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Tacit Knowledge Barriers within Franchise Organizations

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Abstract

This paper reviews knowledge management in the context of a franchise business operation, with a focus on tacit knowledge barriers. In a franchise organization, the transfer of knowledge occurs on multiple levels and has an added level of complexity because of the number of partners and relationships. Tacit knowledge transfer should occur vertically between the franchisor and franchisee, as well as horizontally between franchisees. This literature review distinguishes five barriers to knowledge transfer at the tacit level. By identifying these five barriers and offering potential solutions, this examination provides insight around future research studies which could address these barriers. Solutions may be in the form of how franchisees and/or franchisors are selected, adoption of new shared learning processes, or the creation of cultures that work in collaboration vs. competition. The five barriers examined in this research include: Trust, Maturation, Communication, Competition, and Culture.

Keywords: knowledge management, franchise organizations, knowledge transfer

Tacit Knowledge Barriers within Franchise Organizations

In its most simplistic form knowledge is information. However, there is nothing simple about knowledge. Knowledge can either be explicit or implicit and therein lies one of the many complexities for how business organizations must deal with creating, harnessing, storing, and transferring knowledge.

Knowledge management (KM) has been heavily researched and studied over the last 25 years. When the phrase "definition of knowledge management" is entered into Google there are 106 million definitions listed. In addition to the hundreds of books, articles, and essays published, the literature continues to grow and there is even a quarterly journal devoted to the subject of KM.

The transfer of knowledge in an organization occurs when someone shares through training, demonstration, or even informally through verbal communication how to accomplish a task or acquire a skill that impacts another individual or team within that organization (Argote, Ingram, Levine, & Moreland, 2000). KM is a mechanism within an organization that harnesses "intellectual capital" and ultimately drives more value into the organization (Chase, 1997). Although no formal definition has been agreed upon or widely adopted, theorists agree that the process of KM is vital to the health and well being of an organization (Slagter, 2007).

In a global marketplace where speed to market is critical, organizations must be able to transfer knowledge rapidly and effectively in order to compete. Drucker (1993) argues that knowledge isn't just a source for competitive advantage, but rather knowledge outweighs all other production factors in terms of importance. There is documented evidence that when organizations become effective in transferring knowledge they have a longer life span than organizations which are unable to master this process (Baum & Ingram, 1998). Wiig (1997)

maintains that business organizations must first identify the knowledge that exists and then create procedures for capturing and sharing that knowledge as a means to boost their "intellectual capital portfolio." One of the roles of human resource development (HRD) is to help assist organizations leverage tools for transferring knowledge (Cho, Cho, & McLean, 2009; Davis, Naughton, & Rothwell, 2004). These principles of transferring knowledge are especially important in franchise systems, due to their goal of distributing a common set of practices across diverse and geographically dispersed franchisee organizations.

There are multiple methods used in transferring knowledge within organizations. Some of the more traditional approaches include job training, published standards and procedures, online portals, and other websites that provide reference materials. Other knowledge transfer methods that are less obvious, but still critical to knowledge transfer include verbal communication, demonstrations, 1-800 help lines and shared exchanges between colleagues, strategic alliance partners, and suppliers. All of these widely used methods for transferring knowledge utilized by corporations are employed in a franchise environment.

The ability to share information and transfer knowledge from one group to another is central for organizations that are "interconnected" (Argote, et al., 2000). Franchise chains qualify as interconnected organizations and have the potential to garner greater rewards because they offer an expanded base of experience when compared to a single business enterprise (Argote, et al., 2000). But do franchise systems reap this advantage? Or are these systems plagued by hierarchical cultures that funnel information downward and are not willing to listen to experiences gained in the trenches? In a study by Szulanski (2000), he argues that knowledge transfer is arduous, time-consuming, and complex to manage in organizations. In a franchise system there is an added level of complexity because knowledge transfer occurs beyond the

corporate entity, into separate organizations frequently comprised of many different partners. These interconnected organizations, or franchisees, are typically separated by geography and vary in size, scope, and degree of business experience. In most cases, they have cultures of their own, distinct from the franchisor and other franchisees.

The vertical sharing of tacit knowledge in the relationship between franchisor and franchisee, as well as the horizontal flow of information between franchisees, reduces risk and improves the opportunity for longer term financial gain (Paswan & Wittmann, 2009).   But harnessing and leveraging tacit knowledge requires franchisees and franchisors to develop an environment that fosters trust and overcomes systemic barriers.

This paper emphasizes the intangible asset of tacit knowledge in the franchise relationship and its relationship to developing HRD applications that foster KM processes that will assist franchise operations leverage knowledge as a resource. The literature search began by combing through several academic databases (e.g., EBSCO, ERIC, Goggle Scholar) for studies on franchising, barriers to franchising, tacit knowledge and franchising, and knowledge transfer in strategic alliances. Citations in articles located from these searches led to further exploration in closely related subjects. Key theorists in the field of franchising and in knowledge transfer were referenced in multiple articles, indicating their stature in the field. The literature in KM, franchising, and strategic alliances was used to develop a conceptual understanding of the barriers to transferring knowledge within this sector.   The first section of this paper provides an overview of franchising. The next section defines tacit knowledge. The concluding section of the paper examines five barriers that exist in franchise systems that limit tacit knowledge transfer and handicap the relationship. This review will also offer theories on how to create conditions which diminish these barriers.

Overview of Franchise Systems

Franchising has shaped the U.S. economy over the last fifty years. Machan (2009)

reports that franchise businesses make up 11 percent of the U.S. private-sector economy. There

are over 900,000 franchised businesses in the United States and franchising continues to attract

individuals despite tightened credit markets. More than 11 million jobs are spawned from

franchising and these businesses produce goods and services worth over $880 billion of direct

economic output ("Economic Impact of Franchised Businesses," 2005). A broader

understanding of barriers that impede knowledge transfer is needed due to the financial capital

and human resources involved in franchising. By understanding the barriers to knowledge

sharing, the opportunity exists to create strategies and tools that can improve franchisor and

franchisees performance and long-term satisfaction with the partnership.

Many definitions of franchising have been posed. A formal definition was provided by

Curran and Stanworth in 1983:

> A business form essentially consisting of an organization (the franchisor) with a market-
>
> tested business package centered on a product or service, entering into a continuing
>
> contractual relationship with franchisees, typically self financed and independently
>
> owner-managed small firms, operating under the franchisor's trade name to produce
>
> and/or market goods or services according to a format specified by the franchisor (as
>
> cited in Stanworth and Curran, 1999).

In 2009, this definition has changed very little. On their website the International

Franchising Association (2009) defines franchising as "a method of distributing products and

services that involves a franchisor who lends their trademark and business system to a franchisee

who, in return, pays a royalty for the right to use the franchisor's trademark and system in their business" (para. 1).

Leasing the rights to a brand name, however, is only one part of the franchise equation. The franchisee and the franchisor have a much more symbiotic relationship than a financial and legal contract. At a minimum, franchisees expect training, procedures, technical know-how, and expertise on a host of subjects including marketing, operations, human resources, legal expertise, and distribution. In addition, franchisees consider themselves entrepreneurs, not employees, thereby expecting some level of participation in the decision making process. The level of participation may be in the form of an elected franchise body that is expected to represent their needs to the franchisor. Franchisors in turn rely on franchisees to provide local market information, as well as sales and transaction data that helps identify where and how to expand the franchise for future growth.

Franchising has been studied from multiple levels. Included in these reviews are theories as to why firms franchise, why an individual purchases a franchise, debates as to whether franchising is entrepreneurial, as well as how franchise organizations innovate and cope with change (Baucus, Baucus, & Human, 1996; Elango & Fried, 1997; Stanworth & Curran, 1999). There is a more limited pool of data on the knowledge transfer process within a franchise organization. Paswan and Wittman (2009) offer the first comprehensive look at creating a framework of KM in the franchise system.

Tacit Knowledge

Dreyfus and Dreyfus's (1986) empirical studies of pilots, drivers, chess players, and adult learners of a second language led to their theory of five stages of skill acquisition. They suggest that individuals progress from rule centric knowledge based learning at the novice stage towards

the proficient and expert stages when relying unconsciously on past experiences to guide

behavior. Their work further highlights the value of employee longevity in Japanese firms as a

business advantage over American businesses. Their premise is based on Japanese employees

typically staying with one company throughout their career, which provides an intuitive level of

knowledge that American firms struggle to duplicate because of high employee turnover

(Dreyfus & Dreyfus, 1986). The value of intuitive knowledge was also explored by Boisot

(1998), who maintains that Japan's strong preference for uncodified knowledge aided Japanese

manufacturers by reducing the ability of competitors to duplicate their products. The more

recent expansion of Japanese manufacturing firms into international arenas, however, has

resulted in codification which has opened the doors to imitation (Boisot, 1998).

This concept of intuitive or uncodified knowledge has been brought forward by several

KM theorists including Nonaka and Takeuchi (1995) who suggest that knowledge can be

classified as either explicit or tacit. Explicit knowledge is knowledge that is written down and

easily transferred from one individual or organization. Because it is in written form, however, it

is highly susceptible to being copied by a competitor. Tacit knowledge, on the other hand, is

gained through experience and is far more challenging to explain because it exists in peoples'

heads. Often the only way to share this information is through a form of tutelage with the person

who possesses the knowledge. Tacit knowledge relies on storytelling, demonstration, and other

more abstract means of sharing know how.

Boisot's (1998) KM Model suggests there are three dimensions to knowledge:

codification, abstraction and diffusion. His I-Space framework postulates how knowledge

moves between the three modes, suggesting uncodified data at some point may become codified

and conversely, codified knowledge may become internalized and lead to new insights or new

practices that are uncodified. In Boisot's theory, tacit knowledge comes from the expertise of the individual who in effect "possesses" the information. While firms may own what employees learn, they do not possess this tacit knowledge. In order to leverage this uncodified information, organizations must determine how they will codify tacit knowledge. Crossan, Lane & White's 4I model (intuiting, interpreting, integrating and institutionalizing) also advances the notion that personal experiences are what create tacit knowledge and suggests managers create methods to integrate tacit knowledge at the organizational level (as cited in Yang, Zheng, & Viere, 2009). While each of these KM theories differ in specific areas, they each recognize the importance of tacit knowledge to the strategic mission of organizations. KM theories suggest that among other benefits, capturing and sharing tacit knowledge becomes a way for organizations to encourage idea sharing, enrich interactions between teams, and enhance a firm's ability to react faster to problems or opportunities.

Because tacit knowledge is embedded within individuals versus embedded in training manuals, it is much less susceptible to being exploited by competitors and therefore it becomes an even more valuable commodity to capture and protect (Lei, Slocum Jr., & Pitts, 1997). 3M Corporation, widely recognized as one of the most innovative companies in the world, nurtures a culture of tacit knowledge sharing by encouraging individuals to share ideas. This company values tacit knowledge based on the belief that the greater good of the company is served when individuals share versus hoard information (Brand, 1998).

Franchisees often have an abundant amount of tacit knowledge because they are intimately involved in their business. They have a handle on consumers' preferences, pricing thresholds, insights on marketing tactics, competitive intelligence, as well as first-hand experience with local ordinances (Dant & Nasr, 1998). When the franchisee provides this tacit

knowledge back to the franchisor it allows the franchisor to evaluate the merit of building out the market through expansion or acquisition, set pricing recommendations, and uncover new solutions to drive greater customer satisfaction and higher sales. In the fast food franchise sector, franchisees have been credited for generating new procedures and product ideas that create more market value for the franchisor. In an empirical study on learning transfer by Argote, Darr and Epple (1995), researchers learned that fellow franchisees were quick to adopt a cost saving procedure for topping pizza once they saw the process in action. Furthermore, once the franchisor learned of the practice, the process was soon adopted in 90% of the stores across the country. In the arena of new products, KFC's Extra Crispy Strips were developed by a group of franchisees in Texas (Darden, 2002). In the McDonald's system, the Filet-o-Fish Sandwich, the Egg McMuffin, and the Big Mac all bubbled up from franchise operators attempting to improve sales (Shook & Shook, 1993).

How welcomed this type of tacit knowledge is received by the franchisor, however, varies. Franchisors often rely heavily on explicit knowledge transfer mechanisms because they promote consistency and standardization. Traditional training and development helps ensure reproduction of the business model, maintenance of quality control, and survival of the brand (Dant & Gundlach, 1999; Epinoux, 2005; Phan, Butler, & Lee, 1996). This explicit training is often transmitted in manuals, operating procedures, policy guidelines, and brand standard documentation (Sorenson & Sorenson, 2001). While explicit knowledge should be easier to transfer, the degree to which franchisees welcome these various codes, regulations, and standards varies. Reluctance from franchisees may occur when they assume their own franchisee knowledge is more practical versus corporate procedures that assume ideal conditions, which never exist.

There are numerous factors that determine whether a franchise operation succeeds. Successful business enterprises understand that knowledge is a two way street requiring those on the front lines and those in the executive suites to share tacit knowledge.

<p style="text-align: center;">**Barriers to Tacit Knowledge Transfer**</p>

The literature on KM, franchising and strategic alliances provide five common barriers to tacit knowledge: Trust, Maturation, Communication, Competition, and Culture.

The Trust Barrier

In a business environment, much like other social contexts, participants decide whether to share information based on their perceptions of the recipients as a friend or foe. In the KM literature, Husted and Michailova (2002) diagnose a condition they term "knowledge-sharing hostility." These scholars maintain that the process of sharing knowledge is messy, complex, and hands-on. It requires both sides to be fully engaged and have a level of trust in one another. A study by Rousseau and Tijoriwala (1999) in the healthcare field found that a high level of trust allows for more acceptance of organizational change and negates the need for continual information seeking. Much like any organization, franchise organizations move through changes in leadership, organizational structure, and processes. If a franchise organization has undergone numerous corporate owners or is plagued by legal issues, there is less chance for collaboration and tacit knowledge sharing (Husted & Michailova, 2002; Szulanski, 2000).

Concern about self serving behavior (Mohr & Spekman, 1994) in a franchise relationship hampers the ability to build a trusting relationship. The franchisor may be concerned that franchisees are falsifying sales information in order to reduce royalty fees or not following protocol on operational processes. Franchisees in turn are concerned about franchisors infringing on their territory, creating monopolistic supply chains that generate additional revenue

for the franchisor, and discounting programs that drive sales at the expense of profits (Pisano, 1988).

Some theorists argue that this divergence of goals between franchisees and franchisors is why franchisees form alliances with each other and distance themselves from the franchisor as much as possible (Altinay & Wang, 2006). When a relationship is transactional and defined primarily by a legal contract, franchisees may be more likely to fear opportunistic behavior on the part of the franchisor. This form of paranoia is an inhibitor to tacit knowledge sharing.

Conversely, when franchisors and franchisees have successful collaborations, trust emerges (Todeva & Knoke, 2005). In order to garner trust among franchisees it is incumbent on franchisors to demonstrate good faith efforts to grow franchisees' sales and profit. Likewise, franchisees must prove they are willing to partner and participate actively in the brand building process. This suggests that longer relationships between franchisor and franchisees are valuable because repeated positive experiences generate higher levels of confidence and lessen the concern that the other party is self-serving.

In order to build a trusting relationship, both sides must be willing to learn from each other. Franchisors encourage trust by involving franchisees in the decision making process, listening to their ideas, and providing incentives for knowledge sharing. Franchisors can also reward franchisees who serve on internal franchisee committees, agree to test products, or marketing promotions and provide mentoring to fellow franchisees (Paswan & Wittmann, 2009). If there is a hostile situation such as a pending lawsuit, franchisors must first solve that issue before tackling methods that foster shared learning.

The Maturation Stage Barrier

Organizations in their formative stages have been shown to welcome knowledge sharing (Argote & Ingram, 2000). Conversely, organizations in the mature stage of their life cycle may be less likely to adopt new ideas that require abdication of the old ways of doing things (Szulanski, 2000). This maturation barrier holds true in a franchise system as well. Franchisees new to the organization are willing to learn from the franchisor because they are eager to protect their investment and they are less likely to have created alliances with fellow franchisees. Seasoned franchisees meanwhile are more likely to hold onto the old way of doing things because as the saying goes, "if it ain't broke, don't fix it." In addition, franchisees with longer tenure in the organization are more likely to have experienced the failure of ideas or processes espoused by the franchisor. This may create a jaded point of view about the need for change.

In an empirical study of a hotel franchisor, Altinoy and Wang's (2006) findings suggest that prior knowledge of how to do something is acquired over time, takes root, and forms a barrier to learning. Their findings recommend that the key to successful franchise partnerships is to identify a knowledge "fit" between the franchisor and franchisees (Altinay & Wang, 2006).

This theory of knowledge fit has deep implications for tacit knowledge sharing in a franchise environment. Lei, Slocoum, and Pitts (1997) examined the relationship between strategic alliances and organizational learning. Their research suggests that all alliances follow a set of evolutionary stages. The three stages include: partner selection, planning and negotiation, and implementation/control.

As a potential franchisee and franchisor discuss a potential relationship, they need to identify whether they have the same strategic objectives for learning. Franchisors seeking control and compliance should seek younger franchisees with little experience and from those

outside the business sector (Stanworth, Price, Purdy, Zafiris, & Gandolfo, 1996). In this more hierarchical type of relationship, knowledge is more apt to be transferred in a traditional downward process mode and there is less reason to value or encourage information flow upward from the franchisees. Conversely, franchisors with minimal years in the industry should seek franchisees with prior entrepreneurial experience and/or explicit experience in the category in order to leverage franchisees' backgrounds (Stanworth et al. 1996).

During the planning and negotiation stage, the legal aspects of the relationship take center stage. It is at this juncture when differences may surface between franchisors and franchisees. Contracts are typically clear about franchisees financial obligations and expectations, but may be less forthcoming regarding franchisor obligations (Lee, 1999). If a prospective franchisee is bothered by this lack of clarity, it may create an initial sense of unease about the relationship that may form a trust barrier. Even if negotiations are smooth, unexpected issues will arise that the contract does not cover. How the franchisor and franchisee navigate these issues will either help or hinder the level of trust in the relationship (Lei, et al., 1997).

An option to build trust that is presented by Paswan and Wittman (2009), recommends that franchisors evolve from a traditional franchise approach to a network franchise system. These theorists define a traditional franchise system as being heavily focused around communications and instructions such as training manuals and procedures. They maintain that a network franchise system, on the other hand, embraces horizontal flow of knowledge where everyone participates in a more free flowing exchange.

Paswan and Wittman's work supports Elango and Fried's (1997) conclusion that franchisees are more engaged if they perceive the relationship with the franchisor is more of a partnership where they can participate in the decision making process. The greater the length of

time in the relationship the more secure the franchise can become in offering upward flow knowledge to the franchisor.

The Communication Barrier

Communication is at the heart of a franchise relationship and the method for how information flows determines the health of the relationship. Open and candid communication without fear of reprisal breeds a healthy franchise partnership (Mohr & Spekman, 1994).

In a franchise system, each party has a role in information exchange. Franchisees are dependent upon corporate offices for clear, timely, and accurate information on operational, marketing and other procedures. Conversely, franchisors need accurate, relevant timely sales, transaction, and customer information from franchisees. But explicit knowledge transfer is only one aspect of organizational learning. The diffusion of tacit knowledge transfer between franchisor and franchisee offers the opportunity to facilitate improvements such as new ideas that drive sales growth, margin improvement, or labor savings.

Several factors are likely to influence the willingness of franchisees to divulge financial information to franchisors. Along with the economic incentive noted earlier, "survivor mentalities" may emerge on both sides. Power on one side, as argued by Galbraith (1956), creates a natural need for power on the other side. A franchisee may opt to withhold information from the franchisor as part of a larger power struggle between the two players in the relationship.

Single unit franchisees, also known as "mom and pop shops" may simply wish to be left alone and do not want the franchisor meddling in their affairs. Franchisees who own multiple units are in a more powerful position because of their financial resources and their growth orientation which makes them more valuable to the franchisor. These multiple unit operators are

more likely to have a closer relationship with the franchisor which may encourage more open communication, feedback, and sharing of ideas (Weaven, 2004).

Since one aspect of KM is to get as much knowledge out of people's minds and passed to other people's minds or into some type of knowledge reservoir, a franchise system could reward or incent franchisees to share information. A system of reward for innovative growth ideas would encourage franchisees to step forward. 3M Corporation, for example, holds internal fairs and invites colleagues from around the world to examine ideas, on a confidential basis, to transplant ideas from unit to unit (Brand, 1998). A franchise system could mirror this idea at the annual convention and create a "knowledge fair." Instead of a typical franchise convention where the franchisor provides trainers to pass on tools and information, franchisees could discuss and demonstrate best practices for fellow franchisees. Franchisees who contribute to the shared learning could be rewarded either monetarily or recognized with an award. By stimulating a level of entrepreneurial thinking and rewarding the sharing of those ideas, a franchise business is more likely to be innovative and thrive in a competitive environment.

The Competition Barrier

Belief that the franchisor or other franchisees are competitors discourages sharing of tacit knowledge (Szulanski, 2000). Competitive tension can stem from the franchisor owning corporate controlled units which co-exist in locales with franchisee units or if there are other nearby franchisees in the same trade area. The risk of revealing too much information to another franchisee or to the franchisor creates a paranoia that impedes knowledge transfer (Simonin, 1999).

A factor that can decrease the internal competitiveness in a franchise relationship is an external competitive threat. Studies by Dant and Nasr (1998) have shown that franchisors and

franchisees are more likely to "band together and share information" when there is an external competitive threat.

To reduce the trust barrier, the focal point of competition must be geared toward external entities in order to create a single-minded purpose between franchisor and franchisee. This could be done through education on industry data that identifies external competitor market share growth and highlights competitor activities.

Another possibility to reduce internal competitiveness between franchisees is to align franchisees based on strategic philosophies in order to facilitate tacit knowledge sharing. A qualitative study by Darr and Kurtzberg (2000) in a pizza franchise discovered that franchisees with similar strategies are more likely to share information. Interviews and observations among franchisees with expansionist strategies found a tendency for these franchisees to share new ideas and information via phone or meetings with other expansion-oriented franchisees. A similar pattern of knowledge sharing was found among franchisees with a cost cutting focus. This research suggests that informal knowledge transfer occurs when franchisees have a similar business strategy. Franchisors could use this information to create franchisee councils based on business strategy, thereby encouraging an environment more prone to tacit knowledge sharing.

The Culture Barrier

The term "organizational culture" has been defined in multiple ways, but Schein's definition is well respected in the organization development literature. He defines culture as "a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that had worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think and feel" (Schein, 2004, p. 17).

The culture of an organization influences whether knowledge is or is not transferred (King, 2008). In a franchise relationship, the asymmetrical power relationship serves as one barrier to knowledge transfer (Todeva & Knoke, 2005). The franchisor controls the relationship because franchisees must play by the franchisor's rules and regulations since they are leasing the brand name and do not have ownership rights (Stanworth, Curran, & Hough, 1983). In a hierarchical culture which operates in a controlling manner, tacit knowledge transfer will be sacrificed because franchisees will be less willing to share their own innovations (Stanworth, et al., 1983).

Subcultures also play a role in franchisee relationships because each franchisee has their own distinct set of beliefs, norms, and practices. The cultures of these units may or may not mesh with the corporate culture of the franchisor. There is a tendency for franchisors to be seen as having bureaucratic cultures which rely on dictating the rules, regulations, and technology down toward their franchisees. Franchisors expect that franchisees will conform and adopt a similar set of beliefs, norms, and practices. Because franchisees are typically a step closer to the customer, they tend to have service-oriented cultures. In service-oriented cultures, the focus is on fulfilling the customers' needs first (Want, 2003). But focusing on customer needs may create different approaches in various markets that may or may not be shared with the franchisor.

Franchise systems must grapple with the unequal balance of power if the goal is to promote tacit knowledge transfer and organic learning. Understanding and overcoming this barrier requires a franchisor to create and promote a culture of know-how that encourages sharing of information. This could take the form of online portals where franchisees can discuss ideas with individuals within the corporation or with other franchisees. Quarterly meetings and

interactive knowledge-sharing seminars and workshops may also be worth exploring as a means to reinforce collaborative knowledge and spark bottom-up feedback.

Before a prospective franchisee moves forward with any contractual agreements, they should learn about the history of the franchisor, visit their offices, talk to employees, visit other franchisees, and come to a deep understanding of the franchisor's organizational culture to determine if he or she will be able to fit and follow that model. In addition, the Organizational Cultural Profile (OCP), developed by O'Reilly (1983) to assess person-culture fit, could be implemented to help investigate fit before contracts are negotiated and signed.

Conclusions

Tacit knowledge is gained by "doing" and is difficult to capture and codify. It is transferred through personal interactions and sharing of experiences versus training manuals and books. Successful transfer of tacit knowledge vertically between franchisor and franchisee, as well as horizontally between franchisees, offers a key strategic advantage to leapfrog the competition and build market share. A goal of HRD professionals is to help organizations create cultures where everyone can contribute ideas or solutions to problems in order to maximize productivity. This literature review suggests that leveraging the collective mind power in a franchise organization begins by understanding five barriers that impede tacit knowledge sharing. If these barriers could be eliminated or at least diminished, it could encourage innovation that could lead to new product ideas, accelerate improvements to operating processes, and reduce turnover by creating innovative compensation models.

Franchising remains a viable business enterprise and the barriers that limit tacit knowledge transfer have not inhibited the growth of these strategic alliances around the globe. However, addressing these five barriers could optimize the performance of these cooperative

ventures, thereby creating greater returns for both franchisor and franchisee. While this review

focuses on franchise organizations, learning from the tactic knowledge of others in the workplace

spans into non-profit, academic, governmental, and other corporate entities. HRD professionals

are continually engaged in the struggle to remove or diminish the barriers that impede sharing of

information and are constantly seeking to discover practices that promote this rich level of

learning.

This paper provides a framework defining the barriers and offers insights on how to

create conditions that diminish the barriers. But, there needs to be more empirical evidence to

validate that if these steps are followed, knowledge transfer will be optimized. Future studies on

optimizing tacit knowledge transfer would prove valuable to the long term success of franchise

organizations. For example, a mixed methods study could examine the effectiveness of various

KM tools employed by franchise organizations to encourage tacit knowledge sharing. A case

study of franchisor and franchisee organizational structures could identify best practices that

facilitate sharing of ideas, open communication, and cooperation. Another research avenue is an

empirical study of franchisor/franchisee cultural fit and the widespread adoption of franchisee

ideas. Further research offers the opportunity to provide additional evidence regarding the

benefits of tacit knowledge sharing. Such studies would provide important contributions to HRD

research and practice because of the increasing importance of knowledge transfer and KM within

organization development efforts. As we gain additional understanding of how individuals

transfer tacit knowledge within these organizations, organizations can adopt practices that help

produce greater value.

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