor and Prahalad (1996) argued that the resource-based view of developing a competitive advantage focuses on the firm's specific resources. As stated in the literature, the issue with this view is developing a list of resources for analysis. Grant (2005) had suggested that even with a range of resources it is a firm's capabilities that are the critical ingredients for gaining a competitive advantage. The study confirms that the internal analysis of the firm's

resources and its strategic capabilities are key attributes in developing competitive advantage.

The findings within the twelve and, more specifically, the six attributes of changes in strategic capability for gaining competitive advantage give support to the literature that suggests a firm's capability for competitive advantage includes both resources and competences. Johnson, Scholes and Whittington (2008) argued that the firm's capabilities that create competitive advantage have the ingredients of unique resources and core competences, which refers to those resources and competences which underpin superior performance and are difficult for competitors to imitate. The findings, specifically about the six key attributes identified, support the literature in that the strategic capability of a firm is about identifying, developing and using its unique resources and core competences to gain a competitive advantage.

Lastly, the findings demonstrated that the different levels of work groups identified the different attributes somewhat differently. The findings of the executive group and the operational staff were much more in line with each other. The senior management group could be different as many are direct owners who have a financial risk attached to the business. The general literature does not cover this aspect, as franchising is a different business structure than generally referred to in the literature. Understanding the change in strategic capacity of individuals and groups and the development of systems capability will be useful in allowing franchises in the future to build strategic capability to gain a competitive advantage.

5.2.3 Research Issue 3: How are operational learning strategies applied within franchised business units in Australia?

Research issue 3 sought to discover how franchised business units in Australia applied operational learning strategies to develop their strategic capability with a view of gaining competitive advantage. In considering all the data gathered the findings in section 4.3.2 indicated that across the total group of fifty interviewed, eleven operational learning strategies were identified which were: setting up of rules

and routines; regular internal training; external short courses; accredited in-house courses; informal buddy/mentoring; controlled on-the-job training; doing the job itself; listening to others in the workplace; watching others in the workplace; job rotation; and general communications in the workplace.

The findings represent a key focus on having the people within the business possessing the required skills and competencies to perform at the standard required to gain a competitive advantage. These operational learning strategy findings can be narrowed to three main elements which are:

a) Day-to-day working—work experience, communication, listening and watching

b) A specific learning intervention—training, courses, mentoring

c) Internal system development intervention—job rotation, rules and routines.

The findings show that the franchised business units use a combination of operational learning strategies to obtain the desired outcomes for the business unit. It is worth noting that all the franchises use strategies that most business units would classify as good practice. In addition, the strategies of the use of external short courses, accredited in-house courses, buddy/mentoring concept, and job rotation have been used by the mix of business units.

These strategies had a common theme of focusing on equipping their people with the right skills to do the specific jobs so that the firm's customer encounter meets with a high client expectation and, consequently, produce the desired result. This is not surprising, as errors and poor customer encounters end up potentially causing loss of business and loss of competitive advantage. This common theme could be broken down into three broad strategies: having learning activities within the day-to-day work environment; as specific learning intervention; and as an internal system development intervention.

These broad strategies of learning activities is about identifying that the actual workers in a firm are the best group to transfer the work knowledge, skills, and best work practices as they are the ones doing the work. These broad strategies include the more specific strategies of listening and watching others while working, doing the job itself, therefore, gaining new knowledge and skills, and generally having a flexible communication practice within the firm. The strategy of a specific learning intervention is a strategy that would allow for specific training on or off the job. Many of the cases had regular internal training in the form of weekly sales or budget meetings. This strategy would include specific strategies such as regular internal training, utilizing external short courses, undertaking accredited in-house courses sponsored by the firm and the use of a buddy/mentoring strategy. The final strategy could be described as an internal system development intervention: firstly, by setting up a set of rules and routines which are documented, learnt, adhered to, and are easy to follow in practice; and secondly, the intervention strategy of job rotation is a somewhat formal way of learning different jobs, gaining the appropriate skills and allowing the firm to have a multi skilled workplace.

Notably, it was acknowledged by all interviewees that without the support of management these strategies would not operate effectively. An interesting issue concerning this point is that franchised operations generally have somewhat planned structures and operating procedures which would support the view that management would be in support. Another key issue was that most of the learning strategies were developed by the staff and implemented on an informal basis. All of the strategies can occur independently and are relatively easy to operate and are relatively inexpensive. Most of the strategies would be regarded by many businesses as good work practice.

In the literature (section 2.3.2.1-2.3.2.4) it suggests that a major aspect of organisational learning is that in a vast majority of firms learning has been part of the natural workings of the workplace (Kezar 2001; Pedler, Burgoyne & Boydell 1996; Rowe & Boyle 2005). These findings support this aspect, as all of the cases use the operational learning strategy of work activities in the day-to-day working

environment. A number of authors in the literature argued that workers in their normal environment share stories, offer advice, adapt to new and different ideas, pick up on how to use new tools, and follow the lead from respected fellow workers (Easterby-Smith 1997; Kim 1993; Sadler-Smith & Badger 2001).

The findings also give support to the literature that these eleven operational learning strategies are about simply detecting and correcting errors. Dodgson (1993) argued that this level of learning is essentially based on successful past experiences without any questioning of the underlying and existing way of doing the business. Malhotra (1998) argued that at this level of learning there is not much encouragement to reflect or inquire. It was noted in the interviews that these strategies have undoubtedly been critical in gaining competitive advantage for the firms. The findings give support to the literature that these strategies are an essential component to becoming a learning organisation. Ellstrom (2003) suggested that both individual and collective learning is mandatory for an organisation to be identified as a learning organisation. The literature suggests that developing a collective as well as an individual learning environment is one of the key four ingredients in being a learning organisation.

The findings demonstrated that the various franchises have used a variety of these strategies and all are successful within their particular marketplace. It should be noted that many of these strategies also have relevance in a higher level of learning where reflection is critical.

5.2.4 Research Issue 4. How are strategic learning strategies applied in franchised business units in Australia?

Research issue 4 sought to discover how franchised business units in Australia applied strategic learning strategies to develop their strategic capability with a view of gaining competitive advantage. In considering all the data gathered the findings in section 4.3.4 indicated that across the total group of fifty interviewed, seven strategic learning strategies were identified which were: applying an open communication

system; empowerment of individuals and teams; self management; higher education; training evaluation and reviews; state and national conferences; and mentorship.

The findings represent three main learning strategies which are:

a) Individual self development

b) Specific learning activities

c) Supported strategic learning.

The seven strategies identified have the key element of exchange in common. The strategies are about developing the individual, the group, and the business through workplace effectiveness and efficiency, rather than just efficiency. These strategic organisational learning strategies are concerned with determining the appropriate objectives, making sure that the business unit is doing the right things by questioning and modifying as necessary the organisational culture, policies, objectives, strategies and structure.

The findings confirm that strategic learning was a higher level of learning than that of operational learning in that it was more about workplace effectiveness and efficiency as outlined by Rusch (2005). These strategies had a common theme of focusing on having the FBU's people participate in developing an effective and efficient business so as to gain a competitive advantage. Even back in the mid 1990s, Marquardt (1996) suggested that as each person in an organisation has unique experiences a competitive advantage could be gained by allowing participation in developing organisational effectiveness. Dawson (2007) argued that it was a necessary prerequisite that people have the competences to participate. The findings suggest that the combination of the strategic learning strategies used by the cases had developed the required competencies in their people to participate. The findings also confirm the literature that the three broad elements, namely, individual

self-development, specific learning activities, and learning systems support the notion of strategic learning.

Self development included the strategies of self management, formal and informal mentoring and higher education. A key driver to developing organisational effectiveness was having staff develop those higher learning skills, including identifying and actioning competency gaps against the business unit's desired outcomes. Mentoring for example, was used by identifying a mentor who could work with the individual to bridge that competence gap.

The second broad element was specific learning activities which included the strategies of training evaluation and reviews, mentorship and higher education. Even though there appears to be an overlap between this element and that previous, it is somewhat different as these strategies are about specific work. Training evaluations and reviews were a mechanism that allowed firms to determine required objectives, and question and modify any organisational issues such as culture, policies and procedures, strategies and organisational structure.

The third broad element that supported strategic learning was learning systems which included the strategies of an open communication system, state and national conferences, and empowerment of individuals and groups. An open communication system was identified by all cases. The findings suggested that being able to communicate freely across all work groups allowed individuals, groups and the FBUs to generate and action new ideas by questioning, evaluating and modifying a wide range of activities within the workplace, resulting in developing the firm's strategic capacity.

In the literature review (sections 2.3.2.1–2.3.2.4) it suggests that strategic learning is about learning to develop organisational capacity. McGovern (2006) and Vera and Crossan (2004) argue that this level of learning is about designing the future, rather

than merely adapting to it. Grant (2005) suggested that a key strategy for implementing this level of strategy is to identify and develop a preferred organisational learning style. The findings of this study give support to these suggestions. Further, Foil and Lyles (1985), Kim (1993), and Vera and Crossan (2004) highlighted that this higher level of learning is about learning to expand an organisation's capabilities which results in a change in organisational norms and strategies. The findings give support to the literature as there was a range of strategic learning strategies identified and in use across all cases.

The findings within the self development element are supported by the literature, firstly, that individual learning is linked to organisational learning and, secondly, that these strategies are linked to gaining competitive advantage. Senge (2003) argued that organisations will learn and positively evolve if individuals are committed to the learning process. DeGeus (1988) highlighted that learning is a key source of sustained competitive advantage. The study confirms that the 'self development' strategies are significant in developing strategic capacity.

The findings within the specific learning activities element support the literature that suggests that the competencies of questioning, evaluating and modifying are key higher level learning strategies. Vera and Crossan (2004) argued that by having a direct link between learning and operations individuals and groups can learn as they work. deKluyver and Pearce (2006) highlighted that with the link made between learning and operations the staff will be involved in identifying and solving problems using a variety of learning strategies with a result of allowing the business to achieve its objectives. This study confirms that these specific learning activities have been significant in developing strategic capability within the cases using such strategies.

The findings within the learning systems element support the literature that suggests by ensuring an organisation has a systems thinking approach it would develop its strategic capability and enhance the performance of the firm in terms of gaining

competitive advantage. Mulford and Silins (2003) argued that learning systems were needed to allow free exchange and flow of information between individuals and groups across organisational boundaries. Senge (2003) argued that a systems thinking approach would allow the staff to view the problems and solutions in terms of relations between sub systems which would enhance the learning capacity of the firm. Vera and Crossan (2004) argued that the learning capacity of the firm had a direct link to competitive advantage. Fenwick (2003) highlighted the importance of empowering staff to develop the firm's learning capacity. This study confirms that these learning systems strategies have been significant in developing strategic capacity within the franchised business units.

The findings indicate that these cases have the strategy attributes that support the literature on learning organisations. Dodgson (1993) suggested that the ideal learning organisation has strategies and structures in place to develop learning within the firm. A key attribute that numerous authors identified in learning organisations was having its people learn how to learn (Easterby-Smith, Snell & Gherardi 1998; Vera & Crossan 2004). This study confirms that these attributes are present.

5.2.5   Research Issue 5: What factors promote and/or impede organisational learning in franchised business units in Australia?

Research issue 5 sought to discover what factors are used within the franchised business units that promote and/or impede organisational learning in Australia. The findings in section 4.3.5 indicated that across the total group of fifty interviewed, eight specific factors were identified that promoted organisational learning and four specific factors that impeded organisational learning. The factors that promoted organisational learning were: encouragement; empowering staff to decision-make; mentoring staff in their development; work sponsorship of higher education; training undertaken in-house during work time; work-based learning in the workplace; recognition of achievements of individuals and teams; and role models in learning. The four factors that impeded organisational learning were: learning difficulties; perception of no benefit to the individual; not enough time to achieve completion of work tasks; and some staff just do not want to participate.

The findings indicate that the learning should not be based on the traditional classroom focused training as it was criticised for being too removed from real workplace issues and not relevant to the needs of the firm or the individual. The findings indicated that it was essential that the learning be sensitive to a wide variety of learning styles and at the same time be effective learning so that desired outcomes would be achieved.

In summary the findings represent two major elements of promoting or impeding organisational learning which are:

a) Creating a supportive and productive learning environment

b) Using innovative learning strategies.

The factors that promote organisational learning are concerned about encouraging individuals and groups to get involved with using the workplace as a continual learning environment. This learning environment includes mentoring, accredited in-house training programs, and sponsorship of higher education, together with using work-based learning projects as a means of creating relevancy within the workplace. Peers and management are mutually responsible for encouraging, empowering and recognising achievements of individuals and teams.

Factors that impede organisational learning are concerned with learning difficulties, the perception of no benefit to the individual, time conflicts between work activities and learning activities, and some staff not wanting to participate. Comments were noted that many of the factors that impede organisational learning can be overcome by using different learning methodologies or utilising the factors that promote organisational learning.

The findings in section 4.3.5 indicate that across the five cases some eight factors that promote organisational learning and four specific factors that impede organisational learning were identified. This study did not concern itself with the flipside of each, for example, the flipside to encouraging is not encouraging. Of the promotional factors, seven had strong support with the last one having good support. Of the factors that impede learning, all cases had identified three factors with three cases identifying the issue of learning difficulties.

The eight promotional factors were: encouragement; empowering staff to decision-make; mentoring staff in their development; work sponsorship of higher education; training undertaken in-house during work time; work-based learning in the workplace; recognition of achievements of individuals and teams; and role models in learning. These factors had two themes with one centred on creating the most supportive and productive learning environment and the other using some innovative learning strategies within the workplace.

The factors identified within the supportive work environment element were: encouragement; mentoring staff in their development; recognition of achievement; and setting role models in learning. It was not surprising that a supportive work environment was a key factor in promoting organisational learning. All of the franchised business units are regarded as small businesses with a keenness to grow the business with a quality service encounter and with a high performing team. It makes sense to create a supportive work environment so that all can positively contribute to the desired outcomes and therefore gain a competitive advantage.

The factors identified within using some innovative learning strategies were: work sponsorship of higher education; training undertaken in-house during work time; work-based learning in the workplace; and role models in learning. It was obvious that a commitment to ongoing learning was present and that most executive managers were keen to support new learning strategies. Sponsorship of higher education as a factor needs some discussion. As a number of franchisees across three

of the cases are higher education graduates it appears through encouragement and mentoring the concept has grown and is now viewed as part of the learning culture in Case C. The higher education courses undertaken are predominately in business and assignment topics for assessment are invariably on workplace projects. Work-based learning where the learning is given an educational value has been a key success factor as participants feel not only a sense of recognition within the workplace, but it has currency within the wider work community.

The four factors that were identified as impeding learning were learning difficulties; a perception of no benefit to the individual; not enough time to achieve the completion of work tasks, and some staff just not wanting to participate. The issue of learning difficulties was raised by three of the cases. Learning difficulties, especially in operational learning, can cause a range or problems such as increased errors which would undoubtedly affect the quality of the customer encounter. All cases indentified the other three factors as an impediment to learning. This is not surprising as the work and social environment can be stressful and some people just want to get down to their specific job task. As Ellstrom (2003) suggested, organisational learning is about changing organisational practices that require thought and action, either individually or as a group.

The findings confirm the literature on the broad factors that promote and/or impede organisational learning. The findings strongly support the idea of sharing information. Ellstrom (2203) suggests that sharing of information is linked to a number of other organisational learning promotional factors such as creativity, team learning, and empowerment. McGrath (2001) suggested that empowerment was an extension to team learning and creativity in that it leads to developing an organisational culture that includes shared decision-making. As Senge (1990a) argued, continuous learning by an individual is linked to personal mastery whereby an individual is committed to developing their knowledge and skills to the level required. The findings show that in all of the cases the franchised business units are committed to a learning system and culture.

Dodgson (1993) suggested that factors facilitating organisational learning should be an area for research attention. Tsang (1997) argued that much of the literature is based on anecdotal evidence and referred to as best practice. The literature on facilitators and impediments to organisational learning do not directly address the research issue, as it only gives broad factors which are more aligned to the literature on a learning organisation which has grown as a metaphor for the ideal type of organisation. The findings concur with that of Dodgson (1993) in that he argued that the ideal learning organisation is an organisation which has put in place strategies and structures to develop learning within the organisation.

5.2.6 Research Issue 6: How can franchised business units in Australia gain further competitive advantage through more effective organisational learning strategies?

This issue sought to discover what effective organisational learning strategies and ideas the interviewees had to suggest in developing organisational learning capacity with a view of gaining further competitive advantage. The research issue gave the interviewees the opportunity to suggest improvements and/or add any further organisational learning strategies that could deliver a competitive advantage.

In considering all the data gathered, the findings in section 4.3.2 indicated that across the total group of fifty interviewed, six organisational learning strategies were identified that would improve the effectiveness of the franchised business unit and hence result in gaining further competitive advantage. These strategies were: empowerment; encouragement of work-based learning; franchise conferences; accredited in-house training; formal and informal mentoring; and sponsorship of higher education. The findings represent a key concept of connecting learning to business operations. The findings show that all of the strategies were of a supportive nature which supports Dixon's (1994) view that supportive learning forms part of an organisational learning cycle.

The findings recognised that the business environment is in a continual state of change and that gaining competitive advantage is a key driver for all businesses. The findings also indicated that the strategies had a major theme centred around connecting learning to the business operations of the franchise. The reasons for this could be divided into two major elements. Firstly, the actual interviewees at the operational frontline doing the work were the best people to understand what skills and competencies were required to do the actual job. Secondly, that involvement and commitment of all levels of work groups is necessary to integrate and align working and learning with business operations to gain a competitive advantage. The reason for this could be that given the small business organisational structure of franchises the actual work team is relatively small.

It is evident from the findings that the executive management in franchised operations view the use of organisational learning strategies as both strategic and critical in gaining a competitive advantage. Executive managers viewed these learning strategies as key ingredients in developing best practice which was a critical driver in growing their franchise network, therefore, gaining a competitive advantage. The senior managers and operational staff were more concerned with creating the right set of skills and competencies required to gain the desired results at the frontline where the customer encounter was taking place.

The findings suggest that all of the strategies can be implemented independently, however, many of the interviewees suggested that their firm was about recognising that continuous improvement and gaining competitive advantage was about continually developing relevant learning strategies that enabled all participants to gain the required skills and competencies.

In the literature review (sections 2.3 and 2.4) it suggests that for an organisation to sustain a competitive advantage in a highly competitive market environment it must

encourage both individual and collective learning to acquire and maintain the skills and competencies required. Senge (1990) suggested that adaptive learning is concerned about individuals coping when solving workplace problems without examining the appropriateness of the actions. The findings support that this lower level of learning strategy is embedded within the strategies identified, as they not only connect the learning with the total business operations but they recognise the total systems thinking approach.

Vera and Crossan (2004) argued that the higher level of learning was about learning to expand an organisation's capabilities by a process of change in thought and action, both individual and shared. Fenwick (2003) highlighted a view that the interconnectedness of individual and organisational know-how is a key to developing an effective organisational learning strategy. The findings confirm that the strategies identified were about expanding the franchise's capability and having the attributes of change in thought and action and the interconnectedness between the individual's know-how and the organisation's know-how. The findings confirm the argument by Kim (1993) that in small or young organisations without large staff numbers, individual learning and organisational learning are often synonymous.

The findings confirm the literature that the strategies identified fit into the 'learning organisation' concept. The literature on the learning organisation suggests that it is about creating an organisational environment that promotes a culture of learning. Dodgson (1993) argued that the ideal learning organisation is an organisation which has put in place strategies and structures to develop learning within the organisation. The findings support the literature concerning the significant organisational learning attribute of learning together. Numerous authors had identified that a key attribute in learning organisations was that of its people learning how to learn together (Easterby-Smith & Lyles 2003; Vera & Crossan 2004).

5.2.7 Gaining Competitive Advantage through Organisational Learning Model

A model (Figure 5.1) was developed for this study around the research question that highlighted how developing effective organisational learning strategies is central to gaining enhanced competitive advantage, having regard to the impact of various internal and external components of a firm. Figure 5.1 emerges from the study's findings. In considering the model against the investigation's findings on the six research issues it is obvious that organisational learning has a critical positive impact in developing a franchised business unit's strategic capability for gaining a competitive advantage.

The findings indicate the importance of the impact of the external business environment in building strategic capability. There were eleven influencing factors of the business environment identified which represented three main streams of influence, namely, stakeholders, global marketplace dynamics, and the use of various technologies. The context of the study was that of franchised business units within Australia. The importance of franchises in Australia is increasing as Australia interacts with the global economy. Large companies, not only globally but also in Australia, can usually produce large quantities of products at a much lower cost than small individual businesses for many reasons, including economies of scale. This study focused on the growing marketplace of smaller businesses that can produce products and services that the large multi-nationals do not or cannot provide, such as smaller quantities of products, specialised services and local or personalised services.

Developing strategic capability had been identified in the literature as a key ingredient in developing competitive advantage. The findings of the study indicated that from the twelve change factors that were identified, four major elements of change to strategic capability could be identified that were directly related to gaining competitive advantage. These were: the capability of individuals and groups; the development of systems; financial, planning and technological; and improved communications. This study was particularly interested in the aspect of developing

the capability of individuals and groups and the development of any systems that supported developing the capabilities of individuals and groups.

The findings indicated that strategic capability was enhanced by developing a learning environment that integrated both operational and strategic learning strategies. A superior learning environment was created by facilitators to learning that promoted organisational learning, with some potential negatives being evident via impediments to organisational learning.

The operational learning strategies identified as critical were: day-to-day work, communicating, listening and watching; a specific learning intervention such as training, courses, and mentoring; and internal systems development intervention such as job rotation and the creation of rules and routines. Strategic learning strategies identified included individual self development, specific learning activities and firm supported strategic learning. The findings strongly identified that creating a supportive and productive learning environment and using innovative learning strategies were key ingredients in building strategic capability to gain competitive advantage. It was apparent from the findings that impediments to organisational learning should not be overlooked. These four factors that impeded learning were learning difficulties; a perception of no benefit to the individual; not enough time to achieve the completion of work tasks; and some staff just not wanting to participate.

The model ties together the conclusions that strategic capability is enhanced by developing a learning environment that integrates both operational and strategic learning strategies.

Figure 5.1: Gaining Competitive Advantage through Organisational Learning
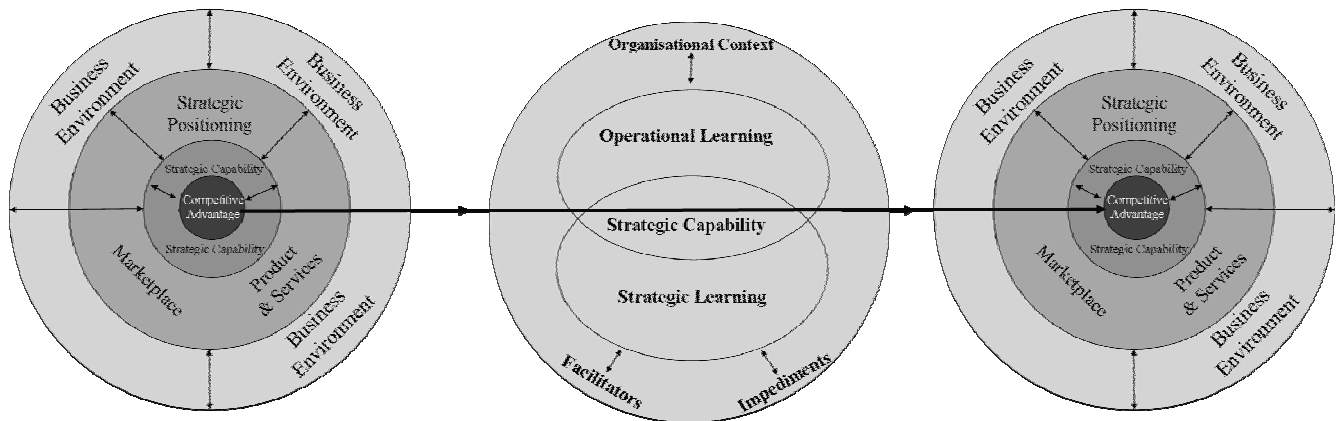
Source: developed for this research

Figure 5.1 is a model developed around the research problem of this study. The model highlights how developing strategic capability by adopting both operational and strategic learning within an organisational context will deliver an enhanced competitive advantage. The organisational context is influenced by the business environment, the marketplace, the firm's products and services and the firm's strategic positioning. Organisational learning is impacted by learning facilitators and impediments to learning. The centre circle of the model represents the key focus of the study in that it is focused on organisational strategies that develop a firm's strategic capability with a view to gaining competitive advantage.

5.3   Contribution to theory

The majority of studies in organisational learning have been undertaken in Western Europe and the USA, with a primary focus on multi-national and larger corporate businesses. These studies have been mostly quantitative in nature. This study contributes to the body of theory by providing, through qualitative research, the linkage between organisational learning strategies and gaining competitive advantage within a franchised business network. Secondly, the study contributes to the body of theory by providing an Australian setting where all of the businesses are Australian owned and operated, and are not multi-national or global businesses.

Current theory development in organisational theory has been focused on general and basic processes of organisational learning without reference to specific strategies, while the current theory on the learning organisation has been focused on what a learning organisation should look like—especially within a large business context. To date, the theory on developing strategic capability has centred generally on developing unique resources and core competences, without specific focus on particular resources or competences. Hence, this study has made the contribution towards new knowledge by specifically focusing on using organisational learning strategies to gain competitive advantage within a franchised network within Australia.

This study supports the following issues that were highlighted within the literature which are that:

a)   stakeholder groups (investors, the labour force, and consumers) are strong influencing factors from the business environment that impact strategic capability (research issue 1);

b)   the change in strategic capability required to gain competitive advantage is focused on unique resources and core competencies (research issue 2);

c)   the operational learning strategies identified fit the operational learning level as set out in the literature, namely the detection and correction of errors (research issue 3);

d)   individual learning within the franchises is linked to organisational learning as the franchises could not learn without the collective learning of the individuals (research issue 3);

e)   developing a collective, as well as an individual, learning environment is one of the key four ingredients in being a learning organisation (research issue 3);

f)   it confirms the importance of strategic learning strategies in developing strategic capacity (research issue 4);

g)   it confirms the broad factors of creating a supportive and productive learning environment and using innovative learning strategies that promote organisational learning (research issue 5);

h)   it confirms that the organisational strategies that were identified as ones that could gain further competitive advantage are significant in developing a learning organisation (research issue 6);

i)   for an organisation to have an effective organisational learning strategy it requires both operational and strategic learning strategies to be present (research issue 6)

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The study builds on the existing body of knowledge in the following areas:

a)   The importance of global market opportunities and global competition is not particularly relevant to these franchises within Australia. Even though this finding does support the general literature it would appear that it does not rate as a huge impact on competitive advantage within the context of franchised business units within the Australian marketplace. The reason for this was that most of the literature is based on studies from USA and Western Europe which were undertaken predominantly in multi-national corporations. Franchising has been one of the growth business structures in Australia that has allowed businesses to compete against large corporate structures. The idea of growing a business through multiple owner operators in widely distributed locations has resulted in these businesses not being concerned about global business issues. Even though these industries are predominantly service industries that do have global competitors, the findings strongly indicate that global opportunities and global competition are of little consequence (research issue 1);

b)   The importance of the use of technology was not particularly relevant to the operations staff of these franchised business units within Australia, even though it was relevant to the executive work group as an influencing factor in building strategic capability. In addition to supporting the general literature it adds new knowledge in the context of the operational differences between work groups and differences between operational business structures within

Australia. Reasons identified were basically centred on two issues. First, in franchised businesses technology is standardised, with all franchisees using the same systems. As a result, technology does not appear as a central theme to the operations staff. Second, business growth is via brand recognition with having multiple locations, rather than being viewed as a large business with highly advanced systems. The findings of the study indicate that the use of technology was not a highly significant influencing factor for developing strategic capacity (research issue 1);

c)   The findings of the study adds new knowledge by indicating that the different work groups view business environmental influencing factors on developing strategic capability differently. The literature does not make any distinction of views in regard to a position held within a firm. This study has identified this distinction (research issue 1).

d)   Strategic capability has changed for gaining competitive advantage within franchised business units in Australia by an increased focus on self reliance and self development, a greater employee acceptance of empowerment to decision-make and innovate in problem solving, and a greater reliance on self-managed work groups. These particular attributes were supported strongly and indicate particular attributes for franchised business systems within Australia. Within this type of business structure it was obvious that to compete effectively and gain a competitive advantage there was a strong focus on having the staff possess the right skills individually and collectively to perform at a superior standard. These changes have added new knowledge by indicating that franchising is a different and growing business structure that was not covered by the literature (research issue 2).

e)   The body of knowledge on operational learning has been extended by this study in that it has identified through the findings that individual and collective operational learning is mandatory in franchised business systems within Australia in gaining competitive advantage. This is a key addition to knowledge as Himmelberg, Hubbard and Palia (1999) highlighted that most small businesses only focus on individual learning (research issue 3).

f) The study outlines and details a list of modern strategies in operational learning that have been used successfully within franchised businesses in Australia to gain competitive advantage. The literature deals with operational learning in a broad sense, without outlining particular strategies or combinations of strategies. This study has identified the strategies used which includes strategies such as accredited in-house courses, mentoring, and job rotation— which have not been identified within the literature (research issue 3).

g) The study suggests a range of higher level learning strategies that can be used independently or collectively to develop strategic capability. The literature deals with strategic learning in a broad sense, without outlining particular higher level learning strategies. The list of strategies used by the franchise cases, which included empowerment of individuals and teams, self management, higher education, training evaluation and reviews, conferences and mentorship, adds to the body of knowledge on strategies of strategic learning applied within the workplace. This is particularly important when focusing on the franchised business sector and, in particular, within Australia (research issue 4).

h) The study builds on the body of knowledge on facilitators to organisational learning by identifying specific current factors and combination of factors that enhance organisational learning. The factors identified were: encouragement; empowering staff to decision-make; mentoring staff in their development; work sponsorship of higher education; training undertaken in-house during work time; work-based learning in the workplace; recognition of achievements of individuals and teams; and role models in learning. These factors used in combinations, as identified within the study, create a supportive learning environment, as well as a list of innovative organisational learning strategies. This new knowledge is particularly focused on franchised businesses and within Australia (research issue 5).

i) The literature in dealing with impediments to organisational learning focuses on the flip side of facilitators to organisational learning. This study builds on existing knowledge by indicating that there are four factors that impede organisational learning, namely, learning difficulties, a perception of no benefit

to the individual, not enough time to achieve completion of work tasks, and some staff just not wanting to participate. This list of factors impeding organisational learning is particularly important to franchises (because of their relatively small operational size) as this invariably impedes superior performance and competitive advantage (research issue 5).

j)   Research issue 6 allowed interviewees the opportunity to suggest organisational learning strategies that they considered would give or enhance competitive advantage within a franchised environment. The strategies identified were: empowerment; encouragement of work-based learning; franchise conferences; accredited in-house training; formal and informal mentoring; and sponsorship of higher education. The findings represent a key concept of connecting learning to business operations. This list of strategies adds to the body of knowledge on organisational learning as linked to developing competitive advantage.

5.4   Implications for practice

The previous section considered the study's contribution to theory. This section addresses the study's implication for practice and, in particular, for franchised businesses within Australia. For franchised businesses within Australia with a wish to gain or build on competitive advantage, the implications of this research is to implement a combination of organisational learning strategies that encompass both operational and strategic learning while including learning for both the individual and collective groups. Based on the research findings, a summary of suggestions is detailed below aimed at enhancing the organisational learning strategies of a franchised business unit with the view of gaining or enhancing competitive advantage.

Summary: Implementation of a combination of organisational learning strategies

a)   To provide the opportunity and encourage work-based learning which includes such learning activities as listening and observing others in the workplace,

regular internal training, access to external courses, controlled on-the-job training, and supporting individuals and groups within their normal work. Even though training as a concept has been used, it is a contributor towards the total learning package. This concept of work-based learning focuses on the issue that as participants work, they learn. Work-based learning as applied by the research cases included concepts of reflection and an open communication system which allowed for a freedom of communication to flow across all workgroup levels. Work-based learning also included other specific learning strategies such as accredited in-house courses, formal and informal mentoring, and sponsorship of higher education. These specific learning strategies will be outlined below.

b) To provide an opportunity and encourage accredited in-house learning which would include opportunities for staff to develop both operational and strategic levels of learning. In the last decade the vocational education and training sector in Australia, through industry training councils, has focused on designing accredited courses that target the required skill sets that are needed for Australian businesses to deliver their required product or services in a competitive environment. The study findings demonstrated that many of the franchises have used this concept by implementing such learning in-house, thus providing them with relevant learning within their firm. The participants were happy as they not only gain knowledge and skill, but also obtain nationally recognised qualifications. These programs have encouraged assessment projects to be actual work tasks, thereby enhancing the operations of the business unit and allowing participants to become much more empowered in day-to-day operations.

c) Formal and informal mentoring is an organisational learning strategy that is recommended for developing the skills of individuals and groups. As organisations change there is a requirement to ensure that skill sets up kept updated. The opportunity to have a mentor, at whatever positional level, will allow an interaction with mentor and mentoree that will ensure a flow of current knowledge and skill required by the business unit. The key issue is identifying the skill gaps and matching a mentor with the individual or group.

d) To provide an opportunity to participate in higher education. Higher education was identified as an excellent vehicle for developing strategic learning skills which are required, especially for senior and executive managers to reflect, question, modify or develop new business strategies, policies and processes for the franchise. Higher education providers regularly use a participant's own workplace for assessments as it has relevance for the student. The study demonstrates that two of the cases have utilised this strategic learning strategy with great success.

e) A key finding from the study was that franchises use their internal state and national conferences as a strong tool in developing their staff, as well as allowing for much cross communication between franchised units within the franchise. The franchisor can control the learning agenda with formal conference sessions while allowing for a free exchange of knowledge to occur during interactive and social sessions. This strategy is recommended for all franchises during all phases of their development. One of the groups commenced their national conference concept in their first year of operation, with all four franchisees and their staff attending.

f) A key suggestion is to provide a work environment where empowerment of staff at all levels is encouraged, accepted and supported by the required learning strategies to make it successful. The findings demonstrated that empowerment was a key strategy in gaining a competitive advantage as all of the interviewees in the study recognised that to deliver a superior customer encounter, prompt and accurate problem solving and decision making was required.

The above recommendations could also serve many other business sectors. The key issue is building a firm's strategic capability by adopting a combination of operational and strategic learning strategies for all work levels of the organisation.

5.5   Limitations of the study

The limitations of the scope of this study were justified in section 1.6 of Chapter 1. There were three major limitations of the study, namely, the utilisation of the case study methodology, utilisation of semi-structured interviews within the case study methodology, and the focus on only examining one aspect of an organisation. These three limitations did not represent any severe limitations for this study as summarised below.

The most significant limitation could be attributed to that of utilising a case study research methodology. Yin (1994) highlighted several known limitations and criticisms of this methodology, such as the lack of generalization, perceived lack of rigor, subjectivity and the limited sample size. This study was an exploratory case study with a limited sample size. Perry (1998) states the richness of information gained by utilising in-depth interviews is an accepted trade-off against utilising a limited sample size. The limitation of sample size was minimised by using a multi-case study approach. The major goal of this exploratory study was to gain a greater understanding of the research question which could develop a more comprehensive research study in the future, thus allowing more detailed findings that could be generalized. This study's research design addressed Yin's (1994) concerns about perceived lack of rigor and subjectivity.

The use of semi-structured interviews in the collection of data was a limitation of the study as set out in section 3.3.2. However, probe questions were used, and data of significant interest was summarised after each interview and connected to the relevant research issue. To safeguard against potential bias, as set out in Chapter 3, the techniques of triangulation, the use of a pilot study and utilising a multi-case approach were adopted.

The further limitation was that the scope of the research was narrowly defined as it only examined organisational learning strategies that developed a firm's strategic

capability. The study did not take into account any other information such as marketing, sales, legal structures, labour force structure and market potential. All this information may be important in developing a strategy for gaining competitive advantage, but does not have any significant impact on organisational learning strategies.

5.6   Directions for future research

The findings of the study revealed an understanding into how organisational learning strategies were applied within a franchised business unit with a view of gaining competitive advantage. However, gaining an understanding of the nature and quality of the learning would require a much more detailed examination of each case. An ethnographic study would be appropriate: such a study would require a protracted time in the field using observation in addition to interviews. The observational data would be used to develop questions that could be used effectively within interviews so as to discover an understanding about the nature and quality of the learning.

Within the study there were identified differences between work groups that undoubtedly influenced the result of the study. Further research could be undertaken using only specific workgroups. A key group for research would be franchisees, as they are the owners of the business at the place of the customer interface. An ethnographic study would be useful so as to observe the actual learning taking place. A further study recommended is that the present study's findings could be tested by using a much larger sample, together with a quantitative research method for the purpose of statistic generalization.

In this study there was no understanding of previous work experiences or expertise of the franchisees, in particular with reference to owning or operating a small business. A study focusing on these issues and how it has impacted organisational learning strategies would gain valuable insight as to whether issues such as leadership and management experience play a role in using organisational learning

strategies. A case study methodology could be used on a number of these issues with a view to developing a major quantitative study on the use of organisational learning strategies.

Finally, it is recommended that a similar study be undertaken using similar sized business units within the same industries, but not within a franchised business structure. This would gain some understanding about the generalization of the findings against different business structures within the marketplace.

5.7   Conclusion

Franchises operate within a marketplace where there is often considerable similarity between competing products and services and, as a consequence, to gain a competitive advantage they must focus on developing key strategies that will deliver this competitive edge. Building organisational learning capability is one such key strategy that this study revealed as having a significant impact in developing strategic capability resulting in gaining competitive advantage. Building organisational learning strategy incorporates building individual learning, the collective learning within the group and the collective learning within the total organisation. In building this learning strategy each franchise could claim, relying on definitions, that they are learning organisations.

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Appendix 1: Interview record form with associated probe questions

1. Company Code (ABCDE)	
2. Work Group (em/sm/os)	
3. Interviewee name	
4. Position in FBU	
5. Telephone & email	
6.Date	
7. Time (start/end)	
8. Location	

Part A.   Information about the interviewee

Position in the franchise

Current position responsibilities

Other positions held in the franchise including length of service

Any other information

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Part B   **Information about the franchised business unit**

Description of market position and size of the FBU

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Products and services offered

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Competition

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Client profile

PART C   Probe Questions 1-20

1. In regard to the history of your firm could you tell us about any significant changes that have had impact on your firm strategically and operationally? (1 2 6)

2. What affect have these changes had on your competitiveness in your marketplace? (2 6)

3. Could you tell us about why your products/services have been successful against your competitors in your marketplace? (1 2)

4. Can your competitors imitate your operations and strategy? (1 2)

5. In the past 10 years has any significant changes occurred in your markets and if so how did you respond? (1 2)

_____

6. What does competitive advantage mean to your firm? (2 6)

_____

7. What do you think gives your franchised group its competitive advantage? (1 2 6)

_____

8. Has your competitive advantage changed over the last 10 years and if so, how? (1 2 6)

9. In regard to your operations over the past 10 years, could you tell us of any significant changes that impact on how your people learn the job? (3 4 5 6)

10. How do your people learn what is required to do the job? (3 4)

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11. What type of learning programs have you adopted over time? (3 4 6)

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12. Are your people multi skilled? (3 4 6)

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13. When errors occur, what methods do you use to resolve the issue of making sure of non occurrence in the future? (3 4 5)

14. How are learning needs determined? (3 4 5 6)

15. Could you tell us of any barriers in your firm that would impede efficient learning? (5)

16. Who is responsible for implementing the learning process in your firm and how does your firm decide on what needs to be learnt? (3 4 5)

17. How do you make sure that your people have the right skills in place now and for the future so that your firm can respond to any change in your marketplace? (6)

18. How does your firm evaluate the effectiveness of your learning strategy? (3 4 5 6)

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19. Does your learning strategy impact on your firm's competitiveness in the marketplace? (2 5 6)

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20. What process does your firm have in place to discuss individual and team learning needs and wants and what factors would promote and or impede such a process? (2 5 6)

Summary of probe questions (Nos represent relevant research issue)

1. In regard to the history of your firm could you tell us about any significant changes that have had impact on your firm strategically and operationally? (1 2 6)

2. What affect have these changes had on your competitiveness in your marketplace? (2 6)

3. Could you tell us about why your products/services have been successful against your competitors in your marketplace? (1 2)

4. Can your competitors imitate your operations and strategy? (1 2)

5. In the past 10 years has any significant changes occurred in your markets and if so how did you respond? (1 2)

6. What does competitive advantage mean to your firm? (2 6)

7. What do you think gives your franchised group its competitive advantage? (1 2 6)

8. Has your competitive advantage changed over the last 10 years and if so, how? (1 2 6)

9. In regard to your operations over the past 10 years, could you tell us of any significant changes that impact on how your people learn the job? (3 4 5 6)

10. How do your people learn what is required to do the job? (3 4)

11. What type of learning programs have you adopted over time? (3 4 6)

12. Are your people multi skilled? (3 4 6)

13. When errors occur, what methods do you use to resolve the issue of making sure of non occurrence in the future? (3 4 5)

14. How are learning needs determined? (3 4 5 6)

15. Could you tell us of any barriers in your firm that would impede efficient learning? (5)

16. Who is responsible for implementing the learning process in your firm and how does your firm decide on what needs to be learnt? (3 4 5)

17. How do you make sure that your people have the right skills in place now and for the future so that your firm can respond to any change in your marketplace? (6)

18. How does your firm evaluate the effectiveness of your learning strategy? (3 4 5 6)

19. Does your learning strategy impact on your firm's competitiveness in the marketplace? (2 5 6)

20. What process does your firm have in place to discuss individual and team learning needs and wants and what factors would promote and or impede such a process? (2 5 6)

Appendix 2: Secondary Data Documentation

Case/Document	A	B	C	D	E
Business plan	X	X	X	X	X
Minutes of meetings	X	X			
Internal training material	X	X	X	X	X
In-house course documentation	X	X	X		
Conference agendas	X	X		X	X
Conference papers	X		X		
HR Files (training records)		X			