

# **Knowledge Transfer for and through the Replication of Organisational Routines in Franchise Systems**

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## ABSTRACT

Routines are dispositions to behave according to established sets of rules that are also repositories of the organisational memory about “how things get done”. Franchise systems are organisational forms which expand through the replication of routines by new units owned by franchisees. Drawing on insights from the literatures on organisational learning, organisational evolution (under generalised Darwinism), and cognitive psychology, this thesis identifies the building blocks for a conceptual explanation of routine replication in franchise systems. It then proposes an original case study of Yázigi, a large Brazilian franchise system of language schools, which is used to develop a novel process model that captures how knowledge is transferred for and through the replication of routines within an expanding franchise system. Four principal lessons are derived. First, when direct knowledge transfer is not available, artefacts, most notably template representations of routines, are essential. Second, intermediaries, as agents of routine compilation who direct participants to template representations, are crucial to the process of routine replication. Third, just as routines are analogues of habits, routine compilation seems to reproduce habit compilation. Finally, existing learning-related habits of thought may work in favour of or against the adoption of new habits in the replication process. This thesis outlines the prescriptive implications of these lessons for franchise practitioners and details opportunities for future research.

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The work of Geoff motivated me to reengage in research. The doctorate program was a unique opportunity to be in contact with him and learn directly from the source. Geoff's theories have helped build the field of Institutional and Evolutionary Economics, and his insights are so ground-breaking that they are yet to be fully understood, applied, and developed by the research community. This thesis is my small contribution in this direction.

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## **ABBREVIATIONS**

ABF - Associação Brasileira de Franquias – the Brazilian Franchise Association.

ACT - Adaptive Control of Thought – learning framework from cognitive psychology

ALN – Lesson routines as part of the academic function

BFF - Business Format Franchise

CAQDAS - Computer-Assisted Qualitative Data Analysis Software

CCP - Commercial Partnership as part of the commercial function

CNF - Conselho Nacional de Franqueados – the national franchisees council of Brazil

CNS - New Students Identification and Enrolment Routine as part of the commercial function

GD - Generalised Darwinism

IFA - International Franchising Association

LNF - Learning Network Franchise

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## 1 INTRODUCTION

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*Leveraging knowledge means using what others have already learned, with effort and sometimes with pain, through experience and mistakes. When managers leverage knowledge, they stand on the shoulders of giants. The poor track record of knowledge reuse—and the importance that replication plays in most companies' bottom lines—suggests that effective copying is not a trivial achievement but rather a challenging, admirable accomplishment. In suggesting that managers approach institutional knowledge with humility and respect, we're hoping that they acknowledge the careful creation done by their predecessors and that they be realistic about their own efforts. Indeed, managing to get up on the shoulders of giants appears to be an achievement all by itself*

— Gabriel Szulanski and Sidney Winter, *Getting It Right the Second Time*, 2002, *Harvard Business Review*, vol. 80, n.1, p.69

During the last four decades, the field of management has given increasing importance to understanding knowledge-based abilities that are unique to each firm as the driver of sustainable competitive advantage (Foss 1997; Jacobides & Winter 2012). Terms like capabilities (Kogut & Zander 1992) and core competencies (Prahalad & Hamel 1990) now permeate most of the strategic management literature. This has been even more revealing and pertinent as knowledge-based companies like Google, Facebook and

Microsoft, lead the rankings of global corporations by market value<sup>1</sup>. To those, tangible assets are relatively insignificant as compared to intangible assets when it comes to critical company resources. Furthermore, as discussed in the above extract from literature, the ability to replicate such knowledge is paramount to company performance, although it is not easily achievable.

Capabilities and core competencies, are derived variants of a more fundamental construct, named organisational routines, as explained by Felin and Foss (2009, p.158). Routines, whether they are unique to an organisation or ordinary, are core elements of organisations. Becker (2008, p.3), emphasises the importance of routines adequately when he says that:

*To understand routines is to understand organisations. Routines are ubiquitous in organisations, and an integral part of organisations. One is hard put to identify an organisation where no routines are present.*

Routines are the key organisational repository of knowledge on ‘how things get done’ (Nelson and Winter 1982). More precisely, they are “organizational dispositions to energize conditional patterns of behaviour within teams, involving repeated sequential responses to cues that are partly dependent on social positions in the organization” (Hodgson 2013, p. 980). Those cues can come from other internal routines and deliberations, but ultimately reflect responses to information attained from the environment. Thus, routines drive the organisational functioning as they are triggered by interactions with the environment.

The environment in which an organisation lives is far from being static and presents constant challenges for organisational operations in the form of changes in resource availability and external entities’ behaviour. Also, organisations go through internal changes where some turn out to be innovations, and others may lead to a worse performance.

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<sup>1</sup> The three companies are among the top 5 in market capitalisation according to Financial Times (Ft.com. 2020. FT 500. [online] Available at: <<https://www.ft.com/ft500>> [Accessed 29 August 2020]).

Therefore, some organisations will adapt to the environment, and some will not. This will lead to differential survival chances. The more an organisation persists, the more its routines can be copied, either by replication (in new entities that are created by the organisation), like in spin-offs, branches, or franchised units, or by diffusion (in entities that copy routines without descending from the organisation). In this way, organisations evolve and are shaped by a variation-selection-retention mechanism that follows the same logic of the natural selection proposed by Charles Darwin (1959).

It is then clear that routines are at the centre of organisational evolution (Becker, 2005b), and there has been substantial interest in the nature of routines and the role thereof within organisations (Aldrich & Ruef 1999; Feldman 2000; Hodgson & Knudsen 2004; Becker 2008; Hodgson 2008; D'Adderio, 2014; Becker et al. 2015).

Organisational theorists have also praised the importance of organisational learning (Argyris, 1993; Huber, 1991), knowledge creation (Nonaka & Takeuchi, 1995), and technology transfer (Teece, 1981) for organisational development and strategic advantage. Notwithstanding, routines have been considered by some as a source of inertia in organisations (Hannah & Freeman 1984), and one which has a negative effect on organisations (Hannah & Freeman 1989, p.76). However, routines are also a source of change (Feldman & Pentland 2003), and they protect part of the inertia that is valuable for organisational resilience in the face of change (Hannah & Freeman 1989).

As much as routines have been recognised as a central unit of analysis for many fields of management (Becker 2004), the underlying processes of this construct have not received proper attention (Felin et al. 2012). One of the most important processes that involve routines is that of knowledge transfer for and through replication. Although routines' knowledge is seen as the basis of competitive advantage and knowledge transfer as a driver for company growth (Szulanskin & Jensen 2004), little effort has been put into research to understand its nature at the level of human interactions that are its main source (Argote & Ingram 2000).

The relevance of routines replication to organisational growth has also been a topic of interest (Winter & Szulanski 2001; Szulanski & Jensen 2008; Hodgson 2013). However, its role as a way of transferring knowledge, to organisational growth, may have also been undervalued as part of organisational strategies (Winter & Szulanski 2001).

This thesis is motivated by the need for a better understanding of the actual processes involved in routines replication, how it is driven by, how it drives knowledge transfer, and the importance that this process has to explain organisational evolution. It is particularly interested in the knowledge transfer flows through human interactions, the interaction with artefacts, and the challenges and possibilities that their nature imposes on this process. The lack of clarity on the lower-level dynamics that enable replication configure a limitation to the advancement of organisational evolution and strategic management fields.

To deliver improved understanding, this motivation needs to be accompanied by a pragmatic approach to research. The universe of organisations is large and diverse, and organisations such as disruptive start-ups or merged corporations can present a multitude of sources of knowledge transfer that can be hard to manage in such a novel research topic. On the other hand, traditional companies with a stable presence in the market, and where growth is achieved without opening new units or entering new geographies, could be one example of where it is difficult to find an instance of routines replication. Nevertheless, for one particular type of organisational form, franchise systems, organisational routines and their capacity to be replicated are critical as they comprise the core element for development and expansion (Winter and Szulanski 2001; Szulanski & Jensen 2008).

Franchise systems are composed by a franchisor and franchisees, which are entities associated with a legal agreement. The franchisor is a firm that holds all the intellectual property rights involved in the business, the knowledge to operate the business format, agreements with suppliers, and other partners, and allows franchisees to use those rights, knowledge, and to engage with suppliers and partners, in order to develop and profit using the business format in a given territory (Blair & La Fontaine 2005, chapter 1). For research, this reliance on routines replication creates a commitment that reduces the amount of voluntary changes in the copying process, when compared with other forms, such as start-ups and corporations. In those other forms, it is particularly difficult to understand where certain parts of the routines come from, as there is no commitment to a single routine template. Franchise systems not only offer an easier business setting to examine routines replication, but are also highly important to economies, what can be easily grasped by thinking of franchise systems like McDonalds, the Marriott, Seven 7, Century 21, and many

others, which cover large territories across the globe with thousands or even millions of franchised units, giving millions of jobs and participating in our everyday lives. For those reasons, the present study is also impelled to focus on franchise systems.

Although there is substantial literature dedicated to franchises, even briefly covering training, the study of mechanisms that produce behaviour involved in their expansion is still an area of opportunity for research. The present thesis intends to be a contribution in this sense.

### ***Aims, Objectives, and Research Questions***

The present study aims to improve understanding of the routines replication process in franchise systems. In order to achieve this, it has adopted as its main objective the development of a theory that explains the phenomenon of routines replication in franchise systems, by examining how knowledge is transferred through the interactions between individuals that participate in the replication and in their interactions with the artefacts that are used for this purpose. A second objective is to examine how changes during knowledge transfer affect routines replication and consequently, organisational performance.

These objectives address a gap in existing literature on organisational routines and franchising, and can contribute both to further develop management theory and to improve franchising systems performance.

In order to guide this investigation, the following research questions were proposed:

- a) How are routines replicated from franchisor to franchise units in franchise systems?
- b) How is knowledge transferred for and through the replication of routines?
- c) Do routines change during replication?
- d) If change happens during replication, how does it affect organisational performance?

The first two questions address the objective of building a theory on routines replication, while the last two bring attention to change in replication as a source of variation in organisational evolution.

## ***Research Approach***

The present study integrates two theories to establish initial premises into an analytical framework that is revised, extended and transformed by confronting it with evidence from empirical work. Those premises apply principles of evolutionary theory to organisations and routines by adopting the overarching theoretical framework of Generalised Darwinism, as proposed by Hodgson and Knudsen (2010), which provides a robust conceptual apparatus that handles the dynamics of routines with precision. The second theory is the Adaptive Control of Thought (ACT) from cognitive psychology (Anderson 1987, 1993a, 1993b), which provides a clear approach to knowledge transformation and the learning processes of participants in the routines. As both theories are integrated, it becomes easier to navigate through different ontological levels of the routines' replication phenomenon.

The use of Generalised Darwinism to research routines is well regarded in the organisational literature (Breslin 2008; Dollimore 2013; Abatecola et al. 2016), and provides a robust conceptual foundation for the application of evolutionary theory to an area where those ideas are usually poorly and loosely stated. Hodgson and Knudsen (2010), in their formulation of Generalised Darwinism, embrace the concepts of interactor and replicator, as defined by David Hull (1998, in Hodgson & Knudsen 2010, p.239), where organisations are seen as interactors and routines as replicators (Hodgson 2004). Those authors provide clear-cut definitions and criteria around such definitions, allowing organisational researchers to handle critical evolutionary concepts like variation, adaptation, replication, and selection with accuracy. In this manner, they support the treatment of routine as a knowledge-based unit of analysis for organisational studies. This framework is further explored as part of section 2.3.4.

The ACT theory is also well established to explain skills learning (Taatgen et al. 2008), even in organisational studies (Kump et al. 2015). However, the application of this theory to study organisational knowledge transfer and routines replication is unprecedented, contributing to the originality of the present study. The ACT theory describes how individuals learn skills as they process declarative knowledge, which is factual knowledge that can be articulated into words and symbols and organised into chunks of information, and compile it into

procedural knowledge, which can be triggered to drive action. During the compilation of procedural knowledge, skills are broken down into actions and embedded in associations with previously known rules of behaviour, to form the new disposition to behave in a way that can meet the intended objective. The clarity provided by ACT theory will help us to understand the mechanics of knowledge transfer during replication. This theory is discussed in section 2.2.1.

One notable fact is that during the literature review, the researcher found the study by Michael Cohen and Paul Bacdayan (1994), two key authors of routines studies, who suggested that the ACT theory had the potential to be used to understand routines. Another reassuring comment was found in Nonaka and Takeushi (1992), who, in their seminal work on knowledge in organisations, referred to ACT Theory as a robust account of how people learn. Finally, another doctoral thesis, by Maximilian Eberl (2018), invested in research which added psychological frameworks to expand the understanding of routines, at the Universität der Bundeswehr München, through focusing on experimental psychology to explain routine formation.

Thus, through the integration of Generalised Darwinism and ACT Theory, the research presents an initial set of premises that could explain how knowledge is transferred through and for the replication of routines in franchise systems. It then progressed to empirical investigation using the case-study method and compared the different cases (selected routines) of the case study (the Campo Grande franchise unit of Yázigi) among themselves and against the initial premises, to build a theory that explains that phenomenon.

### ***Empirical Quest***

It is important to acknowledge that organisational routines can be a complex topic of study, as they are dispositions to behave which are stored within a group of people, supported by artefacts, and that rely on the interaction between those participants to achieve their goals. The storage of routines in people makes them reliant on the cognitive capacity of each individual, on their abilities to respond to cues from the environment, and to articulate the knowledge that they receive in order to achieve the goals expected by others. Such complexity raises the need for a method that can account for the intricate nature of human



learning, and that can provide an in-depth examination of all aspects involved in the transfer of knowledge between people. To satisfy this necessity, the case-study method was selected, as it is adequate for extensive and immersive studies (Campbell & Yin 2018), thus supporting the researcher on “achieving high accuracy in understanding, explaining, and predicting thinking and doing processes” (Woodside 2010, p.ix).

The franchise system chosen as the subject for empirical research for the present study was Yázigi, a leading Brazilian language school franchise system, with more than 420 schools distributed across 180 cities. The study concentrated on one of the franchise units of Yázigi, the Campo Grande unit, which became the ‘case study’. The research also had to ensure that replication was mapped from end to end, and the project was given further focus through the selection of three key routines as the ‘cases’, which would be the unit of analysis. Two of those routines(cases) were in the commercial area and involved the identification and enrolment of new students and the creation of commercial partnerships with other educational institutions. The third routine(case) was the own language lesson routine, which is central to the service that the unit provides.

### ***Resulting Contribution***

The product of the present research is a detailed theory that describes how the knowledge of the existing franchise business is transferred to new franchise units for and through the replication of routines. It reports on how routines are represented in templates, which are actually made up of knowledge stored in people and artefacts under the franchisor. Emphasis is given to the importance of directions to template representation when direct knowledge transfer is not available, which is the case in franchises. Variances in directions to template representation cause variances in the replicated routine itself, as what the literature may call a copy is actually a process of learning and compiling fragmented knowledge into a new cohesive, coordinated sequence. This is a key finding that creates an opportunity for further research (see chapter 7).

The theory is constructed along with the flow of organisational knowledge, appreciating the differences in the transfer of tacit (procedural) and explicit (declarative) knowledge, and

the challenges of codifying and decodifying knowledge as it is communicated. Another important finding incorporated in the theory is the criticality of the role of intermediaries in the process of routines replication, as they guide and support routine compilation and create feedback mechanisms, being also responsible for directing participants to the routine template representation. Depending on intermediaries' performance, replication is more, or less, successful in achieving high similarity as compared to the template, in implementing desired innovation, if this is the case.

The theory here proposed also delineates the role of artefacts, which can be used to support replication, and themselves replicated to be used in the routine. It acknowledges artefacts' properties in increasing the similarity between template and replicated routines. Artefacts may be sometimes undervalued in routines theory, but if we observe how different methods and tools have influenced the development of management theory (see section 2.3.2), and how information technology tools (software) have taken over offices in the last fifty years, we can perceive its impact on the establishment of modern routines. In the present research, the qualities of artefacts are studied, differentiating whether they are used for replication or replicated themselves as part of the routines. Artefacts help to make routines cohesive by providing consistent cues over time or by bringing regularity to the sequences of actions that they perform or participate in.

When the proposed theory focuses on the replicated routine, it describes how routines are compiled through the combined use of goal setting, reinforcement mechanisms, and cues awareness, supporting habituation until the new routine is embedded in the recipient unit. The theory suggests that in the same way that routines are analogues of habits, routine compilation seems to reproduce habit compilation. This finding deserves to be highlighted, as it builds on ACT theory to support some of the precepts of Generalised Darwinism, in the way that it handles different ontological levels of habits and routines.

Another contribution made by the proposed theory is the identification of habits of thought that work both in favour of and against the adoption of new habits during replication. Those habits work as switches that need to be mastered if one wants to direct and improve replication.

Comprehensively, the theory explains how the knowledge transfer process works for and through replicating routines and addresses a gap in the literature by using a novel integrated approach to examine the flow of knowledge at the level of human interaction, artefacts operations, and cognitive processes.

It is important to point out, though, that the relationship between changes in routines replication and franchise unit performance was only discussed according to the perception of the unit General Manager. During fieldwork, the General Manager and owner of the unit were not comfortable sharing historical financial performance data so that a more in-depth analysis could be performed. Nonetheless, this was a minor objective of the thesis and was partially satisfied.

### ***Thesis Outline***

Regarding the organisation of the written thesis, following this introductory text, the second chapter reviews the literature on organisation learning, skills learning theory from cognitive psychology, and routines replication as part of organisational evolution. Besides the two main theoretical frameworks, the thesis resorts to organizational learning and communication theories to support key connections around skills learning. Also, the theory of franchising is explored to support the empirical work.

In chapter 3, the research questions and approach are discussed in detail. The approach follows an abductive logic, as presented by Dubois and Gadde (2002). These authors defend that the research process should go ‘back and forth’ from one research activity to another, and from theory to empirical evidence, to structure and validate arguments. This is what they call “systematic combining” of research elements, and starts with a preliminary analytical approach which is developed alongside those interactions until it provides a satisfactory answer to the research problem. This approach is based on the belief that “theory cannot be understood without empirical observation and vice-versa” (Dubois & Gadde 2002, p. 555).

The case study and the individual cases are presented in chapter 4, contextualised as part of the language education industry. This allows the reader to situate the case study and understand historical and environmental aspects that may influence its dynamics.

The actual outcome of the empirical research in the form of case findings is discussed in chapter 5, based on data collected from interviews, documents, and observation sessions. At the end of that chapter, a cross-case (cross-routine) analysis of findings is conducted to identify common patterns and confront initial premises based on literature.

The consolidated explanation resulting from this debate is then presented, and its key themes are discussed in chapter 6. This is where a theory explains how knowledge is transferred for and through routines replication in franchise systems is proposed and described.

Chapter 7 closes the thesis with final remarks, summarising the main theoretical contributions, highlighting some unique findings that deserve particular attention for researchers in the field, and outlining some suggestions for future research.

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## 2 LITERATURE REVIEW

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The literature review intends to place the present research within the existing knowledge of the covered areas of interest. The research addresses questions, outlined in the introduction, which are important for the understanding of franchise systems, organisational evolution, and knowledge transfer. Therefore, the literature review will describe key concepts, frameworks, and views present in published work on those topics. A critical, integrated, and reflexive approach will be pursued here, hoping to surpass a summarised representation of what has already been written about these themes.

The review begins by situating the study of knowledge transfer within the larger fields of Organisational Knowledge and Organisational Learning. As part of the knowledge transfer context, related theories of communication are briefly explained. Secondly, the literature on skills acquisition from Cognitive Psychology and Social Psychology are appraised to contribute to the understanding of processes of individual and group skills learning. Thirdly, the specific literature of organisational routines as a knowledge unit of organisational evolution is reviewed under the framework of Generalised Darwinism. Finally, a detailed account of franchise systems, being the type of organisations targeted for the research, will be provided. Franchises have a particular contractual frame that implies the transfer of knowledge through replication, making it a good subject for the intended study.

### 2.1 Organisational Knowledge and Learning

Not every transfer of knowledge is a replication of a routine, but every replication of a routine is a transfer of knowledge. To understand how routines are transferred in franchise systems, there must be a clear understanding of the key aspects of organisational knowledge.

An important and early account of the value of knowledge to organisational performance was made by Edith Penrose, who argued that “strictly speaking, it is never resources that are

‘inputs’ in the production process, but only the services that the resources can render” (1959, p.25). She continues to explain that the services provided by a resource are a function of the way that those resources are used. Following that perspective, Penrose concludes that the knowledge accumulation in an organisation can improve the way it uses its resources and increases its output.

Nelson and Winter (1982) also position knowledge as the key to firm growth, since it defines the combination and choices around production sets for the transformation of inputs into outputs. Their position is similar to Penrose’s, as she too emphasises the knowledge required to obtain services from resources as part of the production function. However, Nelson and Winter offer a new contribution with their introduction of the use of routines as a unit of knowledge storage and transfer.

Both Penrose (1959), and Nelson and Winter (1982), recognise that there is knowledge that can be easily articulated or transmitted in written form, and knowledge that cannot be articulated easily, and which is therefore difficult to transmit. Penrose refers to the latter as ‘experience’ and to the former as ‘objective knowledge’, while Nelson and Winter refer to the level of tacitness. The transfer of knowledge and, consequently, of routines, differ in means depending on the type of knowledge being transferred. Therefore, this discussion must be extended to explore these knowledge types.

### 2.1.1 Tacit and Explicit Knowledge

Michael Polanyi (1966) first developed the concept of tacit knowledge, observing that individuals seem to know more than they can explain. This type of knowledge is in essence uncodified and is slow and costly to transmit. A common example of tacit knowledge is evident in the relationship between a master craftsman and his apprentice, in which the learning process takes place more through example than by precept. Its transfer is time-consuming because examples are sometimes initially ambiguous and confusing, generally have to be managed through face-to-face contact, and errors corrected through personal

feedback. Also, a master can only have a few pupils at a time, and the pupil's mastery will never be an exact copy of his master's (Teece 1981).

On the other hand, explicit knowledge is codified by definition, (i.e., it is reduced in symbolic representation or code), so that it can be communicated and decoded by others. There is no longer a requirement for face-to-face communication when codification is used, and the reach is extended by the multiplication of code copies. In this way, the cost of transferring explicit knowledge tends to be lower than the cost of transferring tacit knowledge (Teece 1981).

Research suggests that tacit and explicit knowledge are highly complementary to one another. Also, knowledge is created and disseminated following not only a unidirectional transformation from explicit to tacit, but also an interactive and spiral transformation.

Tacit knowledge can be transferred, creating more tacit knowledge through socialisation, and it can create explicit knowledge through externalisation, taking the form of a hypothesis, analogy, model, and concept. Explicit knowledge can be transferred and create more explicit knowledge through the combination of different bodies thereof, and it can create tacit knowledge through internalisation, which is closely related to 'learning by doing'. The spiral grows in cycles through socialisation, externalisation, combination, and internalisation, before finally returning to socialisation.

Organisations provide opportunities for the creation and accumulation of knowledge at an individual level. The knowledge held by individuals is collected, combined, and projected at a collective level, and applied through the use of routines. Moreover, although materials like manuals, books, or intranet content can store explicit knowledge, routines are attributed as being able to also store tacit knowledge (Becker 2004).

As described above, the means used to transfer explicit knowledge are different from those for transferring tacit knowledge. Therefore, the empirical work that this paper will propose must account for those differences when investigating the means used in franchise systems.

## 2.1.2 Organisational Learning

Organisational Learning is a vast area of study and accounts for many constructs and processes. Huber (1991) provides a complete account of these, as illustrated in the figure below:

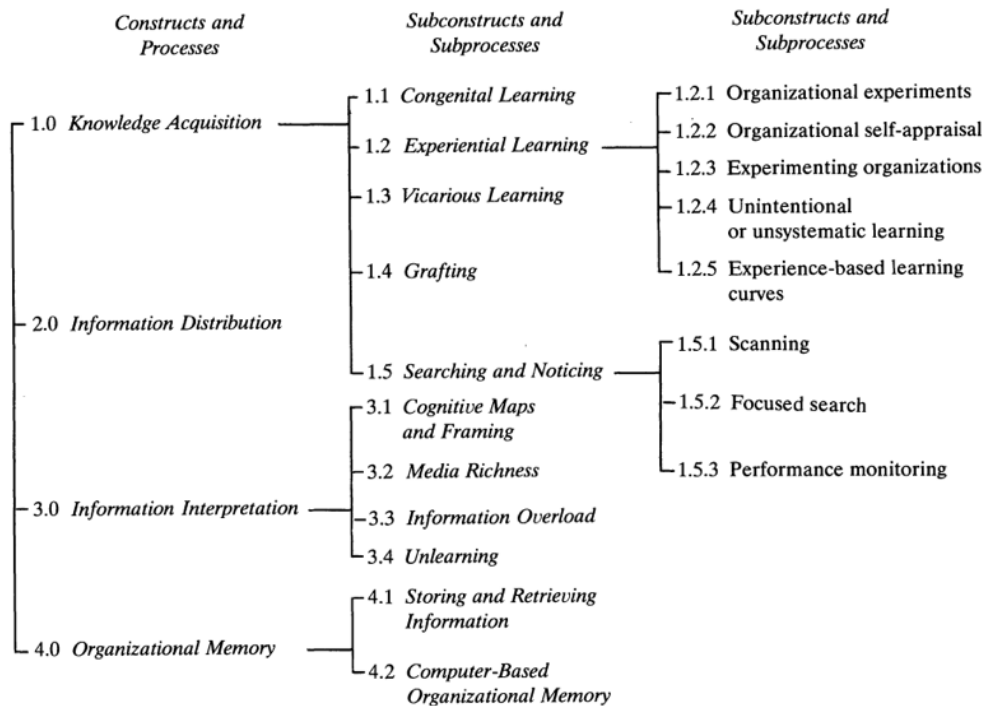


Figure 1 - Constructs and Processes Associated with Organisational Learning  
(Source: Huber 1991)

The first construct described by Huber (1991, p.91) is knowledge acquisition. This process includes activities to acquire information or knowledge like customer surveys, research and development scientific programs, and competitive intelligence reporting. It also includes informal tasks such as reading business news. Knowledge acquisition can then be applied through five subprocesses: congenital learning, experimental learning, vicarious learning, grafting and searching.

Congenital learning is initial knowledge that is brought to a recently created organisation by the individuals or organisations that have created it, to carry out its creators' intentions.



This knowledge is made available by the creators to the members of the new organisation, and examples are product formulation and manufacturing process blueprints, strategic knowledge about the industry, and existing technologies.

The knowledge obtained by the organisation through direct experience interacting with its environment is gathered through experimental learning. This knowledge is sometimes a result of intentional efforts and therefore is more often acquired unintentionally. Experimental learning can be further subdivided into the following activity types: organisational experiments, organisational self-appraisal, experimenting organisations, unintentional or unsystematic learning, and experience-based learning curves. Organisational experiments are processes that enhance the availability and analysis of feedback on controlled actions. Examples of this are project pilots and new product market tests, in which feedback data is collected and analysed to increase the understanding of cause-effect relationships. In organisational self-appraisal learning subprocesses, Huber (1991, p.92) amalgamates approaches that focus the conditions for the participation of members in the learning process, such as the gathering of information about problems, concerns, and the required changes from those members; as well as the following processing and sharing of this information. Another process for experimental learning is the process of development into an experimenting organisation, which is concerned with adaptability rather than adaptations. While organisational experiments and self-appraisal focus on instances of learning, the constitution of an experimenting organisation maintains a state of frequent changes in structures and processes. Unintentional and unsystematic learning can also occur and has been reported, but it is rather variable by definition. Finally, experimental learning can be achieved through the accumulation of learning informed by the observation of results of previous regular activity variances over time, following operational experience-based curves.

The third subprocess of knowledge acquisition listed by Huber (1990, p.96) is vicarious learning, which is related to learning from competitors. Vicarious learning can be achieved by obtaining competitive or corporate intelligence reports, contracting industry consultants that have mapped benchmarks, and related activities. This type of learning is based on the

basic mechanism of learning by imitation, which in essence means that the organisation is learning by second-hand experience.

Organisations also frequently acquire knowledge by hiring professionals, teams, and even acquiring companies that possess a specific knowledge that can extend their own, in a process called grafting (Huber 1991, p.97). This has been quite common in the software industry, in which pieces of technology can be obtained by hiring experienced programmers or by acquiring companies, thereby accelerating product development.

The last subprocess of knowledge acquisition is searching and noticing. A search is executed by scanning the external environment for relevant knowledge, by conducting a focused investigation into the required knowledge for specific problems, both internally and externally, and by monitoring the performance of the organisation in fulfilling its own goals or the expectations of stakeholders. Noticing occurs through being alert to opportunities which then will allow you to acquire knowledge through the observation and identification of relevant information in the environment.

The second higher-level construct identified by Huber (1990, p.100) in the literature is information distribution, which is critical both for the occurrence and breadth of organisational learning. The occurrence of organisational learning requires that members gather and connect information from different parts of the organisation to develop new understandings. Naturally, the breadth of organisational learning depends on the wide distribution of information.

The next higher-level construct is information interpretation, which is defined as the process through which information is given meaning. Interpretation, for Huber (1991, p.102), results from the combined effect of cognitive maps and framing, media richness, information overload, and unlearning. Cognitive maps and framing, or a person's prior belief structure or frame of reference, will confirm their interpretation of the received information. Media richness within communication will determine the extent to which both sender and receiver will develop a common understanding of a message. Information overload occurs when the amount of information received exceeds the capacity to process it properly. The last subprocess for information interpretation is unlearning, which refers to knowledge

discarding, and is critical to leading organisational members to forget old habits and acquire new ones.

The last higher-order construct for organisational learning is organisational memory, which is composed of the processes of storing and retrieving information and includes computer-based organisational memory as a topic of interest. Organisational memory has many challenges, such as the turnover of personnel and the related loss of human components of organisational memory, the lack of anticipation of future needs for certain information, and the difficulty in identifying who or what has the required information. Also, an organisation's members are subject to inaccurate learning and the incomplete recall of stored knowledge, creating further challenges to organisational memory. Huber (1991, p.105) also acknowledges that a great part of organisational knowledge is stored in standard operating procedures, routines, and scripts. He also directs the reader's attention to the importance of computer-based organisational memory, as more and more company processes and workflows are fully automated through digital systems.

The complete coverage of organisational learning processes in Huber (1991) has given rise to two topics of interest in this thesis: knowledge transfer and organisational routines.

### 2.1.3 Organisational Knowledge Transfer

Argote and Ingram (2000) define knowledge transfer in organisations as the process through which the experience of one unit (department, division, or organisation) affects another unit.

The process of knowledge transfer can be illustrated in four phases as shown in Figure 2 below.

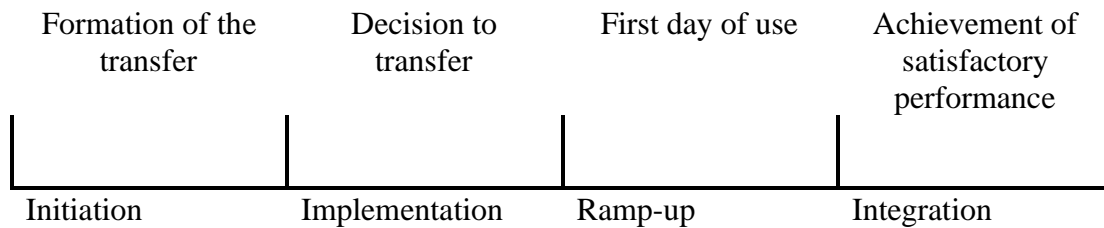


Figure 2 - The Process of Knowledge Transfer

(Source: Szulanski, 2000 p.13)

Following the process, firms begin by identifying the knowledge that can address a gap in their needs and decide to engage in the transfer. The next phase is implementation when ties are created between members and information, and resources flow between source members and the recipient. The recipient begins to use the acquired knowledge and addresses problems between expected and actual performance, making modifications until satisfactory results are obtained. Finally, the new knowledge is gradually routinised.

Cohen and Levinthal (1990) assert that a key factor for both the donor and recipient of knowledge in the transfer is their absorptive capacity, or their capacity to identify the value of ‘the specific knowledge,’ to assimilate it, and to use it. A significant contribution to this idea can be found in the work of Lewin et al. (2011), which proposes that meta-routines are commonly applied by the organisation as part of their absorptive capacity, instigating an internal evolutionary process in which variation is facilitated and new ideas emerge and go through a selection process, after which selected ideas are updated or replace the old ones. Their supposedly ‘evolutionary’ approach is rather loose, but the insight into having meta-routines as part of the organisation’s absorptive capacity deserves consideration.

Grant (1996) addresses the distinction of transferring knowledge according to its type, whether explicit or tacit. Explicit knowledge has the ease of communication as its fundamental characteristic and is revealed by communication itself. On the other hand, tacit knowledge is revealed through its application and its transfer is slow, costly, and uncertain (Kogut & Zander 1992). Murray and Peyrefitte (2007) propose that one way that

organisations manage knowledge sharing in the transfer process is by selecting appropriate communication media for the property or type of knowledge to be transferred. In a study with employees of five hospitals, they found that communication media with low richness was likely to be chosen to share information or explicit knowledge, while know-how or tacit knowledge was transferred by using high richness media. Those findings complement the understanding of media richness to information interpretation from Huber (1991), as described in the previous section.

Beyond the inherent challenge of transferring tacit knowledge and of the lack of absorptive capacity, Szulanski (2000) draws attention to other difficulties that appear during the process, which cause some initiatives to fail or progress slowly. Those difficulties include uncertainty of the results of the process when faced with the required effort and motivation, incompatibility in language and codification as part of the differing cultures in donor and recipient firms, and the ramp-up challenges brought by the new environment in which the knowledge is applied. Szulanski refers to the effect of all the above challenges on knowledge transfer along with the four phases of the transfer process as “stickiness”.

Despite the contribution by the above authors to the understanding of the organisational view of the transfer, this study’s interest in the transfer of routines exceeds the existing work, requiring an understanding of how knowledge is learned and stored specifically in routines so that it can be energised in the form of behaviour. This is explored in the next section.

#### 2.1.4 Communication and Knowledge Transfer

Although the transfer of knowledge does not only occur with explicit knowledge being converted into tacit knowledge or stored and used as explicit knowledge, the transfer of explicit knowledge is the most common form of knowledge transfer. As argued by Kogut and Zander (1992, p.388), “there is an important implication for the growth of the firm in the transformation of technical knowledge into a code understood by a wide set of users”.

In section 2.4.6, the principle that knowledge is transferred in franchise systems mostly through class training and materials, which in essence transfer explicit knowledge, will be discussed.

Transferring explicit knowledge relies on communication means and it is therefore important to discuss the relevant literature to understand this topic. The present section will address two theories of communication: media richness and media naturalness. Media Richness was briefly mentioned in section 2.1.4, but it must be explored further for the formulation of premises in the present study.

The Media Richness Theory was proposed by Richard Daft and Robert Lengel and assumes that “organisational success is based on its ability to process information of appropriate richness, reduce uncertainty and clarify ambiguity” (Daft & Lengel 1983, p.5). Those authors argue that information processing is performed according to a continuum of information richness in organisations, which measures the information capacity carrying of data. If an item of data provides substantial new understanding, it is considered rich, whereas if it provides no or little new understanding, then it is considered low in richness.

Communication media used in organisations determine information richness as they vary in their capacity to carry data by feedback capability, communication channels utilised, source, and language.

Figure 3 illustrates the hierarchy of media richness, based on a chart from Daft and Lengel (1983 p.8) and updated for more modern types of media.

Information Medium	Information Richness
Face-to-Face, Video Conference	Highest
Telephone, Audio Messaging, Teleconference	High
Recorded Videos and Written Personal (emails)	Moderate
Written Formal (manuals, website text)	Low
Numeric Formal (number standardised reports)	Lowest

Figure 3 - Communication Media and Information Richness  
(Based on Daft & Lengel 1983 p.8)

The richest form of media for information processing is face-to-face and video conferencing because it provides immediate feedback, allowing for understanding to be checked and interpretations corrected. It also allows the observation of multiple cues like body language, gestures, tone of voice, or facial expressions. Face-to-face communication is easily personalised and utilises natural language which is high in variety.

Dennis and Kinney (1998) tell us that Media Richness Theory accounts for two fundamental types of feedback: concurrent and sequential. Concurrent (or back-channel)

feedback is provided simultaneously with the message, and it is usually given in the form of nonverbal gestures like head nods, expressions showing confusion, or as very brief confirmatory messages that do not restrict the flow of information from the sender (e.g. ‘I understand,’ ‘uh huh’). Sequential feedback is provided when the sender pauses (or is interrupted), and the receiver communicates to confirm understanding, to ask for clarification, or to repeat what was shared.

Telephone calls and teleconferences are less rich than face-to-face communication, as they lose a multiplicity of information cues and nonverbal feedback, but similarly, they allow the sender and the receiver to mutually agree that the receiver has understood the message through immediate verbal feedback.

It is also important to include observations about modern types of audio communication in the form of audio messaging (e.g. WhatsApp), which is similar to telephone calls in terms of richness. However, audio messaging only allows verbal sequential feedback, not concurrent feedback.

Written personal communication is even less rich than telephone communication. In most written media, feedback is slow visual cues cannot be conveyed beyond what is writable, and audio cues are also missing.

It is valuable to note that new messaging technologies (SMS, WhatsApp, and other text messaging applications) have allowed for quicker sequential written feedback, reducing their richness gap in relation to telephone calls. However, audio cues are still not present.

The least rich media is found in the number of reports. Although these can be useful for communicating simply, quantifiable aspects of an organisation, numbers do not have the information-carrying capacity of natural language.

Media Richness Theory also includes a prescriptive side, sustaining that media richness should match the needs for communication raised by organisational phenomena complexity. The higher the complexity, the higher the required media richness. According to Daft and Lengel (1983, p.14), if rich media is used to communicate very simple organisational phenomena, it risks overcomplicating messages, bringing noise and ambiguity to information processing. At the other end, if low richness media is used to communicate highly complex



organisational phenomena, it risks oversimplifying with too few cues, impersonality, and lack of feedback.

## 2.2 Skills Learning

### 2.2.1 Cognitive Psychology and Skills Learning by Individuals

The study of ‘learning’ is a complex area and is constantly revisited after each new discovery in cognitive psychology and neurosciences. Even so, there are cognitive models that can articulate with reasonable confidence how this process occurs (Newell 1994).

#### ***A Historical Account of Cognitive Psychology Theories on the Transfer of Knowledge Between Skills***

Singley and Anderson (1989) report on the main themes identified for the understanding of knowledge transfer between skills within the discipline of psychology. In the current section, a brief description of the debate and contributions pertaining each theme is provided. Although these themes will not be directly used in the present research output, they contextualise important elements required to understand the construction of Adaptive Control of Thought (ACT) theory, explained in the next session, as well as framing this topic within the Cognitive Psychology development.

#### ***General Versus Specific Transfer***

A central question regarding skills transfer is whether it is limited and specific in scope or if it happens across a broad range of tasks and areas. According to Singley and Anderson (ibid.), the dominant view until the early twentieth century maintained that transfer occurred at a broad and general level, and could span domains that do not share content, being somehow inherent to a general reasoning faculty. Edward Thorndike (1922) was one of

the first to challenge this view and argue that the mind was not made of such general capacities, but is rather a collection of functions, habits, and associations that provide responses to content-specific stimuli.

It is notable that Thorndike's observations anticipate the view that our mind is a collection of behavioural dispositions, acquired culturally or genetically, now shared by modern evolutionary theories of cultural evolution (Boyd et al. 2013) and evolutionary psychology (Barkow, Tooby & Cosmides 1992), even if Thorndike is not cited by their authors. Notwithstanding, these modern theories do not necessarily consider specificity as a limit for transfer between activities in an individual; rather, they use it to measure the quality of the transfer by replication between individuals and generations.

In Thorndike's view, transfer commonly happens between mental functions that are at least in part identical, and can only happen between diverse activities if they are mediated by identical elements. He pursued support for this position with studies that find a low correlation between memory for words and memory for numbers, and between the accuracy of spelling and the accuracy of arithmetic. However, as more studies were conducted by Thorndike, more evidence that transfer could go beyond scope started to appear. In a sense, his theory of identical elements was rejecting the existence of transfer itself, as it could be seen as only repeating the use of the skill, rather than adapting it to a new type of task.

An opposing view to Thorndike's position can be found in the work of Piaget (1967, pp.16-18) in child cognitive development. To Piaget, children developed cognition as a sequence of domain-independent abstract capacities building towards their cognitive maturity. In this manner, he aligns more with the traditional views of a broad transfer of skills. Likewise, empirical work has shown that Piaget's stages of development are not always observed consistently and the transfer of skills fails to manifest in more general terms

(Singley & Anderson, *ibid.*<sup>2</sup>). Somehow, evidence points to transfer capacities that originate in the specific but that may transcend it and create a more adaptable and general skill transfer.

### *Meaningful versus Senseless Learning*

Studies conducted in opposition to Thorndike's views have suggested that the ability to generalise skills knowledge is related to the level of training of the individuals involved. Singley and Anderson highlight, as an example, the study by Judd (1908 cited in Singley & Anderson, *ibid.*) with boys throwing darts at underwater targets. Two groups of boys were trained in throwing at targets submerged twelve inches below water and presented similar results in precision, but when some basic instructions of reflection were given to only one group and the target was elevated to four inches below water, the instructed group was able to adapt quickly to the new task, while the other group was confused and missed targets more on average.

While Thorndike considered the learning by association between elements in stimuli and response (which those studies refer to as "senseless learning"), this view defended that cross-activity transfer happened by obtaining "meaningful learning", as the structure of the underlying nature of the tasks was understood through instruction.

### *Lateral Versus Vertical Transfer*

The study of knowledge transfer also received contributions from educational psychologists such as Gagne (1966 cited in Singley & Anderson 1989). Gagné's focus was on feedback and cumulative learning with an interest in proposing better school curricula based on subtopics of each discipline. These curricula constituted frames that, when mastered, facilitated the learning of subsequent frames, in a very strategic sequence. After

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<sup>2</sup> The work of Singley & Anderson (1989) provides a complete historical account of the theories of the mind that precede ACT theory, which is valuable to describe how cognitive psychology views developed. Most references that they use are shared here as secondary sources, since there was no substantial added value in broadening the literature review to cover them as primary sources.

some trial and error due to the *ad hoc* nature of many instructional programmes in frames, Gagné and his colleagues (Gagné & Paradise 1961; Gagné & Bassler 1963; Gagné & Staff 1965 cited in Singley and Anderson 1989) reviewed their approach. They concluded that cognitive skills were better represented as a hierarchy of capabilities by which students were required to master a learning set in each level, before moving to the next level. In this sense, they observed ‘lateral transfer’ when knowledge was transferred from one capability to the other within the same level, and ‘vertical transfer’ when knowledge transferred from a higher level to a lower level. They exemplified this hierarchy with learning sets to solve equations, where the student would first learn simple things such as how to identify an equation, the equivalence of  $1x$  and  $x$ , and obtaining products with zero, before progressing to recognising equivalent terms and the equivalence of multiplication and division terms, and so on.

Lateral transfers were frequently found as learning sets operated within the same level of complexity, such as the equivalence of terms in an equation, and the equivalence of multiplication and division terms. Differently vertical transfers are nearly guaranteed when there is a prerequisite relationship between a lower-level and a higher-level capability and the latter has been mastered (Singley & Anderson *ibid.*, p.16).

In the present study of routines in franchise systems, examples of lateral transfer can be observed when managerial skills acquired in previous experience in other business segments are applied to the franchise unit work, while vertical transfer can be seen in the use of computer operating systems (e.g. Microsoft Windows) is required to operate routines’ software systems.

### ***The ACT Cognitive Model***

A cognitive model that has been widely recognised in the literature (Ron Sun 2006), more specifically related to the learning of skills, is the ACT (Adaptive Control of Thought) model proposed by John R. Anderson (1987, 1993a, 1993b).

According to Anderson, two types of knowledge form our skills: declarative and procedural. Declarative knowledge consists of factual knowledge organised in chunks of information. A chunk, according to Gobet et al. (2001, p.236), is “a collection of elements having strong associations with one another, but weak associations with elements within

other chunks”. For example, a basic cheese pizza is made of dough, tomato sauce, and cheese, and those ingredients need to be baked in an oven at 300 degrees, and so on.

Procedural knowledge is made of ‘production rules’, or knowledge about how humans do things. So, production rules to make a pizza would follow an “IF...THEN” rule structure, creating the steps to combine and process those ingredients, then bake it until its final form is reached. For example, the pizza-making process can start with “IF I want to make a pizza THEN I get the ingredients from the storage, IF I have all the ingredients, THEN I measure a separate how much of each ingredient I will use”, and so on. The term ‘production’ is actually a notation used in the model to represent the flow of information in the brain.

According to the ACT model, chunks of declarative knowledge can be acquired in two ways. The first way is through the encoding of information from the environment. For instance, a restaurant employee can learn in training that a pizza is made of dough, tomato sauce, and cheese by reading a recipe, or by watching another employee make one. The second way is through storing and recalling results from past goals and calculations. For instance, a man could have tried to make a pizza in the past and now uses the same ingredients.

In regards to procedural knowledge, Anderson (1993b) proposes that it is learned by analogy. The individual starts with a stated goal, then looks for an example of solving a similar problem. Then, they abstract the principles from the example, first as chunks of declarative knowledge, to then compile it in production rules to satisfy the goal. This rule is then available to apply in similar situations. In the process of compiling declarative knowledge into procedural knowledge, the learner will break down the goal in subgoals and will use production rules from its repertoire where easily available, reutilising knowledge that is previously obtained.

As Anderson states, it could be questioned why skills are broken down into rule-like units, rather than being stored as a whole. He believes that motivation comes from the economy of representation so that units can be combined in different ways and represent different procedures and a range of transfer, where it can be combined to other sequences to apply to a wide range of problems.

The learning of both declarative chunks and production by analogy does not mean that the skill knowledge will be used successfully; as Anderson (1993b) explains, it creates a symbolic structure. Symbolic structures are evaluated when activated, and their probability of success and cost is updated in the memory at each use. As they are internalised as a direct response to similar triggers, through this implicit learning, they form sub-symbolic structures composing procedural knowledge.

Procedural knowledge can be in part made conscious, codified, and consequently converted to explicit knowledge. However, another part of procedural knowledge cannot be described and stays unconscious. That part is what has previously been referred to as tacit knowledge.

As described by Anderson (1993, p.31), declarative knowledge appears to be optimised for storage, while procedural knowledge appears to be optimised for use. Procedural knowledge optimisation involves achieving a balance between the range of applicability and the efficiency of application.

In the study of the processes constituting procedural knowledge, Seibel (1963 cited in Newell 1994) proposed a theory named the “power law of practices”. This theory maintains that the more a person practices a task, the faster the reaction time becomes. Newell and Roseblom (1981) built on Seibel’s observations and suggested that this effect is driven by the chunking of task-specific knowledge. As more practice is entertained, more specific chunks are built and the process of accessing and using this knowledge is faster.

In the ACT Theory, the acquisition of a cognitive skill is achieved in two stages (Singley & Anderson 1989, p.31). The first stage is when the skill is interpreted by general productions, known as the ‘declarative’ stage. The second stage is when the skill is directly embodied in domain-specific productions. The transition between the two stages is accomplished by the process of knowledge compilation, which is constituted by the breakdown sequences of general productions into specific productions, depositing domain-specific knowledge from long-term memory to increase the speed of production. During compilation, previous production rules activated for being analogous to the required by the new skill are merged with other production rules and domain-specific knowledge to form new, and very specific, production rules.

### *Transfer of Knowledge in ACT Theory*

Singley and Anderson (1989) discuss in more depth how ACT theory treats knowledge transfer for skills acquisition. It is important to understand that their work is concerned with the transfer of skills between different task types as performed by the same individual, rather than the transfer between individuals. The first observation of their theory is that both declarative and procedural knowledge can serve as the source and destination of transfer, as illustrated below:

		Target Knowledge	
		Procedural	Declarative
Source Knowledge	Procedural		
	Declarative		

Figure 4 - Taxonomy of Transfer Types  
(Source: Singley and Anderson, 1989)

In Figure 4, there are four types of knowledge transfer for skills acquisition. Procedural-to-procedural transfer occurs when the productions learned in the training task apply to the target task. For instance, if someone has learned how to use one of the Microsoft Office applications, such as MS Word, this person can possibly transfer knowledge about functions such as opening and saving a file, cutting, and copying and pasting a text, in order to operate MS Excel. However, other tasks involved in the creation and editing of a spreadsheet require a specific understanding of how a spreadsheet works. The precondition is that enough MS Word use is required to ensure that related productions have formed. One of the critiques of this type of transfer examines to what extent it really is a transfer since there is not a change in the task itself.

A second type of transfer is declarative-to-procedural. Here, declarative structures from source tasks support the obtaining of productions in the target task. This commonly occurs

in the transfer of knowledge between different tasks of the same skill, which share context and, in some instances, deal with the same objects in the environment. When a transfer occurs for a new skill, this can occur if such structures are a predecessor of production within that skill; for instance, the knowledge of how a computer organises files can serve all the tasks as previously outlined.

The conversion of declarative to procedural knowledge is mediated mainly by structural analogy. The declarative representation of a known solution is modified through an analogy to be used in a new problem. Analogical mapping brings flexibility and adaptation, creating a production rule at an appropriate level of abstraction, although it leaves room for error during its processing.

The topic of analogical transfer is critical to understanding ACT Theory and received a lot of interest in contemporary literature focusing on its development, according to Singley and Anderson (*ibid.* p.20). To use an analogy to solve a problem, there must first be awareness of a similar problem to which a solution is known. Then, the solution of the source problem is mapped to the target problem, and verification occurs to determine if the same problem-solving operators are required, even with different non-structural features.

Declarative-to-declarative knowledge transfer happens when source declarative structures facilitate or interfere with the acquisition of new declarative structures. One example could be the impact of knowledge from one programming language to facilitate learning another programming language. The comparison creates a reference map of similarities and differences that accelerate learning the new skill.

Finally, procedural-to-declarative transfer works through cognitive skills that contribute to the acquisition of declarative knowledge, such as study skills through reading books with total concentration can facilitate the acquisition of new declarative knowledge regarding the new skill, sourced from written material.



### ***Organisational Routines as Procedural Knowledge***

Cohen and Bacdayan (1994) make a critical contribution by investigating organisational routines using an approach that can be related to findings within cognitive psychology. They perform laboratory experiments that show that the emergence of routines is consistent with the ACT concepts (referenced as Singley & Anderson in Cohen & Bacdayan, *ibid.*). In their paper, they suggest that routines are stored as dispositions and distributed as procedural memory in individuals, and that the behaviour of one actor can trigger the behaviour of another in a similar way in which it would trigger another behaviour in the same actor.

The work of Anderson (1987, 1993a, 1993b) in skills learning, and Cohen and Bacdayan (*ibid.*) in routine experiments, provide structural material from which a view on knowledge transfer can be constructed for and through the replication of routines in franchise systems.

### 2.2.2 Group Learning

The ACT model provides a framework for individual learning, but routines replication requires group learning; thus, there is a need to explore the related literature of group learning. Relevant topics for group learning are shared cognition, transactive memory systems to map and access relevant group knowledge, and communication convergence.

Shared cognition works with the links between information holding and processing at an individual level, and with its availability and use at group level. To enter group cognition, information must be perceived as relevant, then shared with other group members (Stasser, 1999). Also, members must reasonably understand the task on which the group is working and have a shared orientation towards the problem. Studies have demonstrated that group learning is improved when relevant task information is shared *a priori* before group work starts, and if the ideas shared resonate with ideas and experiences of the group members or have been shared on previous occasions (Tindale et al. 1996).

The successful use of group work structures rests on group members' capacity to contribute with their expertise, and at the same time integrate it with the expertise of other

members (Lewis 2003). To achieve this, members need a transactive memory system, holding a representation of group members' knowledge for learning, remembering, and communicating to the overall advantage of the cooperative work (Sessa 2007). These mechanisms promote collaboration towards the creation of new knowledge that is then embedded in the group's structures and processes (Lewis, Lange & Gillis 2005).

An interactive model of communication is likewise critical to group learning, establishing mutual knowledge, interpreting communicative intent with others, meeting communication obligations, and to advance certain goals. There is also evidence that convergence in communication by accommodation, i.e. matching partner behaviour, accelerates learning (Matessa, 2001). Here, partner behaviour refers to lexical and syntactical choice, speech styles, and vocal intensity.

### 2.2.3 Reconciling Concepts on Knowledge Types

A critical reconciliation is made in this section between the knowledge types used by organisational learning theory (section 2.1.2) and cognitive learning theories (ACT, in section 2.2.1).

As explained, organisational learning theories classify knowledge as tacit and explicit (Nonaka & Takeuchi 1995). Tacit knowledge, based on Polanyi (1966), refers to the knowledge that 'cannot be articulated', and comes from his observation that "we know more than we can tell" (ibid., p.4). Conversely, explicit knowledge is the knowledge that can be and has been articulated. There is also implicit knowledge, which is the knowledge that can be, but has not been articulated.

Different from the organisational theorists, cognitivist psychologists use the classification of knowledge as declarative and procedural. Declarative knowledge has a lot in common with explicit knowledge, as it carries the description of things or even methods, as well as representations of instructions and of examples.

Procedural knowledge is the knowledge that is tied to doing, and can only be inferred from behaviour, albeit that which exists in dispositions.

Nonaka and Takeuchi use tacit and explicit knowledge as synonyms of procedural and declarative knowledge respectively, acknowledging the work from cognitive psychologists (Nonaka & Takeuchi 1995, pp.60-61). Even though this assumption is acceptable, Anderson (1993) makes some important considerations about the procedural-declarative distinction that needs to be addressed. To Anderson (*ibid.*, p.19), those two sources of knowledge are not mutually exclusive, as “people can and do maintain both declarative and procedural representations of the same knowledge”. Anderson also defends that an operational definition of the two types of knowledge is acceptable for the purposes of design and analysis, but that it may not serve as a general theoretical definition. For him, the only satisfactory definition of the procedural-declarative distinction is in terms of a theoretical framework, such as in ACT. There, the information in working memory is declarative, and information in productions is procedural knowledge.

In this context, the present thesis will consider that declarative knowledge is the same as explicit knowledge, and that procedural knowledge is the same as implicit knowledge. However, it is recognised that there are more nuances in the relationship between those concepts.

## 2.3 Routines

This section discusses organisational routines. It starts with the current state of the debate on the definition of organisational routines and contrasts the view of routines as dispositions with the view of routines as behaviour. In sequence, the history of the study of routines and habits, as a related concept at individual level, will be examined. From historical developments, not only do the origins of more recent approaches become clear, but so do the actual influences on the way that routines are shaped in modern times. After this historical account, the focus will move to recent research, where the role of routines will be analysed as organisational memory, truces in organisational management, and as a key unit of analysis

to understand how organisations evolve. To clarify this last condition, routines will be recognised as dispositions that carry knowledge and are replicated from organisation to organisation. In this context, the concept of replicators will be presented and applied to routines. Finally, recent literature and empirical work on the formation of new habits and routines is discussed.

### 2.3.1 Definition of Routines

The book “An Evolutionary Theory of Economic Change” by Nelson and Winter (1982) is held largely responsible for the wide interest in routines as a unit of analysis in the study of organisations. Even so, the concept is consciously used in a flexible way (ibid., p.97). On occasions, the analogy of computer programs is referred to, but in others, Nelson and Winter referred to the pattern of activities. They have also avoided constraining themselves to use at group level.

However, a research field cannot develop without an effort to define terms with a degree of acceptable precision. Each study should clearly define the terms being referred to, and subject them to open peer criticism. In this way, a robust foundation can be built to guide further research in the given field.

One definition of routine that is widely accepted was coined by Feldman and Pentland (2003 p.95) as described and supported by Felin et al. (2012, p.1355). These authors posited that routines are “repetitive, recognizable patterns of interdependent actions, carried out by multiple actors”.

Hærem et al. (2015) reflected on the above definition, explaining that the notion of repetition can be thought of as a continuum and relate to various processes that include frequently repeated patterns such as factory assembly lines; but also patterns that occur infrequently such as recovery plans that have been put in place for potential disaster. To be considered a routine, a pattern needs to be recognised as an instance of a prior pattern. The pattern may show errors, exceptions, interruptions, and improvisation, and change over time, thus making it difficult to recognise. To be considered a routine, the actions in a pattern must

be interdependent, which means that there must be a flow of materials, information, or energy from one action to another in a sequential form. Finally, routines require the involvement of a group of individuals and contrast with patterns such as habits that occur on an individual level.

Knudsen (2008, p.131), proposed that the relevant actions of individuals that link to form routines are themselves part of the habits of individuals. In this way, he theorised that a routine is “a sequence of individual habits, with the execution of one habit triggering the next, such that a group of people acquires a common disposition to behave or think in a particular way in a particular class of situations”. Thus, routines emerge from habits and become their analogue at group level.

Hodgson & Knudsen (2010, p.239) present a detailed arrangement of habit types. They first describe habits of thought, which are inclinations to think in a particular way when presented by environmental cues in particular situations. Habits of thought also include linguistic habits as a special class, which depend on language for their replication. However, corporeal habits replicate through behavioural imitation and do not need language or gestural communication.

An important distinction that Knudsen (2008) made was when he defined routine as the ‘disposition’ to behave, while Feldman and Pentland (2003) define a routine as the pattern of actions (*vide supra*). The definition of a routine as a pattern leaves the question open as to whether a routine is either a pattern as a disposition to behave or a pattern of behaviour when actioned or indeed a combination of these ideas.

Becker et al. (2005) performed a review of the existing literature and divided the views on routines into three approaches. The first approach considers routines as behaviour regularities (Winter 1986; Dosi et al. 1992) and the second approach views routine as a disposition to behave in a certain way, but not to be confused with the behaviour in itself (Hodgson & Knudsen 2004, 2010). A combined view was proposed by Pentland and Feldman (2003), for whom routines have an ‘ostensive’ part of organisational routine referred to as the abstract, narrative part, and a ‘performative’ part, that refers to the actual performances by specific people, at identified places and times. In opposition, Hodgson & Knudsen (2010, p.79) argued that routines continue to exist even when companies stop activities at the end

of each day, so in metaphysical terms, in essence, it is the disposition to behave, rather than the actual behaviour.

The above debate on whether routines are dispositions, behaviour or both, has not come to an end in literature, and the three positions have continued to be developed. The positions that support that routines are defined as behaviour or combine both dispositional and behavioural aspect, have led to further debate inquiring whether those are fixed or flexible (see examples in D' Adderio 2011).

This thesis supports and adopts the definition of routines as dispositions, following the view of Hodgson and Knudsen (2010). This position makes the debate on flexible versus fixed unnecessary, by considering routines as a fixed disposition that can have varied outputs as inputs received vary (Hodgson & Knudsen 2010, p.234), or that can be used as part of a flexible repertoire of fixed dispositions (Cohen 2016).

Here, two additional problems are identified in the current research, now with empirical studies pertaining to the definition of routines as behaviour. Firstly, despite the regularities promoted by routine, each time it is expressed in behaviour, it may present changes in actions that are not intended to change the disposition *per se*, so it becomes difficult to agree on the component(s) of an observed routine. Secondly, some routines may describe a sequence of actions that take a long time to complete. In this situation, the characterisation of a specific routine is likely to always be imprecise if measured any time before its completion.

Becker (2004) reports a second disagreement in the wider literature that debates whether routines are more effortful or mindless accomplishments, i.e., whether individuals follow routines with or without devoting attention to them. According to Becker (2004), conceptual papers mostly support the former notion, while the latter is based on empirical work. In section 2.3.3, human thought processes are discussed and characterised as balancing between two modes of thinking: automatic, based on habits of thought, and more effortful, involving the assessment of alternatives. It can then be argued that even if routines are largely based on habits, once established, newer routines, environmental circumstances, and set goals may change and guide routine development, impacted by both effortful and mindless mental processes.

To gain more clarity on the individual level process that underlie the collective embodiment of routines, this paper will investigate the nature of habits.

### 2.3.2 Early Research on Habits and Routines in Economics and Management

Notably, the study of habits was more vivid in economics and business literature at the beginning of the twentieth century, and there is benefit in commencing with the ideas of some theorists of that time.

#### ***Habits in Economics and Management Studies***

Veblen (1898) suggested that mankind consists of creatures of habit and propensities, and only by recognising these factors would it be possible to understand human behaviour. He believed that habits are accumulated from generation to generation, as youth learns from the habits of its predecessors. Habits are learned from those individuals that survived the challenges presented by their environment. In this sense, individuals and groups of individuals that share the same habits are selected and their habits are perpetuated by being culturally inherited by individuals of the new generation.

Lazaric (2000) highlights Veblen's 1914 book, "The Instinct of Workmanship and the State of the Industrial Arts" for its specific treatment of the habits involved in work. The publication provides a historical account that leads to a proposed view on the progress of workmanship from more primitive times to the present technological age.

In his analysis of the technological age, Veblen (1914) observes that human habits that once actively built handmade systems, now function as a complement to the machine process. In industrial processes, individual habits are fractioned in such a way that each fraction does not function independently, but rather is a part of the overall system. Therefore, although Veblen does not use the term routine systematically, his view that procedural dispositions of habitual nature are responsible for knowledge transfer and evolution in the economy was highly sophisticated.

As described by Lazaric (2000), Veblen (1914) observed that the industrial revolution was changing the collective ways of working to follow the strict management of working time and to pursue efficient mechanical sequences of action. Frederick Taylor and his colleague Henry Gantt, researchers and founders of the scientific management school of thought, championed this idea during Veblen's time. It is uncertain how much they were influenced by Veblen's work, but Taylor and Gantt were familiar with at least part of his work (Nyland 1996; Knoedler 1997).

Veblen endorses the scientific management movement by industries of the time, evidenced in his book "Engineers and the Price System" (1921). In this book, he discusses the behaviour of contemporary businessmen, engineers, and other workers, with a focus on technical efficiency and output.

However, John Commons, another economist of the institutional economics tradition, had a different position on the scientific management movement. Although he was equally impressed by the impact in productivity it was generating, he developed increasing concern about the conflict of interest that could be created (Nyland 1996). The root of his concern was the position from this movement that managers and workers should share the responsibility for the output of the industries and, as such, the restriction on outputs imposed by unions was unreasonable and should be avoided by negotiating with each worker individually. Commons stated that the solidarity spirit needed to be respected and that the union's role of collective negotiation was important to achieve a balanced state of enhanced productivity for the employer, and job security for the workers.

Frederick Taylor (1911), was considered to be the father of scientific management and built his theory by aiming to reduce inefficiencies caused by the habitual actions of workers. In his own words, 'the idea, then, of taking one man after another and training him under a competent teacher into new working habits until he continually and habitually works in accordance with scientific laws, which have been developed by someone else, is directly antagonist to the old idea that each workman can best regulate his own way of doing the work' (1911, p.30). In this way, he made the repetitive patterns of workers central to his study and pursued ways of improving its productivity. His colleague at Midvale Steel, Henry Gantt, creator of the well-known Gantt chart (1903), adopted the task of being more explicit. In his



book “Work, Wages, and Profits” (1910), he dedicates chapters seven and eight to a discussion of the training of workers on the “habits of industry”.

In the Scientific Management school of thought, the study of the habits of organisational members has a prescriptive connotation, suggesting that with training and compensation schemes based on productivity measures, workers will adopt efficient working habits. In this context, efficiency refers to the activities’ use of capital and time resources (Taylor 1911, p.3).

Early management researchers have been criticised for considering work in a rather mechanistic way, being accused of treating the productivity of workers as a direct result of training and control and undermining the relevance of other human traits (Morgan 1986). The contemporary theorist and practitioner, James Hartness, took the first step in widening the human perspective in his book, “The Human Factor in Works Management” (1912). His critique also regarded habit as being central to the managerial discussion and proposes “the reason that it [the scientific management proposition] has not had more universal success is doubtless due to the inertia of habit of both workers and the management, and it is to this phase that the present discussion aims to direct attention” (Hartness 1912, p.12).

Hence, Hartness observed inertia related to habit and proposed that other factors should be investigated, such as the different kinds of personalities of men, and their working conditions. He advocated patiently conducting the move from existing habits to the new proposed habits and thought about the connections between habits and routines, as follows:

*When a man is on entirely new work and is not acting along habit lines, there is no possible way of determining in advance how and when his task will be accomplished.*

*Hence, there is no possibility of coordinating his work with the work of others. But when all are following a fixed routine, the coordination becomes possible, and then we actually have an organisation working on habit lines, built, of course, on the habit processes of the individual men in that organisation (Hartness 1912, p.20).*

Here, Hartness observes that routines coordinate individual behaviour; a view also shared by more recent approaches (see Becker 2005b).

At first, the research developed by early management theorists seemed basic and of modest relevance to modern theory on organisational routines, but their theories still had a strong impact on how modern organisations structure their activities. The belief that improving habits and routines leads to better organisational performance has motivated those researchers to develop artefacts, schemes, and concepts that changed behaviour in organisations. The impact was even more intense and immediate as the researchers were also consultants to large organisations and were teaching executives in business schools. Although their impact in science is hard to evaluate, their impact in the practical life of organisations is beyond dispute.

In the public administration arena, Edwin Steene (1940) introduced his principles of administration, according to which the level of organisational accomplishment is a function of the accomplishments of its individual members, the number of members, and the coordination of individual efforts.

He attributes this to “organisational routines”; the ability to coordinate individual efforts, and defines it as follows:

*[Organisational routine is] the part of any organisation’s activities which has become habitual because of repetition and which is followed regularly without specific directions or detailed supervision by any member of the organisation. (Steene 1940, p.1129)*

Organisational behaviour theorists of The Carnegie School also acknowledge habit and its group-level counterpart, routine. Herbert Simon (1945, p.88), reflected on Steene (ibid.), and further explored the capacity of habits and routines to function as organisational memory, as this preserves useful behaviour patterns. Simon refers to habits as belonging to a stimulus-response model in which no further thought is needed, with the stimulus being sufficient to trigger habitual behaviour. However, new evidence from recent studies (Wood & Neal 2007;

Holland et al. 2006; Lathan 2004) challenges this view, suggesting that self-control, intentions, and goal setting can trigger and change habits.

Herbert Simon also advocates that procedural structures such as habits and routines could be analysed using the analogy of computer programs. Lazaric (2000) comments that Simon saw a functional analogy between computers, the human mind, and organisations. As a consequence, he saw that organisations were composed of a network of programs forming a decision structure. According to Lazaric, in this approach Simon wanted to map the formal rules that underlie all learning processes and worked with Newell (Newell and Simon 1976), paving the way for artificial intelligence and cognitive sciences. However, this reductionism omits several important elements of organisational routines that account for coordination that relies on tacit knowledge, being unable to represent real processes.

Cyert and March (1963) are from the same school of thought and were also interested in structures that determined behaviour in organisations. Although they do not use the term ‘routine’, the terms ‘procedure’, ‘rule’, and ‘standard operating procedure’ are used in a similar context (Pretula & Watson 2000; Feldman 2000). According to Cyert and March (1963), standard operating procedures function as organisational memory and control, and “should be one of the major objects for study by students of organisational decision making”.

Recent studies in economics, sociology, and management studies are expanding our understanding on the nature of habits and routines, and a more detailed account will be provided in section 2.3.4.

### 2.3.3 Two Modes of Thinking

Before moving into the discussion of recent views of routine replication and formation, it is crucial to entertain the conversations on the dual nature of human thought processes. This will add value to the investigation throughout the remainder of this text, clarifying the functioning of some of the drivers of change.

Duality in thinking processes has recently been popularised to the general public by the book “Thinking Fast and Slow” by the Nobel prize winner Daniel Kahneman (2011).

Notwithstanding, the concept of mind that drives behaviour through two modes, one more automatic and another more effortful, has been discussed since at least the time of Aristotle (Dewey 1922; Hodgson 2004; Bernarcer & Murillo 2014).

A complete statement of the historical developments of theories on thinking modes is not in the scope of the present work. However, the contribution from behavioural psychologists William James and John Dewey can benefit from the connection with the examination of routines. On the one hand they focus on instincts and habits, and on the other, on ideas and deliberation. This similarly refers to aspects of duality, although the relationship is not completely direct with the two modes of thinking. This paper holds the position that the faster unconscious mode of thinking resonates with habits of thought, while the slower conscious mode relates to deliberation. However, the concept of habits can still require adaptations supported by the alert conscious mind of the second mode, and some deliberation falls into heuristics present in the faster mode. In this sense, conceptual relatedness is more complex between the two approaches.

James (1890, chapter 4) describes and gives importance to habits as a readily observable characteristic in living creatures. However, Dewey (1922) makes a thorough consideration of habits and deliberation, viewing habit as a disposition to behave in a certain way in a particular context. Also, he makes an important distinction from discussions that focus on the “likings and lackings in urgent impulsion” (ibid., p.13), or the bad habits that human compulsion attempts to overcome. Habits, in general and in prevailing terms, are focused on technical abilities.

Ideas and deliberation can only be possible after realisation in performing or energizing habits (ibid., p.16).

A particular passage on Dewey (1922) is worth sharing in full, as follows:

*Meantime [comparing to those that praise dedication to thought for the sake of thinking as a noble occupation] there are ‘practical’ men who combine thought and habit and who are effectual. Their thought is about their own advantage; and their habits correspond. They dominate the actual situation. They encourage routine in others, and they subsidise such thought and*

*learning as are kept remote from affairs. This they call sustaining the standard of ideal. Subjection they praise as team-spirit, loyalty, devotion, obedience, industry, law-and-order. But they temper respect for law – by which they mean order of the existing status – on the part of others with more skilful and thoughtful manipulation of it in behalf of their own ends. While they denounce as subversive anarchy signs of independent thought, of thinking for themselves, on the part of others lest such thought disturb the conditions by which they profit, they think quite literally for themselves, that is, of themselves. This is the eternal game of the practical men. Hence, it is only by accident that the separate and endowed ‘thought’ of professional thinkers leaks out into action and affects custom. (Dewey 1922, p.30)*

Here, Dewey praises the ability of leaders that exercise their thinking to accomplish something and respect the value of the knowledge embedded in habits and routines, from those that are skilful at certain tasks. This makes a compelling narrative for the articulation of dual modes of thinking in organisational performance.

Modern theories of dual-process thinking originated in the ‘70s and ‘80s (Wason & Evans 1974; Evans & Stanovich 2013). The characterisation of the modes has varied (Evans & Stanovich 2013), but the notion of transiting from a faster, unconscious, intuitive, experience-based mode to a slower, conscious, reflective, consequential decision-making mode is a common view. The summary of the characteristics of the two modes, as proposed by Evans and Stanovich (2013), can be found below.

Table 1. Clusters of Attributes Frequently Associated with Dual-Process and Dual-System Theories of Higher Cognition

Type 1 process(intuitive)	Type 2 process(reflective)
<b>Defining Features</b>	
Does not require working memory	Requires working memory
Autonomous	Cognitive decoupling; mental simulation
<b>Typical correlates</b>	
Fast	Slow
High capacity	Capacity limited
Parallel	Serial
Nonconscious	Conscious
Biased responses	Normative responses
Contextualised	Abstract
Automatic	Controlled
Associative	Rule-based
Experience-based decision making	Consequential decision making
Independent of cognitive ability	Correlated with cognitive ability
System 1 (old mind)	System 2 (new mind)
Evolved early	Evolved Late
Similar to animal cognition	Distinctively human
Implicit knowledge	Explicit knowledge
Basic emotions	Complex Emotions

Source: (Evans & Stanovich 2013)

Kahneman (2011) follows the same approach as those theories and presents two modes, naming the fast mode System 1 and the slow mode System 2. System 1 operates automatically and quickly, with little or no effort and no sense of voluntary control. This includes innate skills that humans share with other animals, as well as learned skills such as reading and understanding the nuances of situations.

System 2 allocates attention to the effortful mental activities that demand it, including complex computations. The operations of system 2 are often associated with the subjective experience of agency, choice, and concentration.

Gigerenzer and Todd (1999, p.20) state that dual-process theories can fall into the trap of assuming that more effort equals better decisions. They share results from studies in which fast and frugal heuristics result in better or not worse outcomes than effortful and consciously

informed decisions. He presents empirical research on groups of lay people and experts in both the US and Germany, choosing stock portfolios for investment. In the study, lay people portfolios slightly outperform portfolios from experts.

Besides the study of the two modes of thinking in decision studies, there is an increasing understanding regarding the biological aspects of those mechanisms, even if this is still in the early days of development. Cognitive neuroscientists have identified two separate brain circuits that largely correspond to a “goal-setting system” (deliberation and planning) and a “habit system” (bottom-up action selection): the corticobasal ganglia loop and the sensorimotor striatum loop (Graybiel 1998; Yin & Knowlton 2006). It seems that the field of neuroscience is converging with the observations from psychological studies on decision making about the existence of the dual system of deliberation and habits. This creates further support to understand how habits and routines are inherent to human constitution and live in a balance of stability and change, which is required for adaptation resulting from the variation-selection-retention algorithm proposed by Charles Darwin.

In the empirical research presented in this thesis, the two mechanisms seem to indeed work independently in expressions of thought, while interacting all the time to adjust behaviour. Examples can be seen in the interview with a commercial supervisor where he switches from habits of thought that push him to reapply old habits, thinking that the commercial function in every company is about the same, and the reflective-deliberative mode that brings out the value on learning and improving his commercial skills (see section 5.1.2).

### ***Habit Formation and the Habitual Mindset***

Habits have been previously defined (see section 2.3.1), but there are additional studies about their nature and formation that are worth covering in this paper.

Habits are strongly associated with automaticity. This happens in two ways: they are activated by recurring context cues and are insensitive to short-term changes in goals. Habits are also seen as fast and efficient, of limited thought, rigid, and integrating sequences of

responses that can be executed as one (Wood & Runger 2016). The most important features of the automaticity of habits are the lack of awareness and efficiency (Verplanken & Aarts 1999, p.104). Often, individuals are not aware of all options of behaviour that are available in everyday life. They are not aware of many of the choices they are making and experience a fluency of behaviour, driven by habits. There is little effort and energy required to execute those habits compared with planned activity, making them efficient. The manifestation of those features can be observed when tasks like driving a car continue to be performed while individuals are subject to information overload, time pressures, and distractive stimuli.

Habits tend to emerge in stable contexts, which present situations that are similar in the cues they provide, the responses to actions, and their consequences (Verplanken & Aarts 1999 p.105). The connections between cues and responses in procedural memory are strengthened by associative and reward-learning mechanisms (Wood & Runger, 2016). Furthermore, habits can be accompanied by a lasting cognitive orientation that make a person less attentive to new information and new possible courses of action, while only focusing on the cues for the existing habit or on its automatic progression, thereby maintaining the habitual behaviour. Verplanken and Aarts (1999, p.106) call this orientation a “habitual mind-set”.

In the next section, the modern research on routines in organisations is reviewed, covering some widely accepted ideas as well as some of the current debates.

#### 2.3.4 Organisational Routines

During the last few decades, interest in research on routines has been significant (Becker 2008), with routines being recognised as critical units to understand (1) the essence of organisational stability, change, and survival; and (2) the transfer of knowledge between organisations (Pentland & Feldman 2005). Nonetheless, each aspect of the research on



routines is still the subject of different descriptive perspectives, starting with its own definition.

### ***The Role of Organisational Routines***

After the discussion on the definition of routines, a second critical topic is their role in organisations.

Nelson and Winter (1982) proposed as a first role that routines serve as the repository for organisational memory. They argued that this is possible as organisations remember by doing. Naturally, knowledge in organisations is also stored in written records and in other physical ways. However, a large part of organisational knowledge, especially tacit and procedural knowledge, is only retained because it is exercised in routines.

The second role of routines described by Nelson and Winter is to create a truce between individuals, as their patterns of actions can reflect features to manage diverging individual interests. Those features are present in the form of rule-enforcement mechanisms and standardised outputs and expectations.

The third role listed by the authors positioned routines as being a target for control, replication, and imitation. Here, routines are units that facilitate control and monitoring of activities and can be replicated with new units to stimulate growth or can be imitated.

### ***Organisational Routines as a Unit of Knowledge Transfer in Organisational Evolution***

Although there are still open questions about the details of the characteristics of routines, there is the increasingly held view that knowledge is stored in organisations and can be transferred to other organisations through routine replication.

Nelson and Winter recognised the value of this role of routines. In their seminal work, they explained how economic change results from an evolutionary dynamic in which the replication of routines is central. Three steps are detailed in their model: (1) routine change (mutation); (2) firms are selected by the environment impacted by the characteristics that their routines provide; and (3) the routines of surviving firms are replicated.

The work of Nelson and Winter places routines at the centre of the stage of organisational evolution; a vision shared by Hodgson & Knudsen (2005, 2010), who proposed that this dynamic can be mapped under a Generalised Darwinism (GD) framework.

### ***Generalised Darwinism Applied to the Understanding of Organisational Routine Evolution***

According to Hodgson and Knudsen, “Darwinism is a general theoretical framework for understanding evolution in complex population systems, involving the inheritance of replicator instructions by individual units, a variation of replicators and interactors, and a process of selection of the consequent interactors in a population” (2010, p.238). GD is the explicit extended consideration of Darwinism beyond biological evolution, into social evolution.

A complete description of the GD framework is beyond the scope of this thesis. Here, the objective will be to explain its main principles and components when applied to the evolution of organisational routines according to Hodgson & Knudsen (2010, p.39).

Complex population systems are formed by non-identical entities with limited capacities to absorb some materials and energy from their immediate environment, supported by the use of some sensory mechanisms (Hodgson & Knudsen 2010, p.33-34). The present study aligns with those authors in considering that both individuals and organisations are examples of entities that participate in complex population systems, absorbing resources from the immediate environment. As such, individuals and organisations inherit instructions and are subject to variation and selection. Those instructions are mainly stored in habits (in the individual) and routines (in organisations).

For Knudsen (2008, p.33), three characteristics make habits and routines proper for the evolutionary construct: (1) they are persistent; (2) they multiply; and (3) they contain ready-made solutions for common, recurrent problems. The capacity to persistently retain information and the multiplication generated by the actual copy of the routines (Hodgson 2008, p.25), satisfies the criteria required for replication, as follows:

- a) Causation: The source must be causally involved in the production of a copy.
- b) Similarity: The copy must be like its source in relevant respects.
- c) Information Transfer: During its creation, the copy must obtain the information (that makes the copy similar to its source) from that same source.

Therefore, in their GD framework, Hodgson and Knudsen (2010) see routines as replicators. The organisations that carry those routines are considered interactors. More specifically, routines qualify as generative replicators. Generative replication is a special case whereby a fourth criterion can be added to the previously stated criteria for replication; that is the presence of conditional generative mechanisms. These mechanisms can be energised by input signals, turning information from the environment into instructions to their interactor, guiding its development or the production of further replicators (Hodgson & Knudsen 2010, pp.122-125). A clear example of generative replicators in biology is genes, which give instructions for the development of the organisms that host them, including instructions for their own replication.

It is important to clarify here that the terminology adopted for the research will be of routines “replication” and knowledge “transfer”. In some texts, these terms are used interchangeably or the use of “routines transfer” can be seen. However, the word “transfer” can be ambiguous and emphasise the content, minimising the relevance of the process. In the context of routines, particular attention is paid to the process of copying, making the term “replication” suitable.

The interactor has been primarily defined by David Hull (1998, in Hodgson & Knudsen 2010, p.239) as “an entity that directly interacts as a cohesive whole with its environment in such a way that this interaction causes replication to be differential”. Furthermore, as expanded upon by the authors, minimal conditions must be met to constitute an interactor, these are (from Hodgson & Knudsen 2010, p.240):

- a) *Integrity*: An interactor is a relatively cohesive entity with effective boundaries between itself and its surrounding environment, including other entities. This means that the internal relations among its parts are generally more substantial and

denser than the relations between the entity and elements in its external environment.

- b) *Sustained integrity despite environmental variation*: Given shifting environmental states  $E_j$ , where  $j$  is a positive index over possible states of the environment, the interactor has sustained integrity owing to the nature of components of the interactor and the internal relations between them.
- c) *Shared dependence of component replicators on the interactor*: Given  $E$ , for every member  $r$  of  $R$ ,  $1-p_{r,w} < \varepsilon$ , where  $\varepsilon$  is a small and nonnegative number.
- d) *Inclusion and shared organisation of components*: Every member  $r$  of  $R$  must be a part of  $w$  in the further sense that every  $r$  is within the boundary and part of the structure of  $w$ .
- e) *Replication dependent on the properties of the interactor and its environment*: Every  $w$  has a set of properties  $C_w$  that, in the interaction of  $w$  with the given environment  $E$ , is a major factor in determining the (possibly different) set of  $R'$  of successors of  $R$ .

where:

$w$  is an interactor;

$E$ , one environmental state or set of possible environmental states that are similar in relevant respects (environmental conditions that, also include other interactors);

$p_{i,j}$  is the probability, with respect to a given environment  $E$ , that the entity  $i$  will (more or less immediately) expire as a functioning unit (losing much of its preceding integrity or cohesion) if entity  $j$  expires.

$R$  is the set of replicators.

Organisations unveil features of membership and internal power relations that make them bound and cohesive entities, in a way that complies with requirements (a) and (b) of being an interactor. Also, organisations have a set of routines that respect requirement (d), and which expire as they cease to exist, thereby satisfying requirement (c) as well. Finally, depending on the organisation's success in their environment, they endure longer, and their routines are more frequently copied, thereby meeting requirement (e).

Besides providing precise and useful definitions of interactor and replicator, Hodgson and Knudsen (2010) presented a robust construct on the Darwinian mechanism of variation-selection-retention.

The conceptualisation of routines in the generalised Darwinism framework will be adopted to guide the present investigation of the replication of routines in franchise systems. This adoption may help to understand the phenomenon in a structured way that will permit future connections of the findings with other contributions, to the end of understanding of the evolution of organisations.

### ***Routine Replication***

Routines replicate between groups and organisations (Hodgson 2004), and the benefit rendered by replication results in the value of the knowledge embedded in routines.

In the organisational area, replication can be seen as “a deliberate strategic activity that promises to create value for an organisation by applying existing routines in new contexts” (Friesl & Larty 2013). Although it can be argued that routine replication in organisations could also be achieved unintentionally, this seems to be an exception rather than the rule. Hodgson (2004) explains that unlike habits that replicate because “individuals have an instinctive propensity to imitate some behaviours”, routines are more complex and do not have an equivalent propensity in organisations.

Friesl and Larty (2013) summarise some influences on replication:

- a) Replication is negatively affected by background knowledge and the consequent inability to absorb new knowledge that depends on it.
- b) Replication is positively affected by trustworthiness in the relationship between the replicator and the replicated.
- c) The level of codification of a routine positively affects routine replication.

In a study of franchises, Szulanski and Jensen (2008) found support that policies that impose exact copying do not reduce system growth and that policies that aim at copying more exactly increase sub-unit performance. Furthermore, the benefits of copying knowledge more exactly do not decrease over time. In their study, those researchers analyse the internationalisation of franchise systems and the impact of a “copy exactly as possible” policy. Their findings indicate that the risks of localisation due to market heterogeneity do not outweigh the benefits of copying exactly in terms of aiding implementation challenges by quickly identifying root causes of faults, and benefits from learning from experiences in other instances of implementation adaptations against a common template (ibid., pp.1733-1734). The present study allows a discussion of those specific findings by comparing the outcomes from routines that followed copying exactly and routines that dissociated from templates (see section 5.3), being then redesigned and not replicated. However, routines developed for environmental conditions in which the franchisor has little experience will bring new insights into the “copy exactly” versus “innovate” discussion (see 5.1.2).

### ***Deliberation Influence on Habits and Routines: Formation, Change, and Performance***

Besides the work on defining and describing habits and routines, and the study of how routines replicate, it is now important to investigate the studies on how routines are created by deliberation. The behavioural tradition on organisational learning, discussed in topic 2.3.2, shows little appreciation of the deliberative process in influencing the formation of new habits and routines and evaluating and increasing effectiveness in existing ones. However, recent studies further explore this area.

Studies on the impact of deliberation in routines will be discussed under three points of influence: the formation of new routines, the establishment of routines, and their performance. The literature researched covers knowledge creation from experience, and entrepreneurial spirit and exertion, as influences for routines formation; psychological safety for routines implementation; and goal-setting impact on routines’ performance.

### *Knowledge Creation from Experience*

Zollo and Winter (2002) propose a view on the formation of organisational routines<sup>3</sup> comprising three key processes: experience accumulation, knowledge articulation, and knowledge codification.

The first process is based on the well-established idea that repeated behaviour form routines (Argote 1990). Empirical studies on procedural memory (Cohen and Bacdayan 1994), and agent-based simulations on transactional memory (Miller et al 2014) collaborate with Zollo and Winter (ibid.), demonstrating how repetition tends to reinforce the formation of dispositions on the participants, which coordinates task execution in a particular sequence. Pisano et al. (2001), analyse operative procedures in the hospital environment and find supportive evidence that cumulative experience is a good predictor of task learning, although learning curves tend to vary between different areas of the organisation.

In addition to the experience accumulation process, organisations' staff promote collective discussions to express their opinions about performance and conduct, comparing individual experiences with colleagues and proposing ways to improve routines. According to Zollo and Winter (ibid.), the assessment of causal relationships between task execution and performance can bring ambiguities, and deliberate collective focus can bring more clarity and direction. Evidence of the impact of leadership initiatives to encourage team members to voice their concerns and share their views on work in the successful implementation of new technology routines is presented in Edmondson (2003). In her study, leadership communication of a motivating rationale to change the ways of working, and addressing

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<sup>3</sup> Zollo and Winter (2002) have a particular focus on dynamic capabilities, as they form routinised behaviour that is learned and stable, through which the organisation systematically generates and modifies its operational routines.

concerns on differences in power and status within groups, has created a positive environment in which everyone felt more comfortable in discussing barriers and suggesting ways to overcome them, thus facilitating broader and faster engagement.

Focusing on the process of knowledge codification, Zollo and Winter (ibid.) argue that knowledge articulation is required to perform knowledge codification, while the opposite is not. It also requires a higher cognitive effort, as individuals have to compile articulated knowledge into manuals, systems, and blueprints. Edmondson et al. (2003), find empirical support for claiming that organisations that rely on codified knowledge tend to have more homogeneous improvement rates, and would have faster improvement of late adopters in the organisation than those that rely on tacit knowledge only. Codification is thus a valuable aid for the entire process of knowledge advancement, creating formal units of knowledge about routines that can be accessed, reviewed, and contested for improvement.

### ***Entrepreneurial Spirit and Exertion***

The role of entrepreneurs in shaping organisational routines is also recognised and supported in the literature. Aldrich and Yang (2014) argue that building successful new firms depends on the habits, heuristics, and routines that founding entrepreneurs have acquired since childhood from family, schools, and professional experience, but also by ‘learning by doing’, imitating or engaging in trial and error during the start-up period.

Dollimore (2016) supports and contributes to the proposal by Aldrich and Yang (2014) through empirical study with nineteen companies over three years of activity, exploring the impact of the habits and dispositions of business founders on the establishment of routines in new businesses (spin-offs and start-ups in new industries for at least of one of the founders). She observes that entrepreneurs present “an integrative thinking approach in varying degrees” (Dollimore 2016, p.8), which is associated with the capacity to change habits of thought. She illustrated how the creation of their business model is influenced by habits and behavioural dispositions that are shaped by personality traits, upbringing, education, training,



and significant people and events experiences in life (Dollimore 2016, p.10). Finally, she concludes that “routines are co-created in fledging enterprises by their founders in negotiation with co-founders, partners and or employees” (Dollimore 2016, p.16).

### **Goal Setting**

Goal Setting Theory was developed in the field of Industrial Psychology in the late ‘80s and early ‘90s, compiling findings from experiments in which setting higher-level goals would lead to higher-level performance in habits, tasks, and routines (Locke and Lathan 1990, 2002, 2006). In those studies, researchers found that a higher goal would imply dissatisfaction with current standards and inspire the desire to attain a better outcome. The level of performance attained through goal-setting was observed to be related to the choice of goal, macro-level goals, learning, framing, affect, traits, group goals, and subconscious priming (Locke and Lathan 2006), as explained in the following paragraph.

The choice of goal involves past performance, self-efficacy, and social expectations, and different compositions can lead to different levels of performance. Also, operational goals work as mediators to ensure compliance with macro-level goals in a systemic way.

Conversely, in some instances, goal-setting can result in a performance that is not better than the simple request for people to do their best, as focusing on the specific performance outcome can deviate individuals from focusing on acquiring the skills to reach these goals. It is also prejudicial if goals are framed and understood as a threat, as people then focus on failure rather than success.

Also, the perception of goals being challenging has an impact on the effect, such as a feeling of success and well-being when reaching it. Group goals add complexity and can trigger conflicts among group members. Individual traits also have an effect as different people react differently to different types of goals, depending on their aspirations (learning, success, etc.).

Finally, goals do not need to be consciously observed along with all processes so that they might be achieved; once they are accepted and understood, they remain at the periphery of consciousness to serve as a point of reference.

In the context of research on goal setting, its impact on habit formation is of critical importance to this thesis. Wood and Neal, suggest that goals can direct habits by “providing the initial outcome-oriented impetus for response repetition” (2006, p.851). This is done by exposing the cues to habits, and strengthening their association on each repetition until the mediation by goal is not necessary any longer. However, those authors also argue that even when goals are no longer mediating the execution of habits, the goal state continues to interact with habit. For them, also, goals can be used to change or inhibit habits, but need to count on altering the exposure to context cues and on the implementation intentions to change. Additional support to the relevance of implementation intentions to change habits is provided in the empirical study by Holland et al (2006), where participants complied with recycling habits after a planned intervention. Dollimore (2016) presented an empirical study on entrepreneurs and their ability to change old habits to better manage their businesses. There it was also found that reduced exposure to cues that trigger old habits or the new cues and triggers that associate with new habits. In addition, Dollimore (ibid.) finds that self-awareness is also important, feeding into the required self-control before the new habit is embedded.

The relationship between intentionality and habits is also connected to both the discussion on two modes of thinking (section 2.3.3) and to ACT theory (section 2.2.1). Intentionality for implementation and from goal-setting, requires the more effortful, conscious and controlled thinking process of system 2. Therefore, system 2 is used to change dispositions that reside in system 1. In ACT theory, problem-solving (goal) by production (existing habit) is always competing with problem-solving by analogy (learning), with the strength of either being determined by repetition (Anderson 1993, p.79).

### ***Relationships and Psychological Safety***

One of the aspects found to limit the implementation success of new routines is the perceived risk in switching to unfamiliar activities and technologies. Edmondson et al (2001)

study the introduction of learning behaviour in an office furniture manufacturer, testing the association between past team performance, psychological safety, and learning behaviour. Psychological safety was conceptualised as “a shared belief about the consequences of interpersonal risk-taking” (Edmondson et al. 2001, p.375) and was found to be positively associated with the successful learning of new ways of working. As part of this behaviour, team members felt that they were respected, and that error was part of the learning process. Surprisingly, team efficacy was not found to be positively associated with learning behaviour, when controlling for the influence of psychological safety. In this sense, the study suggests that team efficacy requires the co-existence of psychological safety to promote learning behaviour and improve performance.

Carmeli and Gitell (2009) converge on similar conclusions as Edmondson (ibid.) and contribute by relating the feeling of psychological safety to the creation of high-quality relationships within the group. For them, high-quality relationships are based on three dimensions: shared goals, shared knowledge, and mutual respect. In their framework, high-quality relationships lead to an organisational culture that promotes psychological safety, learns from failures, and thus achieves highly reliable processes that can promptly close the gaps in new routine implementation.

## 2.4 Franchising

In this section, the literature on key aspects of franchising will be explored. The section starts by discussing the definition of franchising, with its etymological, legal, and modern-day business aspects. Next, the franchise contract is positioned as the foundation of franchising, and its main components are discussed. Some findings on the management, structure, and governance of franchise systems are then discussed. Finally, two typologies of franchise systems are presented.

### 2.4.1 Definitions of Franchising and Franchise System

There is no complete consensus on the definition of ‘franchising’. As explained by Spencer (2013), the understanding of what franchising is varies depending on the discipline, jurisdiction, and the particular application or structure of the franchise arrangement in any given context. To add to the complexity of studying a franchise system, this entity has been described in different ways, such as in an organisational form, a distribution channel, a marketing channel, a license, means to exploit intellectual property, and other characterisations (Spencer 2013, p.26). The relationship, referred to as a “franchise”, is then governed by rules established in a contractual agreement between the franchisor and the franchisee (Elango & Frier 1997).

As the etymology of the term is studied, it becomes clear that franchise is derived from Anglo-Norman; and from old French words, *franc* (masc.) and *franche* (fem.), meaning freedom, immunity or privilege. Blair and Lafontaine (2005) reveal that the term franchise was used in medieval times to describe a right or privilege granted by a sovereign power such as a king, a church, or a local government. In a franchise, the sovereign gave exclusive rights to an individual, or group of individuals, over a particular activity in a particular location, for a set period of time. Activity examples included the building of roads, the holding of fairs, the organising of markets, and the collection of taxes. Usually, the grantee was obligated to pay the sovereign power a “royalty” for those types of rights, in the form of a sharing of the product or profit.

The modern-day business meaning of the term franchise reflects its historical roots in that it also implies an exchange of rights for profit. However, the granter is not a sovereign power; rather, it is a firm with a recognised brand name, knowledge, and the infrastructure to operate a business, which grants the rights of use and access to the business assets for a certain territory. This description of the term “granter” defines what is meant by the term “franchisor” in this study. In its turn, the grantee represents another firm, which commits to using these rights, replicating a business model, and paying fees and a share of its profit to the granter. The grantee is the denominated franchisee in the terminology adopted in this text.

As it is acknowledged that the contractual agreement sets the foundation for the franchising system to operate, the legal definition of franchising must be accounted for. Spencer (2013, p.26-27) states that “from a legal perspective, franchising is a contractual relationship among natural or artificial persons, a type of license, but a license that may also comprise elements of other kinds of legal relationship, including agency, joint venture, distributorship, investment, employment, and consumer relations”. This author has reviewed the jurisdictions of 27 countries and found that the legal definition has common elements as shown in table 1.

Table 2 - Common elements of franchising legal definitions

Legal definition element	Presence in jurisdictions
A grant of a right, usually a license	23 of 27
To use IP—often specified as a trademark	22 of 27
A payment, direct or indirect	16 of 27
A franchisor’s system or marketing plan	23 of 27

The above elements will be further explored in the Franchise Contract section (2.4.3).

### ***Franchise System***

The term ‘franchise system’ will be used in the current research. In the literature, there may be references to the system formed by franchisors and franchisees as a “franchise organisation”. That denomination can create confusion and will not be used in this text. The concept of “organisation” is often seen in theory as implying a hierarchy of authority (Farell & Pettersen 1982), or a chain of command (Hodgson & Knudsen 2010), a boundary, and a degree of cohesion. Another common denomination is a “franchise network” (example in Szulanski & Jensen, 2008). Although it carries many similarities with the system view, the term ‘system’ can better convey the message of a group of entities with aligned goals.

A franchisor normally goes beyond the establishment of a single franchise, by entering into agreement with several interested firms to form a chain of franchises whenever an opportunity for the business model is presented. Connected through the franchises, both the franchisor and franchisees begin to align around the goal of growing the business and profiting from it; ergo, they form a “franchise system” (Agrawal & Lal 1995).

According to Inkpen and Tsang (2005), franchise systems are a type of strategic network. As such, they have the development of repeated and enduring exchange relationships between members as a key characteristic.

Through the analysis of social capital in network knowledge transfer, Inkpen and Tsang observe that networks such as franchising systems serve as conduits, facilitating the processing and moving of knowledge through some conditions (see Szulanski 1996, p.27, for further support of this argument). Firstly, in the structural dimension, network members create ties through repeated exchange and have a non-competitive approach to knowledge transfer. Secondly, in the cognitive dimension, franchise system members share common goals and accommodate local cultures. Thirdly, in the relational dimension, rules are built in the franchise agreement and trust can be formed (Inkpen & Tsang 2005, p.151-154).

#### 2.4.2 Franchise System as an Organisational Form

Franchise systems attract particular interest in the study of institutions in Economics, due to its unique governance characteristics in contractual, investments-bearing and, decision-making terms. In franchise systems, franchisors have a powerful role in monitoring franchisees grounded in contractual relations, and the latter are committed by contract and by heavy investments made for the specific franchise business (Norton 2004). Those relations work in “zones of acceptance” that are broader than those of corporate-owned chains (ibid., p.29). In this sense, franchise systems imply more autonomy for franchisees than hierarchy, but under more rules and surveillance if compared to markets (Williamson 1996, p.107).

The above nature led franchise systems to be referred to as hybrid organisational forms in some literature (Hisrich & Peters 1989; Stanworth & Curran 1999), but this definition can be quite misleading when it ‘defines’ franchise systems as something between a market and a firm. In that perspective, the firm-like characteristics would come from the managerial assistance and the control exercised by the franchisor, and the market-like characteristics would relate to the exchange of capital, labour, and products between the franchisor and franchisee.

A first critique of the hybrid organisational form definition for franchise systems is that it ignores the legal nature of the entities that participate in the system in favour of a supposed “supra-entity organisation” that can govern actions with market-like and firm-like mechanisms (see Hodgson 2002 and Gindis 2009, for a critical review of market-firm hybrids). Franchise systems do use mechanisms that can resemble those of markets and of intra-firm relations in inter-firm transactions, but they are based on contractual relations that are unique to this form, and that respect the characteristic of firms that compose the system.

Entities in a franchise system protect their interests all the time, including entity profit and legal existence requirements. Additionally, the investment in assets specifically for the franchise business makes the use of legal action as the mechanism of choice to defend interests in disputes.

A second critique is that contractual exclusivity and other clauses present in franchise agreements create a relationship in which competitive forces are only present for the parties before the franchise is formed or after it is terminated. The franchisors and franchisees participate in markets but not for the interactions that define the franchise system governance, since they are covered by the franchise contract agreement.

### 2.4.3 The Franchise Contract

Rubin (1978) explains that the franchise contract follows a standard structure of clauses most of the time. Firstly, it comprises the managerial support provided by the franchisor to

the franchisee. Secondly, it determines that the franchisee will run the business according to the stipulations of the franchisor. Thirdly, it details how the franchisee will remunerate the franchisor. Fourthly, it provides a termination clause. Finally, it adds other clauses that may include, among others, the possibility of selling the rights, the transfer to heirs, and the right of the franchisee to open a competing business.

As previously described in the Franchise Definition section (2.4.1), there are elements of franchising legislation that are widely used in different jurisdictions. In this section, those elements are expanded into topics that will give a more substantial view of their effect on the franchise system constitution.

### ***Franchise Rights***

Franchise contracts normally begin with the granting of a right, usually in the form of a license, and take it as its core element (Spencer 2013). In the related clause, the scope and extent of the grant are outlined, and the interests of the parties are separated. Optionally, restraint-of-trade clauses may also be added to limit the grant.

### ***Franchise Intellectual Property***

The main categories of intellectual property are trademarks, copyrights, patents, and trade secrets. Based on Gurnick and Grinblat (2014), these categories and how they are seen in a franchise relationship are described below.

#### ***Trademarks***

A trademark is any word, symbol, phrase, design, or even colour or smell, that is used to identify a company, and/or its goods and services, and distinguish it from others. The trademarks are usually owned by the franchisor and registered with an Intellectual Property authority (e.g. USPTO in the USA, INPI in Brazil, IPO in the United Kingdom), and are maintained through the payment of fees and filing of renewals.

Trademarks are critical in franchising as they give all units in the franchise system a common identity for public recognition.



### *Copyright*

A copyright protects the right to an original work of authorship, preventing others from copying, displaying, distributing, performing, or using said work without the owner's consent. The work of authorship includes literary, musical, and dramatic works, objects of art, motion pictures, other audio-visual works, and sound recordings.

Franchises can make use of copyrights in different ways, such as in the use of themes for restaurants with songs and pictures, or in the context of education franchises such as the one studied in the present research, copyrighted material such as books and videos being made available to customers.

### *Patents*

The rights of new machines, designs, and methods of production or operations can be protected by patents. Patent law gives the right to exclude others from using, producing, or commercialising inventions.

The technology used by franchise systems can be patented and, if the technology is not encapsulated in a product like software or a machine, the rights to use it must be included in the contract grant of rights. If the technology is somehow encapsulated in software or a machine, the right to use and copy the software or machine can be controlled. It is important to note that in some jurisdictions, the software is considered under copyright legislation.

### *Trade Secrets*

Trade secrets are specified as confidential information that is not available to others who could benefit from its use. Furthermore, its owner applies reasonable efforts to protect it, and it is therefore considered of independent value.

The franchise contract can contain clauses to protect the right of the franchisor to ensure that the secrecy of such information is maintained. This can include the knowledge in operating manuals, training material, recipes, marketing techniques, and related information. Trade secrets are commonly involved in routines and are perceived as sources of competitive advantage (Spencer 2013). This is more prevalent in some franchise systems that involve, for

example, the manufacturing or preparation of a product, or in-service businesses in which the application of tools and chemical formulas is common. In the case study in scope for this thesis, the analysis of the Campo Grande franchise unit of Yázigi, trade secrets protection is not relevant, since the service process needs to be transparent and explicit for the student to participate effectively and learn the new language. However, beyond formal intellectual property and trade secrets, franchises encompass a broader concept of knowledge conceptualised as know-how, which includes but is not limited to those. In a study that interviewed 27 lawyers specialized in franchising, Perrigot et al. (2018) concluded that know-how is an important criterion of the franchise contract, and although it can be ambiguous and subjective at times, it is a consensus that know-how transmission to franchisees is the key driver of the franchising model (*ibid*, pp.33).

### ***Franchise Systems' Fees and Royalties***

Most franchisors require payments from franchisees in three main forms: an initial lump-sum fee, which is paid once at the beginning of the contract period; ongoing payments throughout the life of the contract, agreed as a percentage of sales, called “royalties”; and advertising fees (Blair & Lafontaine 2005). The first two charges are meant to pay for the franchisor’s costs, expenses, and profit while the third charge is directed to funding brand advertising and promotion.

Three main approaches are found to set the initial fee (Blair & Lafontaine 2005). Firstly, it can result from a formula that accounts for the size of the territory and its particular market potential. Secondly, the franchisor can charge different fees for different unit formats. Thirdly, it can give discounted fees for an additional unit from the same franchisee or for a conversion of a unit from another franchise system. Combinations of the mentioned approaches are also used.

According to Bhattacharyya and Lafontaine (1995), the initial fee is affected by the total value created by the franchise relationship, which is a function of the characteristics of the

local market, the value of the brand name, the number of franchisees, and the degree of market power.

Windsperger (2001) adds a more strategical implication of initial fees, summarising existing studies in franchising theory that support the following: (1) franchise fees can work as a screening tool in which the higher the initial investment in the franchise, the better the entrepreneurial capabilities; and (2) franchise fees can create a hostage situation in which high initial investments prevent the franchisee from ex-post opportunistic behaviour.

Royalties are charged mainly as a percentage of sales, but less frequently, whereas franchise systems also use fixed values and some do not charge royalties at all (Blair & Lafontaine 2005). Where charged as a percentage of sales in the US, royalties vary between 3% and 6%. In Brazil, where this empirical study was conducted, royalties tend to be higher, with an average of 6% varying from a segment average of 4% in fast food, to 9% in clothing and footwear (Heinze, 2005).

For Bhattacharyya and Lafontaine (1995), royalty rates are primarily determined by the relative importance of the franchisor's and franchisee's ongoing efforts to sustain the business, following a double-sided moral hazard model. The concept of moral hazard addresses the situation in which someone takes more risk because someone else bears the cost of those risks. In a double-sided moral hazard model, a certain balance is achieved because the incentives to free-ride exist on both sides. On the one hand, franchisees can reduce their personal effort and lower expenditure to a minimum by trying to free-ride with the benefits of selling under a strong brand name. On the other hand, franchisors could reduce expenditure on training and support, free riding on the franchisee's effort to obtain returns on their investment. In this sense, contractual royalties on sales are used to harmonise the goals, efforts, and the risks of both parties in the contract, as well as providing better incentives.

Having reviewed the definition of franchising and franchise systems, as well as the key aspects of its contractual nature, this study will now examine the characterisation of franchise systems under typologies proposed in the relevant literature.

#### 2.4.4 Structure, Governance, and Management in Franchise Systems

Klein (1995) explains that the core economic reason for franchising is that it allows transactors to achieve benefits at a large scale, like brand name development, high volume cost benefits, and organisational design comparable to company-owned chains, while showing the adaptability and profit-driven savviness of local owners. To achieve both scale and local adaptability, franchise systems are structured in terms of asset ownership, therefore decision-making and governance are not hierarchical like in a retail chain, but it is federal, with each franchise being able to influence the decision (Bradach 1998). This differentiates them from other organisational forms and gives us a better understanding of their unique nature.

Yin and Zajac (2004) define governance structure as “an organisational design that incorporates systems of decision making, control, and incentives” (pp.365–383). According to the same authors, the literature supports that incentives and monitoring are perceived as substitutes in the corporate governance domain, and it is widely accepted that franchised units typically have stronger incentives and less control from chain operators than company-owned units. The franchisee ownership of the local unit gives its claim to a significant part of the future profit which is associated with higher risk, due to its investment and potential entity liabilities (employees and customers’ litigations, debt, etc.). Meanwhile, in corporate-owned units, managers are more reliant on fixed salaries as the company bears the risks. On the other hand, company-owned units require more monitoring controls to manage large unit networks, ensuring decisions are made in alignment with company objectives.

Through empirical work on fast-food restaurant chains, Yin and Zajac (2004) study the relationship between strategy and structure, comparing company-owned chains and franchise systems. In that study, researchers compared the unit performance of restaurants offering both dine-in and delivery (referred to as mixed strategy) with the performance of restaurant units using only one of those modes (called pure strategy). They concluded that franchise systems are better than company-owned chains at deploying mixed strategies, while company-owned chains are better at deploying pure strategies. Further research is required to clarify the reasons for this, but it is suggested that tight controls allow fewer deviations

from local decisions and a leaner structure in company owned units, while the relative decision autonomy of franchisees make franchise units more flexible when tackling conflicting demands in a mixed strategy.

Besides the improvement in adaptiveness brought about by the choice of a franchising model, the management style applied to the franchise system is also responsible for its performance. Perriz-Ortiz et al. (2012) share evidence supporting that management styles that offer fair treatment, and support initiatives, innovation, and continuous improvement of management conditions tend to create a healthy relationship with franchisees with a high level of trust, a strong commitment to system-wide goals, a reduction of problems of agency, and consequently, a reduction of the costs of the transaction. In the same study in the Spanish franchise industry, those authors found support for the view that management styles that balance between efforts in training on existing methods and encouraging innovative solutions to problems have a positive effect on performance. Finally, they conclude that there is no evidence that management styles that impose strict control on practices have a positive impact on performance.

### ***Agency***

Franchise systems are frequently analysed through the lens of agency theory (Lafontaine, 1992). Agency theory studies the problems that arise from the misalignment of objectives and interests between principals and agents. In a corporation, principals would be the shareholders, while agents would be the executives. In this context, it is argued that executives may behave against the interest of the shareholders if the organisational structure does not manage incentives and controls in the proper manner.

Agency theorists claim that the ownership structure can be considered the primary source of efficiency in an organisation.

In the franchising systems arena, the investor role of the franchisee can make it easier to align the unit management with the franchisor shareholders' goals. However, this does not necessarily mean that lower agency is guaranteed; there are also potential conflicts of interest

that need to be managed by the contractual relationship. Nonetheless, it is widely recognised that agency reduction is one of the important features of franchise systems performance, compared with chains (Lafontaine 1992).

An important contribution to this topic is made by Knott and McKelvey (1999). In their study on franchises, they compare the agency theory claim to the organisational theorists' claim, supporting routines as the main source of efficiency in organisations. They conclude that evidence exists supporting both claims, although the "average value of routines is roughly an order of magnitude higher than residual claims" (ibid.).

The value of franchising to the franchisor, as an organisational form that allows rapid expansion and reduces agency, is widely acknowledged. However, it is also important to understand the benefits of franchising for franchisees. Watson and Stanworth (2006) propose that the decision to become a franchisee is usually related and not only to know-how and skills but also to their attitude in respect to risk and independence, thus relating to human capital. In that perspective, franchisee candidates tend to be more risk-averse and value independence less than entrepreneurs that start a business alone. Notwithstanding, it is a mistake to assume that franchisees are not entrepreneurial, and even more misleading to think that franchise system would not benefit from entrepreneurial spirit in its units. Watson et al (2016) argue that franchise systems that select more entrepreneurial franchisees and that nurture entrepreneurship tend to perform better than those that do not.

Different from the reasons to become a franchisee, the choice of which franchise system to join and the decision to remain in a system is dependent on the interactions between the franchisee and all franchisor's intellectual capital attributes (Watson and Stanworth 2016, p.347), being of human, structural or relational capital. The franchisee's perception of the intellectual capital benefits obtained from the franchisor changes over time, as support and processes are used to build and manage the business, the strength of brands is converted into actual demand, and supply relations are tested.

## 2.4.5 Franchise Systems Types

Franchise systems can be found in different forms and in different industries. Although it is an important step toward getting a panoramic view of the area, only a few efforts at mapping franchises types can be identified. A view of these types is sought to guide the present study in its case choices, to better clarify the process of routine replication in franchise systems, and to make it as representative as possible. Among the typologies encountered in literature, two approaches stand out and are described and discussed in sequence, as follows.

The first approach to typology is built around the stages in the franchise system life cycle, a review of which is covered by Inma and Debowski (2006). In their study, they address previous articles, add new empirical data, and propose a new recommended typology. Their proposed types of franchise systems are summarised below:

- The Beginners – young and small franchise systems still establishing their franchise identity. They normally use a rapid franchising strategy, achieved through low fee structure and geographic focus around their area of inception.
- The Developers – franchise systems with more established formats and reputations than beginners, which start to expand geographically.
- The Growers – fully developed franchise systems in terms of infrastructure. With effective monitoring systems, they are advanced in nationwide coverage.
- The Matures – low growth franchise systems, with established policy of reputation and trademark, charging high fees to keep very high standards. These franchise systems also keep a high percentage of company-owned units.

A second approach to franchise system typology is offered by Jawahar and Elango (2001), who propose that franchises vary in terms of: (1) whether the production/sourcing is localised or centralised; and (2) whether the product/service is standardised or personalised. As these two dimensions are set on a matrix, four types can be identified in the matrix displayed in Figure 5.

Product/Service	Personalised	Relationship Franchise	Quality Assurance franchise
	Standardised	Brand Name Franchise	Localisation Franchise
		Centralised	Localised
Production/Sourcing			

Figure 5 - Franchise Typology Matrix

(Source: Jawahar & Elango 2001)

In the study, the authors found that franchise operation characteristics varied between the types noted above, and can be briefly described as follows:

a) Supervisory Skills – the ability to manage, schedule, and monitor employees is important for franchises, but even more so for localised franchises.

b) Job Involvement – the level of franchisee involvement has different impacts from type to type. Brand name franchises are the only type to require less involvement on the part of the franchisee since the activities performed are more trivial than those in other types.

c) Knowledge of Local Market – this follows the same pattern as the Job Involvement attribute. Localised or personalised franchise types require more knowledge of the local market in order to adapt to local conditions.

d) Willingness to Follow Rules – in localised and relationship franchises, rules tend to be more explicit and relative, while in brand name franchises, rules tend to be simpler and more straightforward.



e) Initiative – the ability to improve effectiveness through local promotions, and proactively addressing employee and operational concerns, is more critical to localised, brand name and, relationship-type franchises. However, it is less critical for the performance of quality assurance-type franchises.

f) Previous Job Experience – Prior experience is critical for performance and succeeding in a quality assurance franchise, due to the abstract nature of the know-how required.

Fast-food franchises can be considered as part of the Localisation type. Although products follow a standard recipe, using the same ingredients, the production of the meals occurs in the location of consumption. Knowledge of the local market is key to realising if product offerings match local customer preferences (see Jeon et al. 2016, for the example of McDonald's in China and India). Franchisor support to local promotions of the brand, and to employment and operational concerns, is key to maintaining customer acquisition and satisfaction. Rules are more explicit and relative, resulting in strong guidance on quality and standardised production output, which is contextualised in local logistics characteristics.

An example of the Brand Name Franchise type is fashion retail franchises. Rules to franchisees tend to be more straightforward, allowing for easier internationalisation, for example, as the franchisor retains control of the final product (Doherty, 2007).

Franchises in the kitchen and Bath Remodelling Industry are of the Relationship Franchise type. Rules need to be more explicit to avoid errors in customisation and ensure customer satisfaction with the final product (Murray & Smyth 2011).

The Quality Assurance Franchise type can be exemplified by Beauty Salon Franchises. Previous job experience is a critical element, as the service is quite specialised, and rules need to be explicit as there are relevant health risks involved in service provision. The example of Greener Shades (Miller 2007) is a prominent one, demonstrating the particularities of an industry dominated by Vietnamese manicurists' skills, and the ups and downs that result from infection outbreaks.

The typology based on the life cycle proposed by Inma and Debowski (2006) focuses on the different aspects of maturity of a franchise system, which are evident in the level of support that it provides to franchisees, the system's rate of growth, and consequent change,

and the geographical expansion as part of that growth. It is possible to suggest that these three aspects have implications for the conditions given to the replication of routines between franchisor and franchisees. A good level of support given to franchisees tends to create more opportunities for knowledge exchange, not only between franchisor's and franchisee, which is an obvious occurrence but also between franchisees. Along the same lines, in fast-growing and geographically-expanding franchise systems, both the competition for the same resources from franchisor support and the inherent difficulties due to geographical distances, tend to reduce the number of knowledge exchange opportunities (see Argote et al., 1990).

Equally, the typology proposed by Jawahar and Elango (2001) uses dimensions that may influence the conditions for the replication of routines. In comparison with standardised products and services, franchise systems that offer customised products and services tend to require more knowledge of customer needs and have enough flexibility built into their routines to adjust to different needs. Considering production sites, it can be said that franchise systems that utilise a central production site are likely to require fewer routines to be replicated from the franchisor to franchisees than localised production.

#### 2.4.6 Knowledge Transfer in Franchise Systems

In a franchise system, franchisors are expected to have the capabilities to transfer knowledge to the franchisees, and system success depends on this (Gorovaia & Windsperger 2010). These capabilities are necessary to reproduce the ways to make the business model work within the new unit. This section will present some of the findings on knowledge transfer in franchise systems, relating to the value of knowledge in franchise systems, the use of communication mechanisms (means) of knowledge transfer, and factors facilitating or preventing knowledge transfer.

Watson and Stanworth (2006) argue that individuals who do not believe that they possess the skills to start a business alone may view the training provided by franchisors as a way to

close this gap. Evidence supporting the value given to knowledge transfer in the franchise is provided by Windsperger (2001). This study shows a positive correlation between the number of franchisors' intangible assets being delivered, measured by the number of days of training, combined with the franchisees' lack of knowledge of the local market, and the fees and royalties charged. So, the longer the training and the less knowledgeable the franchisee, the higher the fees and royalties.

Regarding the means to transfer knowledge in franchise systems, Gorovaia and Windsperger (2010), in a study of the Austrian franchise sector, conclude that the more tacit knowledge plays a role in the business model being franchised, the more franchise systems that use transfer means with a high degree of information richness, such as conferences, face-to-face training, committees, and visits to existing outlets. Those means of transfer have certain attributes, such as feedback capability, availability of multiple cues (voice, body, gestures, words), and personal focus (emotions and feelings), which can facilitate the transfer of tacit knowledge. Conversely, the less important tacit knowledge is to the business, the more mechanisms with a low degree of information richness are used, such as manuals, reports, and databases. In those mechanisms, knowledge is codified and must be descriptive, but can be supplied at a lower cost.

According to Choo and Bowley (2007) there is a lack of studies on training in Franchising, and when available it focuses mostly on training as part of the overall franchise package. The present study should then be a valuable contribution to the franchising literature, by increasing the understanding of how knowledge is transferred and therefore providing opportunity to improve the process of routines replication as part of the expansion of franchise systems.

#### 2.4.7 Replication Processes in Franchise Systems

Previous studies on routines replication in franchise systems are considered now. This literature has focused mainly on the value of copying exactly versus innovating or ‘adapting’<sup>4</sup> during replication. This focus derives from the observation that ‘copying exactly’ is core to the franchising business model.

In a study on the Mail Boxes Etc. (MBE) franchise system, Szulanski & Jensen (2008) have analysed the impact of conformity of master licensees to the franchisor method of building franchise networks. Master licensees hold the license to build networks of franchisees in a certain territory and may ‘adapt’ practices to local cultural aspects and market practices.

Using panel data concerning the transition of franchising information to 23 different countries, the authors test opposing theories on how master licensees ‘copy exactly’ knowledge about how to develop a network in their country and the impact that their approach has on network development. They conclude that a strategy of more precisely replicating knowledge in the first year of a local network's existence tends to improve growth and that the advantages of more precisely replicating knowledge in the first year of a local network's existence continue for many years. As a result, in this case, innovation appears to be a major obstacle to firm growth.

The question on the value of pursuing local adaptation to the salient characteristics of new environments when organisations expand through replication is also addressed by Winter et al (2012). Those scholars research the impact of deviation from the template on the survival chances of franchise units within a large franchise organization and report on the survival consequences of accurate replication versus local adaptation using specific longitudinal data. The study also concludes that some types of deviations from the original routines templates increases the risk of unit failure and questions the view that conscious attempts for the adaptation to new host environments are necessary and desirable.

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<sup>4</sup> Note that the term adaptation here, is used in a way that is different from the evolution-theory-based meaning, referring to the conscious attempt to make routines more successful in a new environment, but not necessarily perpetuated product of selection.

Maalouf et al (2020) introduce strategy as a factor that influences how closely routines are ‘copied exactly’ versus ‘adapted’ locally. They add to the above perspective, explaining that franchisor’s selection criteria drive that choice. According to those authors, franchisees must determine whether to use a turnkey approach, in which the franchisor grants business rights to local franchise entrepreneurs, or a plural type of strategy, in which the franchisor joins the focal business and runs company-owned outlets alongside franchisees sharing the business opportunity. In a study with 248 franchisors, those authors found that franchisors implementing plural type strategies choose franchisees who have characteristics that encourage replication, such as previous managerial experience and a willingness to become multi-outlet franchisees. Plural-type franchisors were more likely than expected to pursue franchisees with local market experience. Conversely, turnkey strategy franchisors search for franchisees that are able to try new things and adapt to new circumstances.

The present research capitalizes on previous studies on replication in franchise systems, while it aims to contribute by further investigating the process of replication, breaking down its components and mechanisms, and more importantly, the interactions that constitute it. Here, ‘copying exactly’ is more than a simple intent or directive that will guide the replication process, as it requires a firm commitment to the process of replication, developing resources, methods, and capabilities to represent, transfer and embed knowledge. Replication is subject to the variations in the directions to routine template and nuances on its representation, it also requires that intermediaries in the knowledge transfer understand their roles and have the capacity to perform them well, and relies on the learning-related habits of thought of the individuals that participate in this process. As such, the current investigation contributes with new microfoundational elements to understand routines replication and the impact of change.

#### 2.4.8 The Application of the Generalised Darwinism Framework

Generalised Darwinism is the explicit extended consideration of Darwinism beyond biological evolution, into social evolution, here used according to the conceptual framework presented by Geoffrey Hodgson and Thorbjorn Knudsen in the book ‘Darwin’s Conjecture:

the search for general principles of social and economic evolution' (2010). In section 2.3.4, the key concepts of replicator and interactor were introduced to help us frame relevant social phenomena as evolutionary processes, i.e. subject to the variation-selection-retention mechanism. As explained, replicators are the knowledge retaining material structures that replicate differentially as a result of selection, while interactors are the relatively cohesive entities that host replicators and are actually selected (*ibid* p.24).

Hodgson and Knudsen (2010, p.26) consider routines as replicators to which GD can be applied in order to understand how those contribute to the evolution of organisations. In the present thesis, the replication of routines will be studied under Generalised Darwinism, as a contribution to the understanding of the evolution of franchise systems.

Franchise Systems represent a particular form of organisation that involves a network of firms associated with contractual obligations. The Franchise System is made of a franchisor and all franchise units established by contracting with this franchisor. The franchise unit is not exactly the legal firm under the franchise contract, but the business instance formed upon the establishment of such an agreement.

It is also important to discuss if the franchise units are interactors. In order to qualify as an interactor, the entity must comply with the following conditions (Hodgson & Knudsen 2010, p.240):

- a) *Integrity*: An interactor is a relatively cohesive entity with effective boundaries between itself and its surrounding environment, including other entities. This means that the internal relations among its component parts are generally more substantial and denser than the relations between the entity and elements in its external environment.
- b) *Sustained integrity despite environment variation*: Given shifting environmental states  $E_j$  where  $j$  is a positive index over possible states of the environment, the interactor has sustained integrity owing to the nature of components of the interactor and the internal relations between them.
- c) *Shared dependence of component replicators on the interactor*: Given  $E$ , for every member  $r$  of  $R$ ,  $1-p_{r,w} < \epsilon$ , where  $\epsilon$  is a small and nonnegative number.
- d) *Inclusion and shared organisation of components*: Every member  $r$  of  $R$  must be a component part of  $w$  in the further sense that every  $r$  is within the boundary and part of the structure of  $w$ .

- e) *Replication dependent on the properties of the interactor and its environment*: Every  $w$  has a set of properties  $C_w$  that, in the interaction of  $w$  with the given environment  $E$ , is a major factor in determining the (possibly different) set of  $R'$  of successors of  $R$ .

where:

$w$  is an interactor;

$E$ , one environmental state or set of possible environmental states that are similar in relevant respects (environmental conditions that, also include other interactors);

$p_{i,j}$  is the probability, with respect to a given environment  $E$ , that the entity  $i$  will (more or less immediately) expire as a functioning unit (losing much of its preceding integrity or cohesion) if entity  $j$  expires.

$R$  is the set of replicators

Concerning condition (a), it is possible to argue that the franchise unit studied in the present research operates as a relatively cohesive entity, being recognised as one business with its own independent performance in sales and profit, its own employees, and its own dedicated facilities. It has clear boundaries defined in the franchise contract that separates it from other units in the franchise system and other businesses in the local market. Furthermore, in the same way that the franchise unit has been created, it could expire without having to “necessarily” mean the expiration of another entity.

The franchise unit also may continue to exist if it loses an employee or a customer, as it can replace those relationships with new employees and customers. It depends on sustaining the relationships of resource absorption with its environment in the long term, but it can adapt and survive to variations. In this way, it complies with condition (b).

The franchise unit routines share dependence in the sense that if the unit expires, all its routines will dissipate and can no longer be energised. Also, the functioning of the franchise unit is made of its routines and since the routines are the franchise unit replicators, this dependence and constitution mean that conditions (c) and (d) are satisfied.

However, there is the question of whether franchise unit routines replicate. This study lead us to believes that they do; although the normal view is that knowledge is transferred from franchisor to franchisee and sedimented in franchise units, franchise routines originated as procedural knowledge on original business units, and are usually changed by innovation in other franchise units (even if it can be changed by the franchisor, it is only recognised after being tested in the actual business). Franchisors only hold templates of routines in the form of declarative knowledge, but routines are mainly replicated between business units, owned by the franchisor, or franchisee.

Franchise systems are also interactors, as they interact with their environment as a coherent whole and franchise units are “bound together by a common fate” (Sober 1981, p. 107 cited in Hodgson & Knudsen 2010) if the franchise system expires.

This leads to the conclusion that franchise systems are subject to group-level selection, and the franchise units can be considered as being an example of multiple-level selection. This conclusion can make the evolution of franchise systems a fitting application for the Generalised Darwinism framework. By understanding how the routines in the system evolve and increase its chance of survival as a group, GD can provide insights for prescriptive franchise system management.

The evolution of routines in a franchise system can resemble aspects of the evolution of cultural groups. The new business team’s disposition to behave like others in the existing business can be analogous to the adopting group culture, and also relates to the prestige-based transmission of customs, or even conformist transmission (see Hodgson and Knudsen, 2010 p.160-161 for group culture evolution under GD).

Even though the replication of franchise routines is mostly mediated by a central entity, this is also true with religious beliefs and customs, laws, and other social replicators. Moreover, the diffusion of knowledge and even the replication of routines within the franchise system are not always mediated by franchisors. It is becoming more and more common that franchise units are owned by multi-unit franchisees, which also replicate routines from existing units into new units within the multi-unit franchisee organisation (Thilgen 2014). In the United States alone, there are more than two hundred thousand units owned by multi-unit franchisees.



The present thesis intends to begin this journey by focusing on the transfer of knowledge through and for the replication of routines in franchise systems, as this is the fundamental mechanism for the benefits of the application of the GD framework.

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### 3 RESEARCH DESIGN AND METHODOLOGY

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This thesis approaches the research problem using an abductive approach to case study research. The choice of process used here follows what Dubois and Gadde (2002) call “systemic combining” of the components of research. This process goes ‘back and forth’ from one research activity to another, and from theory to empirical evidence, and starts with a preliminary analytical approach which is developed alongside those interactions until it provides a satisfactory answer to the research problem.

The abductive approach is used as an alternative to deductive and inductive approaches. The deductive reasoning logically derives the conclusion from a set of premises based on existing theories, taking empirical observation to test its validity. It considers that the conclusion is true when all premises are true. Conversely, the inductive approach comes to the conclusion supported by the observations made in empirical studies and proposes theory from it. Finally, the abductive approach claims a practical view, beginning with the acknowledgement of an interesting fact or even surprising fact. This fact is actually the conclusion, and a set of possible premises is determined and assumed to be sufficient or nearly sufficient to explain the conclusion. The abductive approach considers that if that set of premises was true than there is reason to believe that the conclusion is true as well (Saunders et al 2016).

The research method chosen for the empirical examination was the Case Study Research method (Yin 2003; Woodside 2010), which is introduced in section 3.3. The choice of this method is driven by the need for an in-depth description of how knowledge is transferred for and though the replication of routines in franchise systems. According to Campbell and Yin (2018, chapter 1), Case Study Research is, as such, highly relevant to extensive and immersive investigations. Woodside (2010, p. ix), notes that ‘case study researchers worry about (insist on) achieving high accuracy in understanding, explaining, and predicting

thinking and doing processes'. Such an explanation of this method suggests that it could be an effective tool for understanding a complex phenomenon such as knowledge transfer for and through the replication of routines.

Case studies also present opportunities to develop in-depth insights into complex phenomena. It requires an integrated approach to take these opportunities and to understand the interrelatedness of the different elements of the research process. In traditional ways of organising the research, the process is laid out as a sequence of planned phases and does not profit from the full potential uses and advantages of the case study methods. As mentioned before, improved analysis can be achieved by the researcher going 'back and forth' from one research activity to another, and from theory to empirical data. This way of managing the research, known as the abductive approach (Dubois and Gadde 2002, p. 555), helps to redirect empirical investigation as the analytical framework is further developed and matured, to collect evidence that can challenge or support insights. It also allows the identification and consideration of unanticipated related issues that may be found in empirical work, to redirect the theoretical framework under development.

The theoretical foundation to formulate the premises for the present study is composed of the integration of two theoretical frameworks discussed in chapter 2, which serves as the basis for the understanding of what routines are, and how learning allows for knowledge transfer. The first framework is Generalised Darwinism (GD), based on Hodgson and Knudsen (2010), and the definitions of routines under its evolutionary method for social sciences. The second is the Adaptive Control of Thought (ACT) model and its view of how learning takes place in the human brain, as well as its perspectives on knowledge transfer. Besides the adoption of GD and ACT as main frameworks, the study also relies on the findings from theories in organisational learning and communication theory in order to formulate its premises.

The process of systematically confronting theory with empirical data is performed continuously throughout the research to find answers to the proposed research questions.

### 3.1 Challenges and Particularities of Routines Empirical Research

The present work studies organisational routines, which present particularities as an object of empirical investigation. In this section, the challenges and specificities of empirical research in routines are discussed.

Becker (2008: 12) notes that empirical work on organisational routines has proven to be somewhat difficult. Some of these difficulties stem from the lack of rigour in defining routines, which has prevented the accumulation of quality study results, from a divergence in the ways that the phenomenon was treated.

Besides the loose definitions of routines, the difficulty of observing, distinguishing, comparing, and counting routines is highlighted by Pentland and Feldman (2008, p.281). In terms of method implementation, this can be approached as being problems of identification and comparison. Identification here means the recognition of instances in which a routine is energised, as well as its parts and the whole. Comparison can be performed across different routines (cross-sectional), or on the same routine over time (longitudinal).

Brian Pentland and Martha Feldman (2008, p.282) recount their personal experience as researchers of routines, which is helpful when relating to their difficulties during field work. Pentland raises the challenges of observing the energisation of routines that do not start and end at the same location, but rely on communication via telephone, during which the researcher can neither hear nor observe the other party in the conversation; or on software which connects parts of the routine performed in different locations. This is becoming more and more challenging as organisations distribute processes globally. A second issue is that when routines are interrupted by other tasks, projects or changes, it becomes difficult to track the entire performance of the routine. To deal with this problem, archival records were helpful (Pentland and Feldman 2008: 283). Pentland also encountered difficulties with defining the boundaries of routines. In fact, even where routines seem very alike between two groups, they can have different boundaries. Feldman focused on longitudinal studies in her research, and the identification of stability and change across time represented the main challenge. For some routines, there is apparent stability, but different levels of observation are used and changes can be observed. As Pentland and Feldman summarise, “Pentland

looked for repetition and found variety. Feldman looked for stability and found change” (ibid. p.285).

It is important to stress, as previously discussed in section 2.3.1, that Pentland and Feldman (2005) define routines in two ways; firstly, as dispositions (ostensive) and secondly as behaviour (performative). The current thesis follows the view that routines are the dispositions to behave, and not the behaviour itself (see section 2.3.4). However, in terms of the empirical study, despite the difference in definition, it is recognised here that the enactment or energising of a routine must also be observed in order to understand the routine in itself, or the disposition to behave in a certain way.

It is also important to recognise that in many of the studies to which they refer, Pentland and Feldman use the ethnographic research method, which is associated with an interpretivist approach under a subjectivist tradition and is based mostly on inductive reasoning. This differs from the choice of method and the tradition of guiding frameworks in this study, which tends to follow an objectivist tradition, and which will combine deductive and inductive reasoning for theoretical formulation.

Even if there are differences in philosophical assumptions and the definition of routines, the learnings from Pentland and Feldman on empirical studies are quite useful here as they provide clarifications and raise concerns that are also applicable to this research. Their work explains that the performance of a routine, or the behaviour triggered by energising it, is readily visible, while the disposition is not. Therefore, it is important to record the narrative of people engaged in the routine to map dispositions, while the behaviour can be directly observed. Different people may provide narratives with conflicting descriptions of what the routines are, what needs to be compared to the observation of their performance, and reconciling the narrated routine with the disposition which followed when energised. At the end, a complete map of the routines emerges as a collection of partial, overlapping narratives. The difference will lie in the treatment of this map to understand causal relationships.

## 3.2 Research Questions

The aim of the present research is to increase the understanding of the routines replication process in franchise systems, driven by the importance that this process has to understand organisational evolution, and to franchise systems studies and management. In order to do it, the study has adopted as its main objective the development of a theory that explains this phenomenon, examining how knowledge is transferred through the interactions between individuals that participate in the replication, and in their interactions with the artefacts that are used for this purpose. A second objective was to assess how changes during knowledge transfer impact routines replication and, consequently, organisational performance.

To meet those objectives, the following research questions need to be answered by this study:

- e) How are routines replicated from franchisor to franchise units in franchise systems?
- f) How is knowledge transferred for and through the replication of routines?
- g) Do routines change during replication?
- h) If change happens during replication, how does it affect organisational performance?

## 3.3 Nature of Research and Research Method

The types of research that can be used to address specific research questions are usually categorised as exploratory, descriptive, or explanatory. Exploratory research is used when there is little understanding about the phenomenon studied, and the elements or variables involved are unknown. In the current work, the elements and variables involved in skills acquisition and the replication of routines are known, even if they have not been integrated

and assessed before to provide answers to the specific questions of this thesis. Descriptive research is undertaken when the elements and variables involved in a phenomenon are known but the phenomenon in itself needs to be described, although it is not meant to answer questions on how, when, and why those characteristics occur. In this study, there is an understanding of what routines are and their value for organisations, as well as the general aspects of routines replication. Finally, explanatory research aims to explain cause-and-effect relationships. The research questions stated in the previous section show that the focus of this thesis is not only on exploring and describing the studied process, but explaining how the process occurs, establishing causal relationships, and contributing to theory. Therefore, the process used in this study can be qualified as ‘explanatory research’ (Miles et al. 2009).

The attempt to find and explain the causal relationships in the complex phenomenon of knowledge transfer for and through routine replication in franchise systems uses abductive logic applied to case studies research, confronting the developing analytical framework made up of premises and the developing case study. Here, both analytical framework and case understanding are dynamically reassessed through iterations as the research progresses.

In addition to considering the research questions noted above and appreciating the type of challenges organisational routines present to empirical research, it is now important to acknowledge the nature of the object or phenomena of study chosen for this thesis, which is the process of replication of routines, and the unit of analysis selected, which are the routines in the Yázigi Campo Grande franchise unit. Routines can only be studied whilst they are occurring in a working environment involved in franchising, rather than in the laboratory. Also, as a process, replication requires time and for the execution of actions in a sequence of causal relations to be completed. Finally, understanding the context of the working environment and the identification of the sequence of actions and their causal relations, play a significant part in providing the answer to the research questions.

The final characteristic of the present research, which has informed the choice of research method, is the current stage of theory development. As has been shown in the literature review, there is substantial previous work on franchises, routines, and knowledge transfer. This work provides enough clarity to move the research topic beyond an exploratory phase, and initial premises will be stated (section 3.4.1), and will serve as starting point to the

confrontation between theory and empirical world, to guide and to be challenged, toward the maturing of an explanation that addresses the research questions, coming to the conclusions discussed on chapter 6, which hopefully provides an original contribution to the understanding of how routines are replicated in franchise systems.

The combination of the explanatory demand from the research questions, the impossibility of control, the contextualised nature of the object of study, and the current stage of development, indicates the adequacy of the case study method (Yin 2003). The use of case study method leads the research to approach the problem-proposition relation from different, yet converging directions. For example, it assesses the understanding of participants through interviews, map participants' interactions in the replicated routines in the observation sessions, and compares both with directions provided in documentation, to identify patterns and gaps.

At this point, it is important to note that there are two other methods commonly used for the study of routines. The first is grounded theory (Glaser & Strauss 1967; Strauss & Corbin 1994), which can be associated with either a constructivist or a post-positivist perspective, depending on whether it assumes that the meaning is either approximated from an existing truth, or it is created through an interaction with realities. This method then uses an inductive approach that relies on the continuous comparison between existing theory and data (Huberman & Miles 2002). The second method is Ethnography, which implies the participation and interaction of the researcher in order to experience the social phenomena and develop a perspective through such interactions and observation (Hesse-Biber & Leavy 2011). In this method, the presence of the researcher is not seen as a form of interference, but as a requirement in order to fully understand its meaning. In this sense, this process follows subjectivist epistemology.

These methods are usually associated with an interpretivist approach and are rooted in a view that human action comes from subjective meanings and interpretations of the actors participating in a study, not by an external model that frames their behaviour. Furthermore, the interpretivist and inductive approach of Grounded Theory and Ethnographic methods have been seen as incompatible with a stimulus-response view of human behaviour (Gill &



Johnson 2002, p.60). This incompatibility could present issues for a study of routines as triggered dispositions and makes it less suitable than case study research.

### ***Advantages and Limitations of the Case Study Method***

During the process of choosing a method for the present research, many expressions of support and critique of the case study method were encountered. In this section, the central arguments of those positions will be distilled to clarify the advantages and limitations that these bring to this research.

George and Bennett (2005, p.19) list four advantages of the case study method: the potential for achieving high conceptual validity; the strong procedure for creating new propositions; the means to closely examine the proposed role of causal mechanisms in the context of individual cases; and the capacity for addressing causal complexity.

The first advantage addresses the difficulty of measuring the indicators that best represent the theoretical concepts that this research aims to study. For example, in the study of routines replication, the similarity between the original and copied routines is a concept which is difficult to assess by measuring the level of similarity. For instance, this task requires a detailed account of contextual factors such as the function of the routines in organisational functioning, expected outputs, and other factors that are difficult to treat in statistical studies. George and Bennett (ibid.) argue that it is common to have case studies preceding statistical studies to identify relevant variables, then case studies succeeding the study in order to investigate deviant cases. Meanwhile, statistical studies are used to measure those variables in a larger number of cases and provide further evidence to support proposed theories.

The second advantage is usually drawn from the investigation of deviant cases, when an existing explanation may be refuted, and a new explanation may be formulated to explain what is being observed. While statistical methods can identify deviant cases, these usually leave out contextual and intervening variables that are critical to proposing a new explanation (George and Bennett 2005, p.21).

Finally, case studies have the advantage of accommodating complex causal relations such as path dependency and complex interactions effects.

However, the case studies method also has limitations, the most important of which is that it is the claim that evidence from selected cases are not sufficient to reach generalised conclusions. Case study research may provide a reliable account of variables that cause a certain effect and how they do so, but they cannot testify to the extent that those variables apply equally to the universe of similar cases. In this study, the case studies method may provide a rich explanation of the process of routines replication in franchise systems, but it will not yield a measurement of how this explanation applies to all types of organisations, or how it compares to alternative explanations. It is argued here that this is an acceptable limitation of considering the current stage of this area of inquiry, in which little is known about the replication process, and there is not an established alternative explanation.

A second limitation is the weight of bias in case selection, in the sense that cases can be selected by the expectation of complying with certain rules or of leading to certain outcomes. In statistical methods, this bias can be treated with random selection, larger sample sizes, and measurements of robustness. However, in case studies, the impact of selection bias is much more significant; biased case selection can severely limit the scope of search for causal relations. In the present research, case studies were considered, and selected by convenience, taking account of the access to (routine) cases and the openness of the franchise system managers and franchise unit leadership in sharing information about their processes. Before those case studies were selected, other franchise organisations were approached, but there were concerns over confidentiality or the available time to dedicate to interviews and the overall support of the research work. However, this approach should not imply selection bias. There was no expectation that the selected franchise system would provide evidence for routines replication in a way that is different from other franchise systems, especially in a way that corroborates premises to answer the research questions.

It could be suggested that the complex nature of the routine replication process would make it almost impossible to predict an outcome of empirical research, which is more a strength than a limitation to the study.

The risk of bias in a franchise system and individual cases selection within this also deserves some consideration. Different routines, as individual cases in the study, can have different commitments to replication, depending on how relevant they are to the franchisor or the franchisee, in this sense, the selection of a routine by any criteria can prevent us from capturing insight on different processes of replication. In chapter 4, the routine cases will be described, and as may be observed, they represent two different functional areas of the business, being commercial and academic. The only area that was not represented by one of its routine was the administrative function since there is no actual commitment from the franchisor to transfer knowledge on the routines for this area, leaving to the discretion of the franchisee. Hopefully, the representation of the two functional areas mitigates this risk partially, however, this continues to be a limitation inherent to the use of case studies research.

The use of the systematic combination of an analytical framework from the integration of two robust theories (Generalised Darwinism and ACT from cognitive psychology) and the cases study's empirical findings will hopefully overcome some of the limitations of case study methods and direct us to a consistent theoretical contribution. This will be done by following a nonlinear, path-dependent, matching process between theory and reality observation, using an abductive approach.

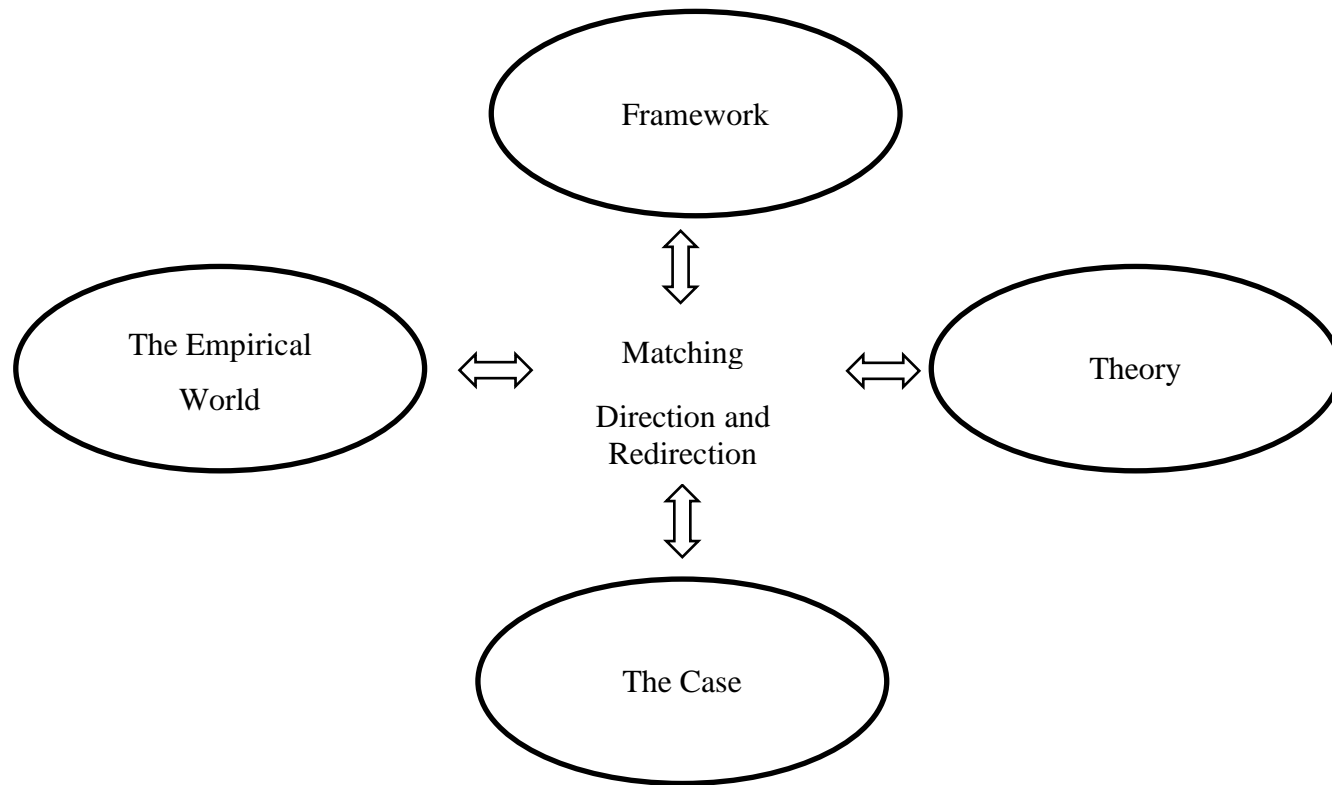
### 3.4 Research Design

According to Hartley (2004), the research design is "the argument for the logical steps which are taken to link the research question(s) and issues to data collection, analysis, and interpretation in a coherent way" (Hartley 2004, p.326; Yin 2003, pp.19-21). The case study method, specifically, can be used to test existing propositions, or it can be used to build a theory from an analytical framework developed from initial premises and informed via research. The nature of the research questions of the present work calls for the latter. The

process used to build a theory from a case design following an abductive approach, as proposed by Dubois and Gadde (2002), is represented in the diagram shown in Figure 6 . The process is structured for this thesis as per Table 3, which proposes a research process that builds on the approach presented by Eisenhardt (1989) for case research, but reflects abductive reasoning by converting it to a nonlinear process. The table takes into account the activities involved, as well as the reasons for performing each activity, but also incorporates the activities for confrontation between data and theory. Furthermore, to improve reader navigation, the last column relates each component to the topics of the thesis.

The approach provides a logical journey, which begins with the research questions and a preliminary analytical framework to guide the research and selects cases based on theoretical relevance. Then, it develops an analytical strategy through tools, protocols and opportunistic data collection. Next, it allows iterations across the multiple sources of evidence, also finding new dimensions of the research problem and questioning the direction of the research work, leading to redirect it if necessary. Evidence and premises go through a matching process, where the preliminary analytical framework is improved and matured to support theory building. Those last two components, direction and redirection, and matching are processed in a nonlinear manner, running through iterations, back and forth, to benefit from the in-depth insights emerging from the research.



Figure 6 – Systematic Combining: Abductive Approach Applied to the Case Studies Method



Source: Dubois and Gadde (2002, p 556)

Table 3 – Research Process

<b>Component</b>	<b>Activity</b>	<b>Reason</b>	<b>Thesis reference</b>
<b>Analytical Framework</b>	<ul style="list-style-type: none"> <li>• Definition of research question</li> <li>• Preconceptions and premises</li> </ul>	<ul style="list-style-type: none"> <li>• Focuses efforts</li> <li>• Provides better grounding of construct measures</li> <li>• Retains theoretical flexibility</li> </ul>	Sections 3.2 and 3.4.2
<b>Selecting cases</b>	<ul style="list-style-type: none"> <li>• Specified population</li> <li>• Theoretical, not random, sampling</li> </ul>	<ul style="list-style-type: none"> <li>• Constrains extraneous variation and sharpens external validity</li> <li>• Focuses efforts on theoretically useful cases i.e., those that replicate or extend theory by filling conceptual categories</li> </ul>	Section 3.4.3
<b>Crafting instruments and protocols</b>	<ul style="list-style-type: none"> <li>• Multiple data collection methods</li> <li>• Qualitative and quantitative data combined</li> <li>• Multiple investigators</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthens grounding of theory by triangulation of evidence</li> <li>• Synergistic view of evidence</li> <li>• Fosters divergent perspectives and strengthens grounding</li> </ul>	Sections 3.4.5 and 3.4.6

<b>Entering the field</b>	<ul style="list-style-type: none"> <li>• Overlap data collection and analysis, including field notes</li> <li>• Flexible and opportunistic data collection method</li> </ul>	<ul style="list-style-type: none"> <li>• Speed analysis and reveals helpful adjustments to data collection</li> <li>• Allows investigators to take advantage of emergent themes and unique case features</li> </ul>	Chapters 4 and 5 3.4.7
<b>Analysing empirical data</b>	<ul style="list-style-type: none"> <li>• Within-case analysis</li> <li>• Cross-case pattern searches using divergent techniques</li> </ul>	<ul style="list-style-type: none"> <li>• Gains familiarity with data and preliminary theory generation</li> <li>• Forces investigators to look beyond initial impressions and see evidence through multiple lenses</li> </ul>	Sections 3.4.7 and 5.3
<b>Direction and Redirection</b>  <i>Iterations</i>	<ul style="list-style-type: none"> <li>• Iterative analysis of evidence for each construct</li> <li>• Replication, not sampling, logic across cases</li> <li>• Search evidence for "why" behind relationships</li> <li>• Discover new dimensions of the research problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Sharpens construct definition, validity, and measurability</li> <li>• Builds internal validity</li> <li>• Question the direction of the research work and if required, redirect.</li> </ul>	Chapter 5 and 6
<b>Matching</b>  <i>Iterations</i>	<ul style="list-style-type: none"> <li>• Comparison with conflicting literature</li> <li>• Comparison with similar literature</li> <li>• Preliminary Analytical Framework confronted with evidence and adjusted to match findings.</li> </ul>	<ul style="list-style-type: none"> <li>• Builds internal validity, raises theoretical level, and sharpens construct definitions</li> <li>• Sharpens generalisability, improves construct definition, and raises theoretical level</li> </ul>	Chapter 6

		<ul style="list-style-type: none"> <li>Review premises into an improved analytical framework, confirming, extending, and sharpening understanding.</li> </ul>	
<b>Reaching closure</b>	<ul style="list-style-type: none"> <li>Theoretical saturation when possible</li> </ul>	<ul style="list-style-type: none"> <li>Ends process when marginal improvement become small</li> </ul>	Chapters 6 and 7

Source: Adopted by the researcher based on Eisenhardt (1989) and Dubois and Gadde (2002).



### 3.4.1 Analytical Strategy

Yin (2003) states that all empirical studies, including case studies, tell stories that are as real as can be evidenced by data. Nonetheless, each study remains a story, with a beginning, a middle, and an end. As such, it needs to be crafted following a plan, which is the analytical strategy. The strategy defines the relevance of each analytical tool, provides a fair view of evidence, and guides data manipulation to be more effective.

Four analytical strategies are presented by Yin (2003):

- a) Relying on theoretical premises: the study's initial premise becomes the scheme upon which the case study is organised. Data evidence is used to validate, complement, or change the initial premise. This is the preferred strategy according to Yin.
- b) Developing a case description: when it is difficult to create a set of initial premises, a descriptive framework can be developed as data is collected and analysed. Yin raised concerns about this strategy as researchers inevitably encounter challenges in the analytical stage when using it.
- c) Using both qualitative and quantitative data: although case studies are usually qualitative by nature, some studies include substantial amounts of quantitative data. In those cases, quantitative data must be treated with the same statistical rigour as in purely quantitative studies. Also, the combination of quantitative and qualitative data to test or explain premises can result in a strong analytical strategy.
- d) Examining rival explanations: this is a strategy that can be used in combination with all three previous strategies. Data is collected and analysed to test explanations that, if confirmed, reject the initial premises.

The choice of strategy for the research study under consideration here is to rely on theoretical premises to structure the case analysis. As listed above (item a), this first analytical strategy presented by Yin (2003) is adequate in the sense that the present study is theory-based empirical research as claimed in the introduction of the present chapter, providing a theoretical foundation on which premises can be built. The second strategy (item

b above) is not valuable, as the theoretical framework provided by Generalised Darwinism and the ACT theory give us enough structure, and there is no need to build a descriptive framework from data. In this way, the pitfalls that this strategy could bring to the analytical stage are avoided. Alongside the analysis, rival explanations are confronted for specific premises in alignment with the last strategy (item d above), in combination with the premises setting strategy, but with a minor role in research design. Finally, it is important to explain that the research uses mostly qualitative data, due to the nature of the phenomena studied, as it studies a diverse set of cognitive and communication processes, where measurement and numerical references could contribute less than the understanding of the conceptual relations involved. As such, the prescription of the analytical strategy of item 'c' above is not indicated.

### 3.4.2 Premises for the Preliminary Analytical Framework

In the present study, a preliminary analytical framework is confronted with empirical research findings from the case study research, following an abductive approach, to form a theory proposed to answer the research questions. According to Yin (2003, Chapter 2, "The Role of Theory Design"), this use of a preliminary analytical framework is one of the points that sets the case study method apart from other methods, such as ethnography and grounded theory (see page 96). Those other methods are mainly inductive and thus avoid pre-setting theoretical premises and considering them as the outcome of empirical work.

The premises in the present work are built upon the foundations of Generalised Darwinism for organisational knowledge evolution, the ACT Theory from cognitive psychology for individual learning of skills, selected theories of Social Psychology, such as goal setting, and the media richness theory from communication research.

Robert Yin (2003, chapter 2) explains that stated propositions can complement research questions to move the study in the correct direction. Accordingly, it is possible to relate back to the research questions posed in section 3.2, and describe the proposed theoretical responses to be examined during empirical work. The present thesis will use the concept of premises instead of propositions, differing from Yin (2003), as it is more aligned with the abductive

approach chosen for its development. Here, it is understood that while propositions can be seen as forming an explanation to the research to be tested by research, a set of premises provides a starting point of an analytical framework that is meant to be improved, expanded and matured along the research process. It is not to say that Yin (2003) uses ‘propositions’ in that strict of a sense, but it can be perceived in this narrower sense, where the term ‘premises’ better reflects the tight but flexible nature required by an abductive approach (Dubois and Gadde 2002, p 558).

The two first research questions below could be separately addressed, but this may not be the best approach to build a theory:

- How are routines replicated from the franchisor to the franchise units in franchise systems?
- How is knowledge transferred for and through the replication of routines?

Routines are repositories of procedural knowledge and are therefore difficult to separate from it. Henceforth, the response to those questions is organised as a set of premises that form an analytical framework to be confronted by empirical findings from the case study discussed further on in this thesis.

The first premise is that franchisor knowledge of the functioning of the franchised business has been sourced from existing franchised or owned business units by codifying and storing in the form of declarative knowledge in artefacts and people (franchisor employees). Also, the codification of this knowledge is achieved through the use of language, symbols, diagrams, charts, recorded video and audio, animation and other formats. This declarative knowledge includes descriptive information about the business strategy, its products and services, and related information that will be needed to contextualise the unit operation and decision making. It also includes instructions on how to perform activities required for the business to function. It is very critical to distinguish those instructions from the actual productions that constitute procedural knowledge. Instructions that can be verbalised as steps in conducting an activity are, in fact, declarative knowledge (Anderson 1993b, p.19), since they cannot be readily used for action and need to be embedded into a disposition that is fully

functional in the individual's mind. Instructions are never fully complete and only exist as symbols that must be interpreted according to the receiver's prior knowledge. Still, instructions are a type of declarative knowledge that helps to set subgoals for production rules across habits and routines during compilation (Anderson 1993b, p.89).

Nonetheless, the transfer of declarative or explicit knowledge as used by Nonaka and Takeuchi (1995) is not the only way to transfer knowledge for the replication of routines. It is preliminarily assumed that procedural (or tacit) knowledge can be transferred directly by allowing the franchisee employees to work with employees of the existing business (owned or franchised) units. In such experiences, knowledge can be transferred by socialisation and imitation. However, the direct transfer of procedural knowledge is usually limited by the opportunities to follow the work of someone in the existing business; and tends to be restricted to operational tasks that can be easily imitated. For the majority of franchise routines, transfer possibly occurs through the conversion into declarative knowledge and back into procedural knowledge. In a study by Justis and Chan (1991), only 3% of the training of franchisees was undertaken on-site of existing units. Although this study was almost twenty years ago, there is no indication that this could be different in our current time, especially with an increasing emphasis on remote training and the availability of richer media.

It is also a premise that the franchisor designates its employees to hold (store) the declarative knowledge and develops artefacts for the same purpose. In addition, artefacts are assumed to feature as a common element in organisational routines literature (Becker 2004; Feldman & Pentland 2005; D'Adderio, 2011), thus representing an important emergent theme. Artefacts are manmade tools, such as manuals, software, diagrams, and other materials, that aim at solving a problem or satisfying a need, which exist independently of their actor and can be perceived by senses (Gagliardi 1990, p.3). It is important to differentiate two types of artefacts according to their roles in the replication of routines: replication artefacts and routine artefacts (D'Adderio 2011). Replication artefacts are manmade artefactual representations of routines used to transfer and embed knowledge with the purpose of replicating template routines into a new setting. Examples of replication artefacts are manuals or employee training videos. Routine artefacts are tools that are used

during the enactment of routines to perform the required actions. Examples of routine artefacts are Customer Relationship Management (CRM) softwares and materials (slide decks, leaflets, posters) used in face-to-face training.

Artefacts are perceived as important as they are capable of complementing human action by contributing with qualities that humans do not possess, which can relate to physical aspects or information processing aspects. It is not the intent of this research to investigate the contribution of routine artefacts to routine performance, but it is important to attest to its relevance in routines replication. Routine artefacts can help make information retainable for routine enactment in a way that human memory may not. The way that the mind is wired to remember what is frequently used and forget what is not, does not allow for information that is rarely used to remain and therefore be available when needed. As such, routine artefacts can hold valuable information for routines that would not be otherwise effectively held by human minds and be copied during replication.

The declarative knowledge stored in people (franchisor's employees) and in replication artefacts are made available to franchisees through different types of media. The franchisor's employee can present at a training session to the franchisee employee or discuss the routine over a telephone call or a visit. Equally, the franchisee employee can download a manual or watch a video. Each type of media has a defined capacity of data, either allowing for feedback or not, and presenting multiple cues to confirm or doubt understanding, i.e. possessing different levels of media richness.

The routine, as represented in the available declarative knowledge codified in replication artefacts and franchisor's people who are accessible to the franchisee, and in the procedural knowledge available from interaction with existing business units, forms a routine template representation to be used for replication. Replication will then occur either through the compilation of knowledge directly by the employees that will host the new routine and perform the activities, or, more likely, through intermediaries.

Intermediaries are people who will not be involved in the actual behaviour resulting from energising the replicated routine, but who are involved in the transfer of the routine knowledge through and for replication. Intermediaries can have a managerial role, which can be hierarchically connected to the participants of the routine, or not at all.

Many intermediaries are also qualified as ‘experts’ by others in the franchise unit, but not all intermediaries are considered so.

Human reliance on ‘experts’ to acquire knowledge can be found in recent work on cultural evolution studies by Boyd et al (2013). In their study of selected communities, these scholars have found substantial evidence that supports the claim that humans have adopted cultural mechanisms that facilitate learning from experts during our evolution.

Intermediaries with managerial roles that are hierarchically superior to final hosts of the routines are involved in the compilation of such routines. Compilation, here, will be defined analogously to the compilation of procedural knowledge in individuals in ACT theory (see section 2.2.1), respecting that routines apply to groups. The compilation of routines is outlined as being the process of breaking down template routines into recognisable tasks to be performed by individuals, setting subgoals to tasks that lead to achieving the overall routine goals, the incorporation of domain-specific information and the coordination of routines so that they can be performed as a single procedure. Routine compilation can be orchestrated by a manager or left to the participants of the routine. Either way, it needs to emerge from the joint effort of participants. The declarative knowledge which defines and provide instructions with subgoals, needs to be transferred to participants for them to convert it into production rules. In this sense, the compilation of routines at group-level includes the compilation of the composing habits (skills) at the individual level. It is not until habits are converted into actionable production rules in the participating individual minds that routine compilation can be concluded.

The subgoals set to individual tasks will direct habits through the exposure of cues that trigger them, as well as and motivating repetition and preserving learned habit associations as individuals interact with goals that reinforce it (Wood & Neal 2006).

During compilation, the incorporation of domain-specific information is critical to allowing better performance of habits and routines, as production rules are made very specific to the target tasks and dispense with the need to retrieve information during energising. For instance, in an administrative accounts payable routine, an employee may have been assigned the task of recording invoices to be paid in the accounting system, and may then receive information about the system screens and commands that need to be given. Invoice recording

is a general production rule for accounts payable, but the knowledge of the particular system is specific to performing the task in that firm.

Intermediaries that do not have managerial roles are still justifiable as they can convert less rich communication media into a richer form. This is possible since experienced intermediaries can relate declarative knowledge with previous experiences through analogy and reflect on routines in an easier way than novice employees. For instance, franchisor coordinators can read manuals and substantiate them into a view of routines based on the understanding of how processes work in other franchise units, then explain them to employees in the new franchise unit face to face so that the routine can be replicated. The understanding can be checked, and immediate feedback can be given.

The next research questions will now be addressed:

- Do routines change during replication?
- If change occurs during replication, how does it affect routine performance?

According to the literature, routines can and do change during replication (Friesl and Larty 2013; D'Adderio 2008). In a broader account, including communication theories, knowledge transfer, and organisational routines replication, there can be many forms of change affecting routines replication. Changes can be intentional, in an attempt to promote innovation even during replication, or unintentional, due to failures in the process of knowledge transfer, and in the process of simplifying and contextualising the knowledge which will be transferred. Friesl and Larty (2013, p.111) note that "...we understand little about the micro-processes through which actors and actions shape replication".

It is possible to suggest that innovation during replication is less frequent than after replication. Replication is usually triggered by a recognition that the template routine is an effective way of achieving the intended goal. However, it is possible to introduce innovative changes if, during replication, the environment for the replicated routine presents different conditions compared with the environment in which the template routine was found. In this case, adaptations may be intentionally introduced to the routine. It is important to highlight though that if changes make the routine different from the template in relevant terms, it will

not be considered replication according to the Generalised Darwinism framework (see section 2.3.4).

Breslin (2019) proposes that the process of innovation led by entrepreneurs is shaped by four processual dimensions: intuiting, scanning, internalising and routinising. Intuiting happens when entrepreneurs develop skills of perception and use it to make unique associations between facts and concepts that is usually overlooked by others, bringing new insights and ideas. Intuiting comes not only from individual processes but can also derive from interactions with others. Entrepreneurs engage in scanning, when they are frequently looking for information and opportunities in the market, gathering intelligence, which then triggers changes in behaviour and the way that the entrepreneurial team sees the world. The external signals and information brought by scanning are then combined to an internal process of reviewing those signals, to question previous assumptions used in the business. Finally, routinising activities can both allow the team to economise on learning through the accumulation of skills, but also to release cognitive resources to deal with constant changes. Breslin's framework may be considered to suggest that routinisation is not a barrier to innovation but can rather support it if the other processual dimensions are explored by the entrepreneurial team.

Another source of change is the process of compilation of routines (in groups) and habits (in individuals) in the form of procedural knowledge, which is likely subject to the economics of representation that needs to be acknowledged and examined. Human brains need to make the best use of the limited storage space that they have and reutilise the neurobiological structures that fire production rules. In this sense, it makes sense for it to use similar production rules utilised by other habits (or skills) as part of the new habits (or skills) (Anderson 1993, p.32). It is possible to raise, in the same way, that routines may be using old habits from individuals as similarity protects them from being overridden by new habits during replication. This means that if participants of a routine have previous knowledge of similar activities, routines tend to use that knowledge in the process of compilation. This change can be favourable or unfavourable to routine replication, as it can accelerate routinisation, and incorporate valuable change, or it can result in a loss of performance if old habits or production rules were less efficient or less effective.



The premises adopted here are not exhaustive, nor do they represent hypotheses to be tested, but they do provide a preliminary analytical framework, which will be confronted, revised and extended during the research. This should also help the formulation of a theory for knowledge transfer for and through the replication of routines in franchise systems, based on theory and initial empirical evidence.

### 3.4.3 Case Study, Unit of Analysis and Case Selection

The ‘case study’ selected for the present research is one of the franchise units of a well-established Brazilian Language School franchise system. This franchise unit was recently set up when the research began, providing a good opportunity to study the replication of routines. The principal unit of analysis of the research is the routine in the context of the franchise system. Thus, the routines in this franchise unit are considered as individual ‘cases’ and the process by which they were replicated from franchisor to franchisee is examined in the research. Further details on the study case and the individual cases will be presented in chapter 4.

The research includes multiple routines in the Yázigi franchise system. The choice of a franchise unit in a franchise system for the case study benefits from the typologies described in section 2.4.5. However, the approach is one of exclusion. In this direction, franchise systems classified as “Beginner” by Inma and Debowski (2006) were avoided, since more mature franchise systems tend to provide a context in which the replication of routines are less subject to factors such as the competition for support resources, than franchisor structures that are still under development. Also, following the typology from Jawahar and Elango (2001), franchise systems in which production is highly centralised are avoided. That favours cases where substantial knowledge needs to be transferred from franchisor to franchisee.

Those choices should not restrict the scope of the research but rather promote tractability and relevance in the empirical work.

A second decision regarding the case study is that it is the franchise unit that belongs to a franchise system based in Brazil. The reason being the convenience for research, considering that the researcher was living in Brazil at the time of fieldwork activities.

Considering the above guiding principles and factors like access and recognition as a representative franchise system in the franchising industry, the Yázigi organisation has been selected for the present research. That franchise system is committed to the teaching of languages and has more than 420 franchisee school units. Yázigi can be considered a mature franchise system according to the Inma and Debowski (2006) typology, as it has been using the franchise model since the 1960s. In the Jawahar and Elango (2001) typology, the franchise system is considered localised as its main services are produced in classes in the franchised unit.

The empirical study begins by performing an in-depth review of different routines (cases) in the case study: the Campo Grande franchise unit. As part of the case study, three individual cases or routines will be examined. The first one is the routine of new students identification and enrolment. The second, is the routine to establish commercial partnerships. Finally, the third case is the routine of the language lesson, which is part of the academic function in the Campo Grande franchise unit.

The process followed in the transfer of knowledge and replication process of the different routines are compared to provide evidence to answer the research questions.

More information on the cases will be provided in the case description, laid out in chapter four.

### 3.4.4 Limitations of the Case Selection

The extent to which the selected cases (routines) support the development of theories applicable to the universe of organisational routines in relation to routines replication, is a difficult one to answer. Nevertheless, it is important to address it in the best possible way. By definition, in terms of organisational models, routines in a franchise system are committed to the replication of established routines, while other types of organisation may be more subject to other sources of routines when expanding, such as the establishment of partnerships (joint ventures, licensing), or even the acquisition and incorporation of other organisations in order to expand. In this way, it is possible to suggest that routine replication in franchise systems tends to have less interference from other sources of routine development than in other organisation types. This can present advantages and disadvantages to the generalisation of theoretical contribution. One advantage is the separation of causal relations by which it is possible to study the replication process in a case in which replicating exactly is the intent. In doing so, the theory can be built with a core understanding that will later be amended with variations to incorporate the influence of different sources of routine knowledge and, consequently, of purposeful change. A disadvantage would be if, in most cases, the change promoted by the presence of other types of routine knowledge occurs so often that it structurally alters the copying, thereby making the case of franchise systems minimally representative. Using the definition of replication adopted in this research (page 59), it is only considered replication if there is a significant level of similarity, and if there is a causal relationship. Thus, structural changes in copying would mean that it is not a replication in the strict sense.

### 3.4.5 Data Collection

To collect data, the present research uses interviews, observations, and documents. Members of the leadership and employees of both franchisors and franchisees are interviewed. Responses are analysed, then combined with the examination of franchisors' training materials such as manuals, videos, and websites, and the observation of activities associated with the replication of routines, or the behaviour manifested in the working environment when routines are energised.

More details on the collection methods are provided in the following sections, and the data collection map for the targeted case study is presented in the case protocol (section 3.4.6).

#### ***Interviews***

Interviews are an important source of case study information. Yin (2003) explains that the researcher can ask key respondents not only about facts of a matter, but also their opinions about events, and for insights into certain occurrences. Additionally, the interviewer can request assistance to identify other sources of information. The more an interviewee expands their contribution, the more they can be considered an informant rather than a respondent. In this manner, stimulating interviewees to engage and supplement answers with other details and stories around it can give directions to new insights and paths of inquiry to be explored. The types of interviews are displayed in Table 4.

The empirical work presented in the current thesis has included fifteen interviews, with seven employees of franchise units and two of the franchisor organisations. Four preliminary interviews were performed to map routines and identify the best routes of investigation, characterised as 'informal conversations' in Table 4. Eight interviews were performed mixing the 'guided conversation' and 'open-ended response' types, as described in the same figure. Those interviews aimed for the understanding of how specific routines are configured and how they were replicated. Finally, three interviews were conducted to confirm or review

aspects of specific findings raised during the data analysis. These can be classified as the ‘fixed response’ type. A schedule of the interviews can be found in Appendix I of this thesis.

Important to note that there were two sales supervisors in the fieldwork, but at different times, as the first supervisor (Sales Supervisor 1) left the company in late 2016, being substituted by Sales Supervisor 2. The interviews performed with both supervisors were considered in the study as they provide different and relevant evidence to understand the process of routines replication.

Table 4 - Variations in Interview Instrumentation

Type of interview	Characteristics	Strengths	Weaknesses
Interview as informal conversation	Questions are derived from the ongoing context and are asked in the course of the interview; there are no predetermined questions, topics, or wordings.	Value and relevance of questions are heightened, topics are built on and emerge from observations, and the questions can be matched to individuals and circumstances.	Information may be different when collected from different people using different questions. May be less systematic and comprehensive if particular questions do not arise. Data organisation and systematic analysis may be difficult.
Interview as guided conversation	Information to be addressed is specified in advance, but interviewer defines the sequence and wording of questions during the interview.	The plan increases the completeness of the data and makes data collection more systematic for each participant, potential gaps in process can be anticipated and addressed, and interviews remain conversational and situational.	Critical topics may be inadvertently missed. Flexibility in sequencing and wording questions may result in different responses from different participants and may reduce the comparability of responses.

Interview as open-ended responses	Specific wording of questions is predetermined, all participants are asked basic questions in the same order, and all questions require open-ended responses.	Comparability of responses may be strengthened, completeness of data for each person is enhanced, effects of interviewer biases are minimised, and analysis and organisation are facilitated.	Flexibility is limited for relating the interview to specific individuals and circumstances. The standardised wording of the questions may limit variation in answers.
Interview as fixed responses	Questions and response options are predetermined, response options are fixed, and respondent selects appropriate response.	Data analysis is simplified, responses can be compared and combined, and a larger number of questions can be addressed in a brief space and time.	Experiences and perceptions are fit to predetermined categories. Often perceived as impersonal, irrelevant, and mechanical. Meaning or richness of experiences may be distorted by limiting response options.

Source: adapted by Hancock and Algozzine (2011) from M. Q. Patton (2001).

### ***Observations***

Observations may provide more objective information about the research topic than interviews, which can be affected by biased perceptions of the respondent or interviewer, and the loss of fidelity during the recollection of events.

According to Yin (2003, chapter 1), observations can be direct or can be a participant observation. The first type can include formal data collection such as the observation of meetings, factory work, or classrooms. Alternatively, it can collect less formal data during field visits, including observations during interviews.

A second type is the participant observation and involves the participation of the researcher in the activity. An example would be a case in which the researcher is an employee in the organisation setting that is used for the study. Participant observation can create opportunities due to access to the events, a more insightful perspective of the events derived from being an ‘insider’, or the possibility of minor manipulations to create situations for data collection. On the other hand, it can be significantly biased if there is a conflict of interest with the researcher role in the organisation, or because the researcher may assume a position of a supporter of the organisation. These trade-offs need to be considered; in the present work, the researcher has no conflict of interest, as he is not an employee of the organisation.

During the fieldwork, six visits were made to the Campo Grande Yáziqi School, one visit was made to the Recreio unit, and one further visit was made to the Cabo Frio unit to interview and make observations. Observation sessions are detailed in Appendix 2.

The observation session duration was variable, with an average of two hours. The number of instances of routines energised that were observed in each session were dependent on the type of routine. Here, routine energising is defined as the actual behavioural performance of actions, as directed by the disposition to behave (routine) in the participants’ mind. One session of commercial routines observation would have an average of five to ten instances, while class lesson routine observation would have one or two instances, and the commercial partnership routine required three sessions to observe one instance.

### ***Documentation***

Documentation is a highly valuable source of data that complements other sources and contributes to the building of a robust case analysis. Data collected from the documentation can corroborate or contradict information from other sources, and guide further analysis (Yin 2003).

The evidence in documentation is stable, as it can be reviewed repeatedly. It is also unobtrusive, as it is not created as a result of the case study but exists independently. Also, it

can contain exact information on names, references, and details of an event. Finally, documentation can be obtained that covers long periods, and many cases and settings.

In the case of routine replication, training materials, meeting records, intranet and internet sites, and artefacts are useful to extract information. Specifically in the present study, the number of documents was overwhelming, and an account of numbers seems irrelevant, but more than a dozen manuals and reports were reviewed with hundreds of pages (Pearson Education 2016a, 2016b, 2017a, 2017b, 2017c, 2017d). Also, the researcher has attended five online courses during which knowledge was presented in video form.

The wide availability of material helped to form a robust account of routine templates as proposed by the franchisor. However, documentation is inconsistent in certain situations, with conflicting instructions being given to the reader regarding the same routine. In conversations with the interviewees, this has been attributed to the changes in material over time. This is, per se, a finding that creates a challenge for the empirical study of replication of routines. Besides potential changes during replication, the changes in the template routines must be also investigated to identify their source and implications.

#### 3.4.6 Case Study Protocol

The case study protocol is the guide for the researcher in conducting the data collection for each case. The first step in this direction is to list intermediary questions that can help answer the main questions of the study. These are listed below in



Table 5. The premises, as laid out in section 3.4.2, were also used to check if the protocol will be able to confirm or challenge them. However, the protocol was left intentionally more general and open, by not including specific elements of the premises explanation that could create a biased examination. Open questions are helpful to allow empirical insights to emerge through inductive reasoning, which could lead to rival explanations of the phenomenon.

Table 5 - Decomposition of Research Questions into Intermediary Questions

Stage	Intermediary Questions
Routine Template Representation	How and where are routines templates developed and stored by the Franchisor? How is the routine explicit knowledge codified? How is the routine tacit knowledge presented to be copied? What are the routine artefacts that support the routine? And what is their role in the routine template? Who are the Franchisor employees responsible to transfer the knowledge for the routine? What is the representation of each routine template?
Knowledge Transfer	What are the means to transfer knowledge through and for routines replication? And what is the media used? Are there intermediaries? If yes, how is knowledge transferred through these intermediaries? How is the replicated routine explicit knowledge de-codified and retained? How is the copied routine tacit knowledge absorbed and retained? Are the artefacts that support the routine copied? How?
Replicated Routine Formation	How is the knowledge transferred during replication used to establish the new routine? Are there mechanisms used to confirm that the knowledge has been retained? Are there gaps in the routine copy? How are these gaps managed?

Dawson Hancock and Robert Algozzine, two leading scholars of research methods, in their “Doing Case Study Research” (2011, p.63), suggest that intermediary questions should be mapped to data collection, which is displayed in Table 6 below. Intermediary questions can support the continuous focus on answering the main research questions during fieldwork.

Table 6 – Intermediary Research Questions and Data Collection Methods

Routine Template Representation

Intermediary questions/methods	Interviews	Observation	Documents
IQ1. How and where are routines templates developed and stored by the franchisor?	-Franchisor leadership -Franchisor managers	-Leadership meetings -Training sessions -Intranet updating	-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals
IQ2. How is the routine explicit knowledge codified?	-Franchisor managers	-Training sessions -Intranet updating	-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals
IQ3. How is the routine tacit knowledge presented to be copied?	-Franchisor managers -Franchisee managers -Franchisee employees	- Staff interactions - Behaviour following routines	Not applicable
IQ4. What are the routine artefacts that support the routine? And what is their role in the routine template?	-Franchisor managers -Franchisee managers		-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals
IQ5. Who are the franchisor employees responsible to transfer the knowledge for the routine?	-Franchisor managers -Franchisee managers	-Leadership meetings -Training sessions -Intranet updating - Staff interactions - Behaviour following routines	Not applicable
IQ6. What is the representation of each routine template?	All	All	All

## Knowledge Transfer

Intermediary questions/methods	Interviews	Observation	Documents
IQ7. What are the means to transfer knowledge through and for routines replication replicate routines? And what media is used?	-Franchisor managers -Franchisee managers -Franchisee employees	- Meetings - Training sessions - Intranet updating	-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals
IQ8. Are there intermediaries? If yes, how is knowledge transferred through these intermediaries?	-Franchisor managers -Franchisee managers -Franchisee employees	-Leadership meetings -Training sessions -Intranet updating - Staff interactions	-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals
IQ9. How is the replicated routine explicit knowledge de-codified and retained?	-Franchisee managers -Franchisee employees	-Behaviour following routines	Not Applicable
IQ10. How is the copied routine tacit knowledge absorbed and retained?	-Franchisee managers -Franchisee employees	-Behaviour following routines	Not Applicable
IQ11. Are the artefacts that support the routine copied? How?	-Franchisor managers -Franchisee managers		-Franchise intranet -Manuals -Software -Other tools (charts, tables, diagrams) and related manuals

### Replicated Routine

Intermediary questions/methods	Interviews	Observation	Documents
IQ12. How is the knowledge transferred during replication used to establish the new routine?	-Franchisee managers -Franchisee employees	-Behaviour following routines	Not Applicable
IQ13. Are there mechanisms used to confirm that the knowledge has been retained?	-Franchisor managers -Franchisee managers -Franchisee employees	-Leadership meetings -Staff interactions	- Operational knowledge assessments and reports - Customer complaints

### Routine Changes

Intermediary questions/methods	Interviews	Observation	Documents
IQ14. Are there relevant changes in the replicated routine in comparison to the routine template representation?	-Franchisee managers -Franchisee employees	- Behaviour following routines	Not Applicable
IQ15. What are the main causes of change?	-Franchisee managers -Franchisee employees	- Behaviour following routines	Not Applicable
IQ13. If change happens during replication, how does it affects routine performance?	-Franchisee managers -Franchisee employees	-Leadership meetings	- Performance Reports

## ***Protocol***

As a reflection on the case study research literature and the specific objectives of the research, it is suggested that the proper case protocol is critical for three reasons: (1) to ensure that the method is applied consistently across different cases (routines); (2) to safeguard the inductive reasoning within empirical evidence before it is compared with premises in details, ensuring that rival explanations and challenges emerge in the same way as confirmatory evidence; and (3) to support the execution of the analytical process that cross-examine cases.

The case study protocol is proposed to have three routine replication stages that align with the analytical strategy: Routine Template, Knowledge Transfer, and Replicated Routine Formation.

### ***Routine Template***

The concept of ‘routine template’ is used here in accordance with Jensen and Szulanski (2007), building on Nelson and Winter (1982, p.119-120). These authors state that “templates contain both critical and non-critical aspects of the routine, providing the details and nuances of how the work gets done, in what sequence, and how various components and subroutines are interconnected”. In their work, Jensen and Szulanski support that the transfer of knowledge for routine replication is commonly achieved by scrutinising the template provided.

To grasp how routines are learned in franchise systems, it is not reasonable to outline a routine template as being one complete flow of detailed instructions, since this is not usually the way that is presented to participants in the replication process. In a potentially different way from other organisations in which the template routine is one existing routine being used in a certain environment, in franchise systems, routine templates are formed by the accumulated and revised representation of the routine as stored within the franchisor and eventual existing routine instances to which the franchise unit employees may have access during replication. Furthermore, the representation of the routine in the franchisor is rarely

available as one complete instruction. Not all routines are as simple as the food preparation in McDonald's, which can be represented in a detailed instruction. In this manner, a more complex routine template should be represented, but it must be mapped and presented in a more general format, with high-level steps and elements of instruction and information as they are made available to the participants of the new routine.

In the current work, template routines are mapped from the training materials such as videos, manuals, and presentations, and confirmed through extracts of interviews which allude to the learning experience of the participants at the beginning of their work.

Maps representing those routine templates' representation have been drawn in NVivo, a qualitative data analysis computer software package, and used to guide the study of the process of knowledge transfer for and through replication.

### 3.4.7 Data Analysis

Once data is collected, it must be evaluated against the premises through analytic techniques. The techniques used in the current work are among those proposed by Yin (2003). Yin proposes five techniques: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. Logic models and time series analysis require measurements during a long period of time; thus, they cannot be used for this study. Therefore, focus is given to pattern matching, explanation building, and cross-case techniques.

The three techniques are made possible by the examination of the recorded interviews, observation notes, and documents. Data analysis is organised in NVivo (2018), a computer-assisted qualitative data analysis software (CAQDAS). Qualitative analysis, in this sense, is a process of reviewing data systematically and thoroughly (Woolf 2017). A CAQDAS facilitates systematic review, but it does not analyse data on its own. In order to do so, the software allows the researcher to link data to 'nodes', which represent a category, code, themes, or concept, to which data is related. NVivo has several different node options. 'Free nodes' stand alone; 'tree nodes' are hierarchically linked categories, codes, and concepts;

'case nodes' organise data by specific entities or cases such as individuals, organisations, and routines; and relationships connect items in the case study (Milles et al. 2009).

In a CAQDAS, data is assigned to nodes by 'coding' together extracts of text from documents, or parts of audio and image files that are conceptually similar. Comments on emerging concepts are also captured and coded. Also, it provides tools to interlink concepts that visually emerge from data and start to draw patterns that support or reject premises. For the specific interest in routines, mapping features of NVivo are used here to map the routine, both its template and its copy in the franchisee unit. Routine maps will be related to the interview and document extracts, as well as to notes from observation.

For the present research, data extracts of the material were connected as pieces of evidence to NVivo nodes forming patterns that could constitute more robust evidence and inferences. Two sets of nodes were used to organise evidence. The first set of nodes is based on the intermediary research questions (see Table 6), the second set is made of nodes that emerge as insights from the data and contribute to further understanding. The emerging nodes will be discussed in section 5.3, to refine initial premises towards the building of a theory.

Now, it is important that the chosen techniques are described and their application in the current work is explained.

### ***Pattern matching***

This technique compares a predicted pattern based on initial premises with the pattern that results from the empirical study. If the patterns match, this strengthens the internal validity of the study.

In an explanatory study, such as the present one, patterns matching occurs if, for each outcome, the predicted patterns of values are found and the alternative patterns of value are not found (Yin 2003, Chapter 5).

In pattern matching, rival explanations can also be used to confront the research analytical framework, either if the analytical strategy (section 3.4.1) is the approach chosen, or if the intention is to add them to improve internal validity. An example of a rival explanation would be to propose that franchisee personnel continue to look for franchisor knowledge transfer



until the routine is complete, rather than sourcing it elsewhere or working with analogies or inferences.

The present study reviewed the data collected on the replication and energizing of selected routines in the Campo Grande franchise unit of Yázigi, connecting comparing evidence into patterns and comparing those patterns to conclude how those support the proposed explanation or rival explanations. The initial premises described in section 3.4.2 constitute predicted patterns that are matched or confronted by the patterns observed during fieldwork.

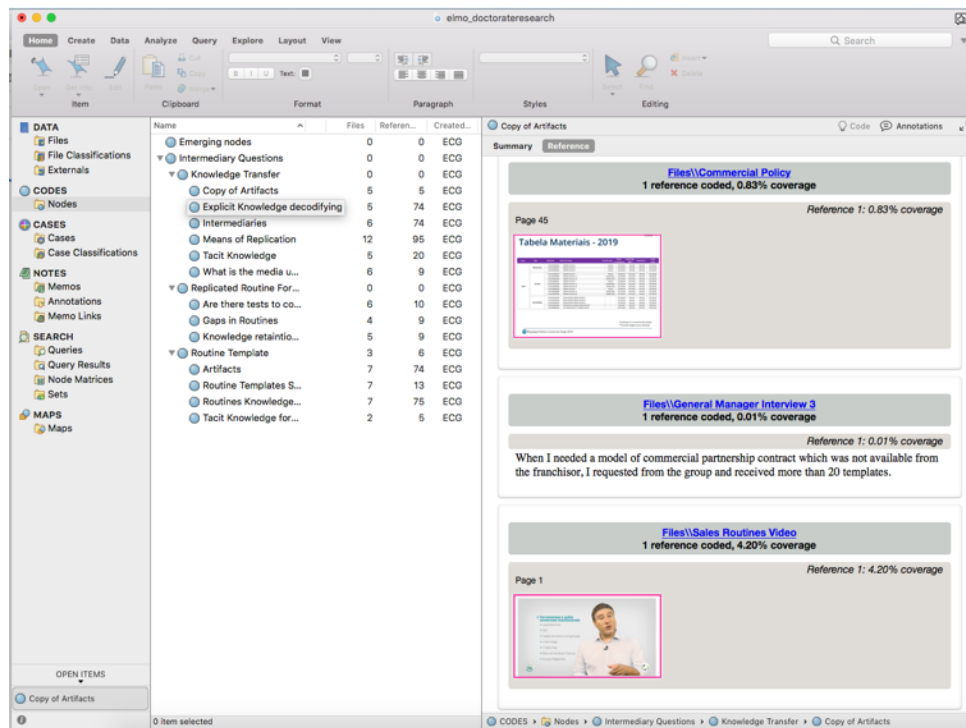


Figure 7 shows the connections between data evidence and nodes in NVivo.

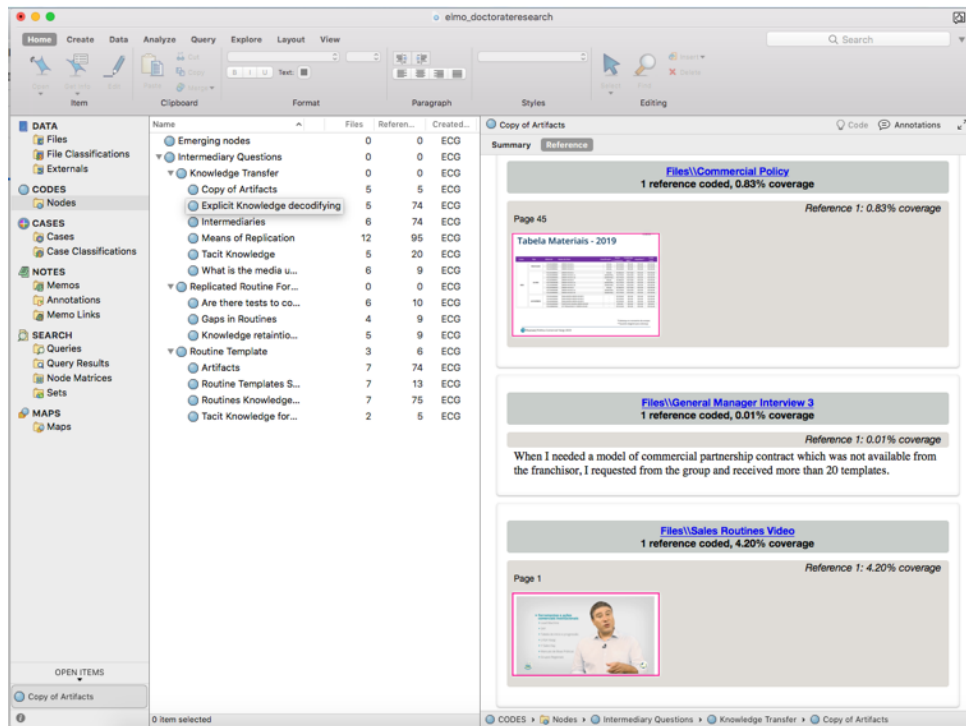


Figure 7 - NVivo screen with data evidence mapping to intermediary question nodes

### ***Explanation Building***

The second technique that can be used in a case study is to build an explanation of the case, making causal links in a narrative form.

The present study has been considered as being explanatory research (see section 3.3), making this technique key to analysing data and assessing how routines are replicated. The narrative is constructed around the intermediary questions and emergent themes as part of the abductive reasoning process, to develop insights for the theoretical contribution of the thesis.

Yin (2003, Chapter 5) clarifies that in order to explain a phenomenon, the researcher needs to present a presumed set of causal links that describe how and why something has happened. The nature of explanation building is quite dynamic and interactive and, as previously affirmed, it allows for robust premise confrontation and improvement cycles, which is one of the advantages of case study methods.

On the other hand, Yin (ibid.) also warns about the potential risks that the investigator may slowly drift from the core topic of research as part of the exploratory and explanatory thinking process.

One of the important explanatory building aspects is the creation of other plausible or rival explanations. It is important that the narrative transparently presents and contrasts rival explanations, not only so that changes to the proposed explanation can be incorporated in the face of evidence, but to share how the developed explanation compares to these.

### ***Cross-Case Synthesis***

The last technique normally applied is the comparison of findings in multiple cases. In the present investigation, each different routine in the franchise system is treated as one case, and the premises are confronted with evidence across routines.

Cross-case syntheses can be achieved through the creation of word tables that display the data from each case following a standard framework. According to Yin (2003, chapter 5), complementary word tables can be also made to have a whole set of features to group cases and support typologies.

A known concern of using word tables for cross-case analysis is that they rely heavily on argumentative interpretation rather than on more objective numeric measures. However, in the present research, this is less critical due to the nature of the process that it aims to understand, in which comparison will focus on causal relations as per the similarity in information flow.

### ***Ethical Considerations***

“The pursuit of inquiry demands a number of virtues: an openness to unpleasant facts that are at odds with one’s preferences, a willingness to consider and address criticism, a commitment to objectivity, in the sense of seeking to minimize the chances of one’s own values and interests leading to error, and so on. These values and virtues are indeed central to the practice of research, of any kind” Traianou ( 2014, p.73).

The conduction of in-depth case study researches in organisations implicate in collecting data that may eventually collect personal information that can have an impact on participants careers and lives. As a consequence, it is mandatory that participants understand the scope of the research, and formally consent to participate in the research.

Before engaging in fieldwork, the research was granted ethical approval from the University of Hertfordshire Social Sciences, Arts and Humanities Ethics Committee with Delegated Authority (Protocol number: cBUS/PG/UH/00650; 10/06/14), for the duration of 18 months. During this first period, the researcher talked to a few organisations to work on the research design in preparation for its first research progression exams. At that time, the research was planned with a multiple case study in some US franchise systems. However, the feedback received from the examiners recommended focusing on a few cases in a single franchise system. In addition to this, the researcher had to relocate to Brazil for family and work reasons on August of 2015, and the empirical research had to be redesigned to account for access for the empirical work on the facilities of the organisation. Therefore, the research plan was revised restarted and a second approval was requested and granted (Protocol number: acBUS/PG/UH/00650; 19/05/2016), covering a period until the end of 2017.

In preparation for the fieldwork research, the nature of the study was explained to all participants that were to be interviewed or observed, and their formal consent was obtained (see sample signed consent in Appendix 3). In addition to the engagement procedures, the activities of data collection also followed principles to ensure ethical standards. Sieber and Tollie (2012) list three principles that should govern human research:

- **Beneficence:** maximizing good outcomes for science, humanity, and the individual research participant, while avoiding or minimizing unnecessary risk, harm or wrong.
- **Respect for subjects:** protecting the autonomy of (autonomous) persons, and treating the nonautonomous with respect and special protections.
- **Justice:** ensuring reasonable, nonexploitative, and carefully considered procedures and their fair administration.

The potential risks of failing to comply with the above principles are considered low, since all subjects are adults and were not in a position of vulnerability. Also, as noted on the consent forms, anonymity was protected.

Before recording the interview, consent was asked from the participants at the start of the recording before any other questions were made, and all data was securely stored in the researcher's computer and erased from mobile devices.

### 3.5 Validity and Reliability

Qualitative research methods have specific ways to address the question of validity and reliability, differing from the statistical models used by quantitative studies. Each research method has its own particularities and requires a different set of measures.

In case study research, validity and reliability are of the utmost importance to ensure that any generalisation has value, considering the heterogeneous nature of the data collected and the reliance on few cases. Riege (2003), indicates four areas that need to be addressed: construct validity, internal validity, external validity, and reliability. In this section, the measures taken in the empirical research to address each of those areas will be shared.

Construct validity provides practical measures for theoretical concepts under investigation. Since researchers usually have close and direct personal interaction with the organizations and individuals being studied, case study analysis is thought to be more subjective than other qualitative research methods. Riege (2003 p.80) suggests that to improve construct validity, researchers should make an effort to avoid making arbitrary decisions during the study design and data collection phases.

The present research makes use of multiple sources of evidence, triangulating interview recordings, documents and artefacts, to prevent the researcher bias. This is done in a structured way on NVivo. A second measure is the use of notes of observation during visits and transcript of interviews, all examined for key extracts that connect to the nodes representing the key concepts and themes. Furthermore, the analysis was shared with the

General Manager of the franchise unit to ensure that there were no misleading aspects on the data collection consolidation. Those measures are recognized as ways to guard construct validity (Riege 2003, p.82).

Internal validity refers to the establishment of cause-and-effect relationships, while in case study research, the focus is on convincingly defining phenomena. Case study analysis, in particular, seeks to discover generative mechanisms by assessing the degree of trust with which inferences can be made. This means that the researcher seeks to define not only critical patterns of similarity and difference between the experiences or beliefs shared by the respondents but also what components are essential for those patterns and what mechanisms generated them (Riege 2003, p.82).

In the present study, internal validity was supported by within-case and cross-case analysis, comparing the three routines studied, matching patterns. However, there was not an opportunity to analyse different franchise units, and this is acknowledged here. A second measure, aligned to Riege (2003, p.82), was the use of diagrams of routines in the data analysis page, later supporting the explanation building.

Case study research aims to uncover generative mechanisms that enable inferences about real-life events to be made with confidence. That is, the researcher not only recognizes significant patterns of similarity and disparity between respondents' perceptions or attitudes, but also tries to find out what components are important for those patterns and what affects them.

External validity is concerned with extrapolating specific study results to the general from the immediate form of inquiry. The emphasis is on understanding and exploring constructs, which typically entails a comparison of theoretical constructs that have been described and/or created with empirical findings from single or multiple case studies.

The thesis defines the scope and boundaries in the research design phase, which clarifies to what extent generalisations can be made, and state the conclusions as explanations that require further analysis, but which makes a solid contribution in an area where the studies on microfoundations are still rare.

Reliability alludes to the demonstration that the research inquiry's operations and procedures can be repeated by other researchers, resulting in similar findings, that is, the extent of findings can be replicated assuming that interviewing techniques and procedures, for example, remain consistent.

The research presented here provides an extensive account of the theories used in each research phase, supporting the method reliability. Also, data collection used a clear protocol, and organised and structured in Nvivo, a computer-assisted qualitative data analysis software, described in the last section.

The joint use of the measures described above helps to support the study validity and reliability. However, some limitations were also recognized, due to the complex nature of the phenomenon studied, which is manifested in people's interactions and is processual by definition.

### 3.6 Critical Reflection on the Researcher's Participation

The choice of a pragmatic paradigm of research approach does not exempt the work from addressing the requirements of each method used. Considering that this thesis will rely on qualitative research, using interviews and observation as part of data collection makes a review of the implications of the researcher's participation necessary.

According to Palaganas et al (2017, p.428), "it must become a duty of every researcher to reveal and share these reflexivities, not only for learning purposes but towards enhancing theory building".

The fact that the researcher has not only been pursuing a part-time academic career, having lectured in management courses for more than ten years, but also has developed a career as a professional in the pharmaceutical industry, can bring pre-conceived ideas about organisational processes to the participation in empirical investigation of knowledge transfer. The attention to some patterns of behaviour that have been previously experienced in his professional life may be inevitable. It becomes important, then, that those elements are revealed to ensure that no systematic bias is created.

Besides the previous experience of the researcher with knowledge transfer and routine replication in his professional life, there is also some history of the study of evolutionary models that could bias him when dealing with inductive reasoning. Nonetheless, neither potential sources of bias should operate at an emotional or unconscious level, as is commonly seen with moral and ideological positions. In this sense, the concerns regarding potential bias are directed more towards those inherent within the methods of data collection than towards pre-conceived ideas from the researcher. Still, the latter must also be evaluated at the end of the case analysis as a matter of course.



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## 4 CASE DESCRIPTION

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The study of organisational routines is inevitably influenced by the context in which those routines emerge and are replicated. The business of education, and more specifically of foreign language education, has particularities as it relates to the internationalisation of a country, labour market demand, and the evolution of culture. It then becomes important for the present thesis to provide some background on the foreign language education industry in Brazil, and on the development of the franchise system that will be studied; namely, Yázigi.

### 4.1 The Foreign Language Education Business in Brazil

The foreign language education industry in Brazil is very large with estimated sales at 8 billion pounds in 2017 <sup>5</sup>, and tens of thousands of schools teaching millions of students. Still, there is immense potential for growth as only around 5%<sup>6</sup> of the population spoke English in a survey from 2013. Other languages are even more rarely spoken.

The industry is composed of independent schools, fully owned multi-unit schools, and franchise systems. More recently, this business has been targeted for acquisitions by diversified educational groups, both national and multinational. Besides dedicated language schools, traditional, bilingual private schools have become established in a market phenomenon of recent years, according to Sarfati & Shwartzbaum (2013). Among the main reasons for this change in Brazil are globalisation, the entry of international education groups and the professionalisation of the education business, which was previously in the hands of

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<sup>5</sup> Estimate from Associação Brasileira de Franchising (the Brazilian Franchise Association) in Eduardo, Sammy, 2018, “17 franquias de escolas de idiomas com modelos de negócios lucrativos”, viewed 29 September 2019, <<https://www.portaldofranchising.com.br/franquias/franquias-de-escolas-de-idomas/>>

<sup>6</sup> British Council, 2013. “Demandas de Aprendizagem de Inglês no Brasil”

entrepreneurial teachers. Unfortunately, there are no completely reliable statistics on the sector, since there is not an industry association or other organisation making the effort to collect such data.

The understanding of the language education market is essential for the comprehension of the franchise systems in that same market. In the same way, the challenges associated with commercial routines of language schools are also related to consumer behaviour across the different segments that are created around the public and private primary and secondary education structure in Brazil.

Primary and secondary education was mostly controlled by the state until the 1970s, resulting in a large proportion of the Brazilian population being illiterate during the same period (Bordignon & Paim 2017). Beginning in the 1980s, primary and secondary education became progressively precarious and affected by rising urban violence. On the other hand, literacy and social assistance programs started to promote the inclusion of children and adolescents in extended educational programs, with sports and after-school activities. In the late '80s, the Brazilian government started to open the economy to foreign investment and trade, and language teaching became part of the discussions around primary and secondary education policies, also manifesting itself in middle-class families, who felt the need to prepare their children for a more international environment.

Another event that boosted foreign language interest was the issuing of the Law of Guidelines and Bases (LDB 9394/1996) of 1996, which regulated the Brazilian educational system from childhood to college education. Under this new regulation, the teaching of at least one foreign language became mandatory. This was later applied specifically to English, which became mandatory from Elementary School II (from 12 years old) as outlined in Santos (2019).

The National Curriculum Parameters were published by the Ministry of Education of Brazil, based on the Guidelines and Bases Law of 1996, even defining directions for content, didactics, and assessment of language teaching. The main objective established through the requirement of a foreign language was to expand the aspects of recognition of Brazilian citizenship and the socio-political aspects of their learning process.

Even so, the internationalisation of Brazilian cultural and scientific production is still below its relevance in terms of internal product, dimensions, or population (Finardi & Guimarães, 2017; Ferreira, 2018). This is affected by its characteristics as a former Portuguese colony, but also by the geographical isolation of its territory, its coastal occupation and the great distances covered along the South Atlantic, and the uniformity of the use of Portuguese in kilometers of territorial extension. Furthermore, the political conditions of incentives and disincentives of certain languages play a significant role (Ferreira, 2018).

Therefore, the internationalisation of Brazilian education is very recent and has only reached prosperous educational institutions. About 30 years ago, the teaching of the English language reached middle class schools, even before the Law of Guidelines and Bases of 1996, although this did not mean mastery of the language, mainly due to deficiencies in method and curriculum among large groups of students of different levels. Thus, at the same time that English was introduced in schools, in the '70s and '80s the main language schools that still exist today opened. The main task of language schools was to guarantee a differential for upward competition in the labour market, given that a large part of the Brazilian population had no command of any other foreign languages (Teixeira & Alvarez 2017).

Such internationalisation through the offer of English courses in the school curriculum occurred in parallel to the use of English as a universal language. As an instrument for the transnationalisation of international cultures and communication, language teaching has become a relevant instrument of social insertion in Brazil, as in has in many other parts of the world.

The use of languages other than English has varied over time. Interestingly, French was the foreign language of choice and was available in certain public schools in the first half of the 20<sup>th</sup> century. In particular, it was studied and spoken by the political and financial elite, especially in Rio de Janeiro (state of Guanabara), the location of Brazil's capital –capital city before its transfer to Brasília in the '60s.

In the 1990s, Brazil became closer to Latin American countries after trade agreements and the internationalisation of national companies. It, therefore, started to include Spanish in both

primary and secondary education, which became the second foreign language option. Before this, the country was much closer to Europe and the United States.

A recent study of advertising campaigns among the main language courses showed that English is the main object of publicity, both for its social value and for the ability to return the investment to students (de Freitas, by Mesquita Neto & Barbosa 2017). Also, through the advertising mechanism, the global environment is associated with English and, therefore, the access that this language can provide to its consuming public is widely recognised.

The market for language courses in Brazil, as mentioned before, is related to the evolution of the domestic curriculum revision process and the demands for internationalisation caused by the dimension of the participation of Brazilians in international or internationalised markets. In the '50s, the dominance of this language school market, given the industrialisation of Brazil and the resulting needs, was still within schools that were considered binational, such as *Cultura Inglesa* and the *Instituto Cultural Brasil-EUA* (Silva, 2000). In the '70s and '80s, there was a small group of companies dedicated to language teaching, divided between those dedicated to English, at least initially (*Brasas English Course*, *BBC*, *Fisk*; *CCAA*; *Oxford*; *YES!*), those linked to diplomatic representations (*Brazil-United States Cultural Institute*; *Cultura Inglesa*; *Instituto Cervantes*; *Goethe Institute*), and those companies that worked with several languages (*Wizard*, *Yázigi*, *Berlitz*, *PBF*). The expansion of this group of service providers was relatively small, although the means of teaching were significantly updated. Among the current providers in competition, *Wise Up* (English); *Red Ballon* (English); and *Alumni* (English) can be mentioned.

Until the 1980s, *Yázigi* experimented with an active marketing program, associated with TV and the use of recognised artists' images. It moved between a mass school - as opposed to the existing elite schools - and a school focused on innovation and quality, with didactic materials that used comics, as well as differentiated and modernised school environments (Silva 2000, p.66). In the mid-1960s, *Yázigi* grew to more than 30 language schools across the country, despite the difficulties of integration and communications infrastructure in Brazil

in the same period. Even so, the system was expanded on the company's account, which owned all schools, with difficulties resulting from administration, training, and of a commercial nature. In the same decade, the limited partnership model was replaced by the franchise model, which had appeared in other sectors and in the United States. Thereafter, Yázigi no longer directly administered schools.

The transition to this system included investment in the construction of the model aimed at creating teaching materials. Own congresses involving linguists and other specialists were conducted from the creation of an applied linguistics centre and, later, of a pedagogical council. The enterprise diversified and expanded its business, but the use of material by the franchises still resulted in a limiting factor in its expansion. Silva (2000) notes that one of the solutions for the expansion of this second business - that of teaching materials - was the creation of a teacher licensing program, which could individually adopt the Yázigi program and equivalent teaching materials.

In 1986, the members of Yázigi attended the Annual Convention of the International Franchising Association (IFA) and upon returning, began to articulate what would be the Brazilian Franchise Association (ABF), which included the development of a group of businessmen in several segments, besides the already established Brazilian Association of Shopping Centers. One of the central themes of the beginning of ABF was the question of ethics which, in a volatile and changing market, was considered critical for the establishment of franchises in Brazil as a robust market. From the creation of ABF, the first publication of its kind was also created, the magazine "Pequenas Empresas, Grandes Negócios", later bought by Grupo Globo - the largest communication company in Brazil - which created a TV program that has aired until the present day.

The franchise expansion project in Brazil, coordinated by ABF, took into account the need to clarify to the public of potential franchisees, and to the press, what the system meant. This was a project with both an institutional and an educational profile, as described in Silva

(2000: 149). Since 1988, ABF has been recognised as the IFA representative in Brazil, although ASBRAAF (Brazilian Franchisees Association) and the Brazilian Franchisors Association (AFRAB) have also represented the sector since the 1980s.

### *Internationalization and diversification*

Taking into account that the internationalisation of Brazilian franchises can occur due to internal or external motivations, those of an internal character are usually linked to entrepreneurship beyond the border, while those of an external character are those associated with any standardisation and modernisation associated with the buyer company, whose origin is international. Given the Brazilian dimensions, it is less common for franchise models to be replicated beyond Brazilian borders whose markets are relatively small and territorially remote. The internationalisation of Brazilian franchise models is also limited by the local cultural nature, as is the case with other service sectors such as food. In the case of English school franchises, the relationship with the mother tongue, the training of human resources, and how foreign languages are positioned in the market and in the public and private curriculum, also matter.

Franchises have been used as a successful operational model for business expansion throughout the 20th century, and they can also be a mechanism for expanding and enhancing a brand. In both movements - a group purchase outside the country or the expansion of franchises outside the country - the franchise model has an impact on brand, value, and reputation, which are all particularly relevant to its success. In this sense, there are gaps in the literature about the repercussions of internationalisation within the franchise model, but in regional markets, above all, the system can be quite efficient. The contributions of the franchise system to the GDP of countries such as the United States are relevant. In 2018, it was estimated that there were about 750 thousand franchises, with an impact of 760 billion dollars and more than 8 million employees. It can be said that the franchise model has only

recently started to develop significantly within the global economic practice; however, it should be expected that in the future it will be increasingly present, given its economic significance for national economies. However, some obstacles that are characteristic of developing countries result in the curbing of franchise processes, including those of internationalisation, such as the absence of compatible legislation, bureaucracy and inefficiency, the lack of financing mechanisms, unfair competition, and operational difficulties with real estate, authorisations, and licenses (Rakita & Marković 2012).

The core elements of a franchise can be qualified from the standardisation of visual elements and brand identity, from the systematic alignment of versions of deliverable products (didactic materials for the case of language course services) by developing the franchise concept. This concept can be substantially changed based on the objectives of the franchise control group, and marked by the eventual internationalisation of the process (Rakita & Marković 2012).

Successful internationalisation requires a recognised and proven business model. In the context of globalisation, such evidence also belongs to a business dynamic that is international in numbers: return, customers, quality, and customer service, among others.

Another aspect of the internationalisation of franchises relates to operating costs and the risk associated with those costs. Certainly, the internationalisation of a successful business nationally can be natural and guided by routine replications and the management of adversities already present. With several owners and experiences that can join the business in an incremental way, the different franchise tests collaborate towards its internationalisation. Thus, as a purchase object, a franchise business is viewed by potential buyers outside its location as a case of success. As a single business and a company with several niches or branches, the risks are internal and less visible.

The commercial identity associated with the franchise's business model is a central element of its success and how much it represents the national market. Although the internationalisation based on the strategic administrative aspects of the franchise has not been made for the case of expansion across borders, the model is resized based on the parameters of its success, with limited reach in terms of success, numbers, and reputation outside its scope.

Yázigi undertook its own internationalisation attempt when it was acquired by the Multi Holding Group, which was a Brazilian group of franchises, the largest follow-up network according to ABF. When the strategy was designed after acquisition, the plan aimed at developing a network of exchanges abroad with schools that could also receive Brazilians and send foreigners in the other direction. Later, the franchise system underwent a forced internationalisation through its acquisition by the Pearson Group.

However, this model did not proceed because several barriers were mixed with Brazilian bureaucratic hostility and an unfavourable political and economic situation. Between 1991 and 1992, Brazil appointed its first democratically elected government directly after a military dictatorship (1964-1985), and the government of President Fernando Collor de Mello (1990-1992), which resigned before the end of its term to avoid the completion of an impeachment process that was underway at the time. Given the uncertainties of the period, such as double-digit inflation per month, the freeze on savings, reduced credit, a highly unfavourable exchange rate, a previous economic crisis that had spread over the country's economy, and the classes affected by the franchise model, Yázigi experienced a reduction from about 90 thousand students (1991) to 60 thousand students (1992).

In the Brazilian economic scenario, the ups and downs of economic plans that tried to circumvent inflation between the '80s and '90s, also gave rise to a certain euphoria for growth amid the progressive opening. In this context, the internationalisation plan began, despite the crisis, with the creation of a school in the USA in 1995, the YLSC - Yázigi Language Studies



Center (Bradenton, FL, United States). Then, a school in London was created, as well one in New York (1997) through the initiative of creating the units of the English Language Studies Center. Renovated by the new brand, Internexus became Yázigi's first international contract with an international group. Internexus expanded and reached markets such as Scotland, Japan, Spain, Argentina, and Korea, some of which were opened by franchisees in Brazil. An important focus during this period was the question of standardising practices and curricula for schools abroad, given that the exchange objectives (inbound; outbound) were diverse, in addition to courses in English as a Second Language (ESL, EFL).

Silva (2000), also one of the representatives of Yázigi, records that at that time, about 75% of Brazilians wanted to have their own business (Silva 2000, p.128). Ricardo Young Silva was, in fact, the first president of ABF, where he stayed until 1992. For this context, Yázigi is considered a landmark of the franchise system in Brazil, having been an integral part of projects trailed in Brazil. For this reason, this language school franchise system has a particularly relevant value for this thesis, given that the material and routines that were established there also marked an era of franchising in Brazil.

Over the years, the diversification of this market has occurred in the field of the use of teaching technologies, in the separation between the method and/or didactic material capable of being incorporated by other schools, and in the incorporation of in-company courses (and within schools). The creation of bilingual schools has also decisively affected this market, both generating a demand for training professionals from other disciplines, but also, the reduction of the customers available to learn languages outside school hours. Another relevant condition must be noted: the intensification of the work of middle-class families has resulted in scarce availability to meet the extra-curricular demands of children, with a progressive search for integral education.

In turn, integral education was forced to incorporate language teaching more efficiently than it had been doing in regular education. A report by the National Institute of Educational

Studies and Research Anísio Teixeira (INEP) revealed the important growth of comprehensive basic and secondary education in Brazil after 2010. In contrast, the 2019 report demonstrates that the portion in full regime in the private sector is still lower (2.2%) than in the public sector (10.9%).

Another challenge that created business adaptation needs was the presence of national and international companies dedicated to distance learning. This includes the issue of access to native teachers since distance learning reduces barriers to access, distance, employability of people outside the urban axis, pricing and, in the case of the Brazilian market, it also reduces physical exposure to violence in public transport and public roads. Companies like EF's English Live, Education First, an international education company, have dominated the distance learning market, which is growing in Brazil.

According to the Map of Franchises, the language school sector accounts for 6% of the total revenue of the education segment. Brazil occupies very low places, between 41 (2017) and 53 (2018) when the subject is the level of knowledge of English among adults, according to research carried out by EF, which also guarantees opportunities for expansion of the sector in which less than 3% of Brazilians speak English.

Today, in Brazil, the Franchise Map registers 66 franchises related to language schools. The Yázigi franchise system is among the 66, with the following data for joining the business: minimum costs for installation of between 150 thousand reais (about 25 thousand pounds) and 750 thousand reais (about 125 thousand pounds), with expected return between 18 and 30 months and minimum working capital of 10 thousand pounds. Comparing the data with another school of equivalent positioning, it can be seen that the values are relatively similar, although a little more expensive in Yázigi in terms of working capital and franchise rate, and slower in return (compared with Cultura Inglesa and Berlitz, two of the most recognized rival brands).

## Brazilian Franchise Law and the Generations of Franchises:

According to ASBRAF, the franchise network's revenue grew by 7.1% between 2017 and 2018, reaching around 175 billion reais (about 29 billion pounds). The first franchise law of 1994 established that the franchise contract must indicate what is actually offered to the franchisee by the franchisor, with regards to:

- a) Network supervision;
- b) Guidance and other services provided to the franchisee;
- c) Franchisee training, specifying duration, content, and costs;
- d) Training of the franchise's employees;
- e) Franchise manuals;
- f) Assistance in the analysis and choice of the point where the franchise will be installed;
- g) Layout and architectural standards in the franchisee's facilities.

As can be seen, the requirements of the law include standardisation procedures that refer to the primary processes of knowledge transfer that characterise the legal relationship between franchisors and franchisees. This law was created in 1994 precisely to protect and regulate a business model that has been on the rise since the 1990s.

Lima Junior et al. (2012) and de Oliveira et al. (2018) point to the progressive growth of the franchise sector in the Brazilian market. Likewise, mapping on the number of studies associated with franchises in the first decade of 2000 reveals a growing interest in the subject in the Brazilian academy, especially associated with ANPAD (Association of Graduate

Studies in Administration) (Kich et al. 2013). The new Franchise Law, approved on December 26, 2019, which repeals the first, addresses another factor to the parameters already established in the previous law: the incorporation of technological innovations into franchises. Otherwise, the new law is considered a milestone in terms of market developments in recent decades, but it also improves the legal security of the system. One of the elements for consideration is the nullity consideration of the consumer relationship between franchisor and franchisee.

In Brazil, the most relevant terminology for the sector is based on three principles: Royalties; the Advertising Rate; and the Franchise Offer Circular. Royalties address the franchisor's remuneration against the franchisee's rights. The advertising rate is a fund managed by the franchisor and, eventually, between franchisees and franchisors, designed specifically for marketing and advertising actions. The COF - Franchise Offer Circular - is a mandatory document under the Franchise Law and contains all the necessary data and information for the franchisee candidate to be able to analyse the investment opportunity in a certain franchise.

According to Prado (cited in Lima Junior et al. 2012, p.106), the franchise model in Brazil has expanded significantly, but there is an ongoing confusion between the licensing model and the franchise model. In the franchise model, procedures and administration are standardised, and licensing guarantees greater autonomy. Authorising the use of licensed goods does not require technology transfer or payments during all associated processes, for example. In addition, the different legal framework in Brazil (Franchise Law x Intellectual Property Law) places knowledge transfer processes in different patterns.

Knowledge transfer is an important point because the service sector is even more critical in terms of offering controlled delivery standards. Certainly, the franchisee's knowledge transfer system is related to the degree of institutionalisation of its processes which constitutes this transferable memory and, in the case of the sector, of services, which

characterise the product itself to be sold. As a language course franchise, the variety of foreign language mastery and the eventual lack of knowledge of the results and delivery methodology can de-characterise and compromise the franchise's brand value.

In the Brazilian legal field, above all, the segmentation of the different generations of franchises is linked to the varied requirements of documented standardisation, in an increasingly accentuated system of legal protection. Otherwise, the franchise generations point to the evolution of the model in parallel with the evolution of legal frameworks, including: an incipient first generation; a second generation of outsourcing focused on sales, not on standardisation; a third generation of a well-developed system; a fourth generation with franchise advice which is more complex and based on Net Learning Franchising - a learning system with the franchises themselves; a fifth generation of efficient operational networks; and a sixth generation which is attentive to human sustainability guidelines, linking profitability to responsibility (Lima et al. 2012).

Such a typology of generations demonstrates that the process of emergence and growth of the franchise model in Brazil is geared towards the progressive institutionalisation, standardisation, and uniformity of transfer and control processes. Merlo (2000) conducted a study on the efficiency of franchise models in Brazil at a time when there was a recognition of the consolidation of franchise management parameters, directly after the first version of the Franchise Law. In the doctoral study in action, the success of the franchise system was due to the combination of factors such as the experience and consolidation of the business model before its expansion, the concentration of management and marketing efforts, institutional adaptability according to the growth of the franchise group, the rigor in the selection of franchises and franchisees, and the stability and long-term relationship between franchisors and franchisees.

It is pertinent to note that some of the languages and parameters, including some that are contained in the law and in Brazilian debates in their various representations, are indigenous

and detached from international literature. Therefore, some of the signs and nomenclatures have a particularly Brazilian use, which expresses particular characteristics of the evolution of this market. This is the case with net-learning terminology, associated with the term “learn by doing”, considering that organisational adaptability can derive from constant and networked learning so that good practices can be absorbed by the unifying entity, then systematically passed on to others.

Silva (2000 p.189) states that the net-learning system was born out of the revision of the system known as BFF (Business Format Franchise), which is considered a franchise business knowledge package. The idea of leadership being only associated with the franchisor, according to Silva (2000), does not align from the desirable innovation of the business itself by franchisees. The LNF (Learning Network Franchising) system precisely foresaw the integration between franchisees and franchisor for the purpose of capturing market dynamics from the experiences of franchisees. This model does not appear as opposed to the first. Otherwise, it is intended to emphasize that based on a model of communion of a business system (BFF) it is possible to apprehend dynamics contained in network learning, continuously.

Certainly, the associated organisational learning component establishes a productive relationship with the innovation scenario, offering franchisees space for an innovation approach to their own business. As the franchise system is based on the transfer of good practices, over time, it could become out of date, since the one-way path could harm any return inputs.

It was from the internet that this dynamic became possible. This was due both to the possibility of establishing an intranet between franchisor and franchisees, but also of modifying the generation of teaching materials to benefit the desired innovation with the LNF system. In this sense, the proposed model both focuses on differentiated internal

communication practices, as well as expressing the idea that better results can derive from this constant and reflective information flow.

Although it was proposed as a franchise management system, the LNF system is considered by Silva (2000) to be of the fourth generation and, in addition to the Yázigi axis, it would classify fast food franchises as China in Box or Spoleto in Brazil. Greater autonomy for franchisees is also one of the consequences of this model, according to André Silva (2005). Although the organisational orientation that underpins the LNF system was the subject of debate among the main actors within the franchise system that was being organised, there has not been much commitment from the model itself in the literature, although the last generations of franchises are affected by it in some way.

The study by Silva (2005) demonstrates what the variables were that characterised and distinguished the system from the main franchises in the Brazilian market at that time. Among them are the previous experience of the chains before opting for the franchise system for expansion, the related fees, investment and return (ROI), and the number of employees. With lean structures, Brazilian franchises were characterised by revenues of R \$ 14 billion per year (about 2.3 billion pounds), an average investment of R \$120 thousand per unit (around 20 thousand pounds), with an average return in 24 months. Franchise rates vary between very different sectors and the average employability was 8.5 workers per unit. 90% of the capital employed was Brazilian, which shows little internationality in the sector in the early 2000s (Silva 2005, p.70).

Among the strategies, it is important to note that a large part of the networks used periodic monitoring for quality control, but only slightly more than half of them used the knowledge of franchises for the development of the franchisor model. Another aspect is the regional concentration in the southeast-south axis for the headquarters of the studied franchises, even when talking about markets that are well distributed, given the concentration of investment capital in those same regions.

The issue of financing is at the heart of possible franchising models. In some markets, the franchisor also has mechanisms for making the business financially viable. In the case of Brazil, this is a relevant issue because the capacity for self-financing is limited among franchisers and franchisees and the available credit resources are among the most expensive in the world. This includes high labour costs, an inefficient bureaucratic system, and the unaffordable cost of essential services.

The tax burden, one of the main complaints of national entrepreneurs, is an important barrier to small and medium enterprises, and one which places Brazil among the most expensive regimes to approach. Tax barriers are rarely the subject of research as to their impact on the individual enterprise, however. When analysing the profile of the tax burden in Brazil over the past decades, Lima & Rezende (2019) found that the increase in the tax burden is not related to increased tax collection, given that the incentives are lower and that, eventually, the tax collection may be reduced.

The issue of pricing and costs is relevant in the franchise sector, given that the magnitude of the dimensions of Brazil is also present in the marked regional and local differences in terms of costs to undertake (structure, store, labour costs, local taxes). Silva (2005) states that in the item “Autonomy of Franchisees”, although the interviewees for their study demonstrate that this autonomy guarantees the existence of innovation in service, as well the exchange of information between franchisees and varied suggestions, the practice of different prices is only pertinent to 65% of the group.

## 4.2 Yázigi

The foreign language school franchise system studied in the present research is called Yázigi. Currently, the system has more than 420 franchise units (or schools) in Brazil,



distributed across 24 states and 180 cities. It employs a total of 4,000 teachers and serves 180,000 students. This organisation was one of the first in the country to use the franchise system model. The consolidated revenue of all units in the franchise system amounts to 300 million reais per year, or approximately 80 million pounds sterling based on the December 2016 exchange rates, and according to the Brazilian Central Bank (Banco Central do Brasil 2016).

#### 4.2.1 History of Yázigi

The choice of the name of the school was obviously justifiable by Cesar's surname, but was also criticised for benefiting from the association with Elias Yázigi, who was a doctor in linguistics and teacher in well-known institutions, but who was not related to Cesar or the business in any sense. The complete name was *Instituto de Idiomas Yázigi* (Yázigi Institute of Languages).

The school was a success in its early days, by virtue of Cesar's innovative teaching methods. He delivered engaging classes in which he used visual aids, telling stories in a theatrical format. This was markedly different from the usual language classes at that time, in which teachers used literary works during their quiet sessions. His methods quickly proved to be effective and students would start to speak the new language within a few weeks.

During the 1950s, Yázigi inaugurated another 29 schools in Sao Paulo, Rio de Janeiro, and Porto Alegre in a joint venture with local entrepreneurs. This initiative was the foundation for the later franchise system, but at that time, Yázigi held a share in each unit. At the end of the 1950s, Cesar moved to the United States and left the organisation. As a consequence, building a prosperous organisation was left to Fernando Silva and his brother, Itamar Silva, who joined Fernando in the administration, even though the inspiration for the method came from Cesar (Silva 2000).

In the same decade, the Tupi Television Station invited the Yázigi company to partner in an English course that would be transmitted on the channel, with accompanying books. The program lasted for about four years, and was quite successful, also making the brand famous.

In 1963, Yázigi sold its shares in the units, leaving management to independent entrepreneurs, and focused on licensing and developing the teaching method and the brand. This was the beginning of the franchise system, although at that time it was not named as such or recognised to its full extent. The complete format was only achieved in the late 1980s (Albuquerque & Machado 1996).

Nonetheless, the history of Yázigi was not only built on success. In the 1990s, the company decided to move internationally and enter the United States market, looking for opportunities in the education of immigrants. The investment was made in partnership with a chain called English Language Study and the business developed slowly until the terrorist events of 9/11, when immigrant concentrations started to be seen as a concern and students left the courses quickly. The units continued to wait for recovery, but after two years of the operation, they finally closed, leaving a significant loss for the franchisor.

#### 4.2.2 Yázigi and the Pearson Group

According to the Yázigi course website, the school was the first to use audio-visual materials in the classroom. In 2010, Yázigi was bought by the Multi Holding Group for about R\$100 million (about 20 million pounds), to ensure that it became part of a group of language school franchises (Wizard and Skills), in addition to professional courses (Microlins). The Pearson Group, a large British company in the education sector, bought the Multi Holding Group in late 2013 for about 2 billion dollars.

After this purchase, the Pearson Group started to administer the system, which includes its educational and administrative parameters. However, the method model and successful routine practices were considered and absorbed, ensuring continuity in the project with few modifications.

One of the relevant parameters of the internationalisation process that allowed the Pearson Group to involve themselves in the Yázigi project is the creation of parameters and codes of conduct that are considered good international practices in the sector. One of the relevant documents is the Pearson Code of Business Partner Conduct. This code expresses essential values that set expectations for relationships and processes in an ethical and responsible manner. According to the code, "Pearson reserves the right to review or audit business partners' compliance with this code and the organization's system of ethics and compliance controls and its management oversight" (Business Partner Code of Conduct: 3).

In addition to drawing attention to the need to comply with laws that cover partners working under the Pearson Group, the code establishes duties that say, even if they are not provided by law, that they are part of the compliance processes. According to the Brazilian Franchising Association, since 2013, when the Pearson Group took over Yázigi, the franchise won the Seal of Excellence in Franchising, awarded by the Association, every year until 2019.

The Employee Code of Conduct is a second normative document that characterises the set of behaviours expected from the teams associated with the Pearson Group. Therefore, some of the practices associated with the Pearson Group's management model certainly imply the franchise model is practised by the group. This means that a macro-management of the business is associated with the management of each franchise model in the group, guiding the larger parameters to which transfer processes and practices are subjugated at the level of the franchisor-franchise relationship.

The Pearson Group has three fundamental goals in its strategic program, which can also condition the franchise processes within the corporation: reach new learners; influence the future of learning; and be a reliable partner to the market and as a sustainable entity.

### 4.2.3 The Yázigi Franchise System

Following the usual structure of a franchise system, as explained in chapter two, the Yázigi organisation is constituted by the franchisor and franchisee units. The franchisor is the legal entity which owns the Yázigi trademark and has complete knowledge of the business model, including the understanding of how routines should be performed, which resources are required to run the business, and responsibility for supporting all the franchisee's needs in establishing and running the language school business, according to its standards. In the case of many of its competitors, language school franchisors also own the copyrights of the textbooks and related academic material. However, in the case of Yázigi, these copyrights are owned by Pearson, which were acquired by the franchisor at the end of 2013. Distinctively, the franchisees are the entities that acquired the rights to use the trademark and access the knowledge and franchisor infrastructure that support it in order to operate a language school and, ultimately, serve the final customer. The benefit of participating in the Yázigi franchise system for franchisees is the use of an operating model, one that has already proven to be effective in teaching language skills to students in a profitable manner. In addition, the franchisee benefits from a known trademark which accelerates its sales uptake, as customers already recognise and trust it to follow quality standards.

The franchise relationship depends on the commitment of both the franchisor and franchisee to the success of the new unit. The main areas of commitment are explored in the following sections.

## **Unit Setup**

The offer of a franchise agreement to open a new unit of Yázigi has the following proposal for investment and expected return<sup>7</sup>:

- a) Investment required: between 130 thousand reais (about 22 thousand pounds) and 160 thousand reais (about 27 thousand pounds), including the adaptation of the facilities.
- b) Franchise fee: 16 thousand reais (about 3 thousand pounds), included in the investment, paid once and upfront to the franchisor.
- c) Royalties: there are no royalties in the Yázigi franchise agreement.
- d) Advertising: 5%
- e) Contract transfer: the franchisee can transfer its rights to another party, but the transaction needs to be approved by the franchisor.
- f) Territory exclusivity: the franchisee obtains exclusivity in the agreement.
- g) Estimated payback: 30 to 40 months
- h) Estimated profitability: 15% to 25%, depending on reaching a minimum of 60% of school capacity.

The location of the new unit is key to its success as it determines how easy it is for customers to be aware of the school and more importantly, to access it and attend classes. In the case of Yázigi, as with most franchises, the location within the contracted territory is selected by the franchisee but must be approved by the franchisor. The franchisor is also responsible for providing support using geo-marketing tools to recommend locations that show the demographic and economic potential to sustain the business. The Yázigi school unit can be placed in commercial rooms, shops, or a commercial house, as four formats are available:

- a) Large school: minimum area of 400 square meters and capacity for more than 700 students.
- b) Medium-sized school: minimum area of 250 square meters and capacity for more than 450 and fewer than 700 students.

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<sup>7</sup> Yázigi website, franchise information, viewed 21 June 2016, <<http://franquias.yazigi.com.br/seja-um-franqueado-yazigi>>.

- c) Small school: minimum area of 100 square meters and capacity for more than 200 and fewer than 450 students.
- d) Mini school: minimum area of 80 square meters and capacity for fewer than 200 students.

As the location is defined, the facilities of the unit need to be adapted, following a custom architectonic project provided by the franchisor. This project contemplates the characteristic of activities and people flow, indicating building and equipment requirements. Naturally, the investment in the facility is covered by the franchisee.

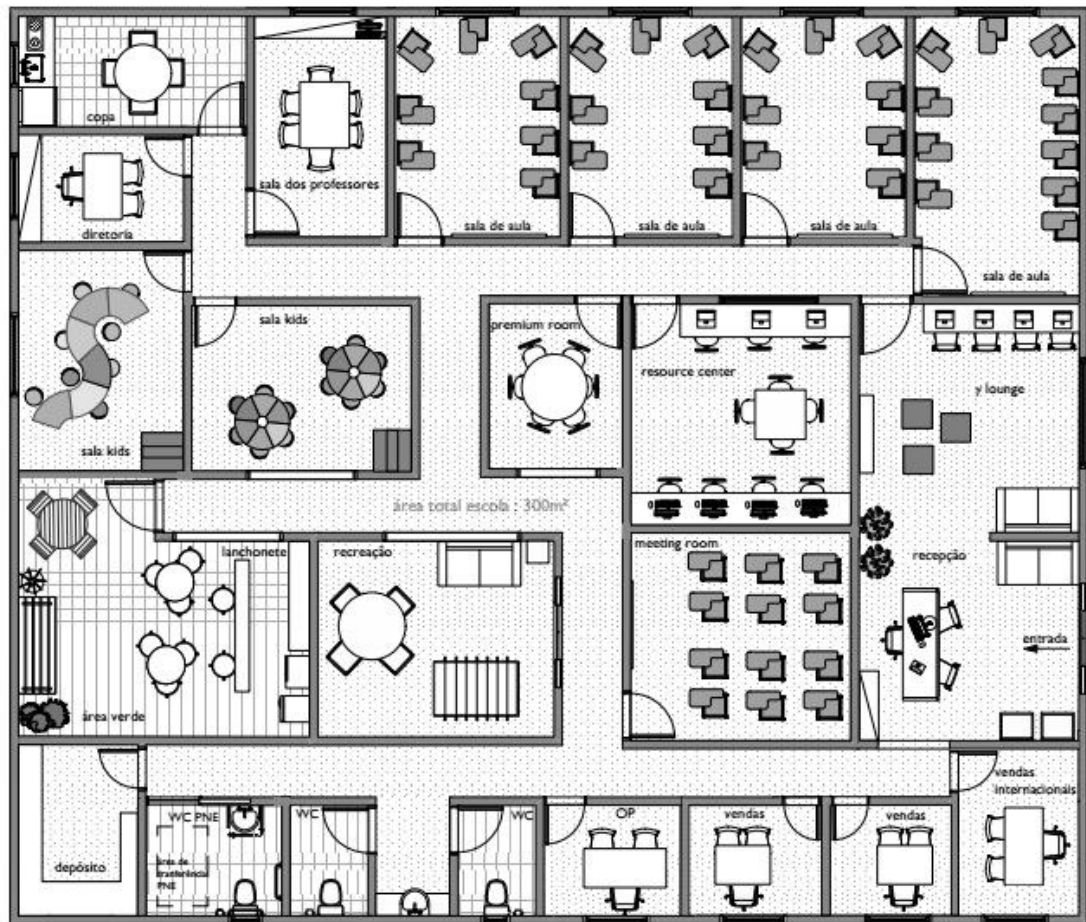


Figure 8: Example of layout of a medium size Yázigi school  
(Source: Pearson 2017e)

The business setup continues to be supported by the franchisor with the sizing of the staff, a list of preferred vendors, the access to school management systems, and training. Training activities are of particular interest to the current research and are detailed further below.

#### 4.2.4 Support from the Franchisor

Among the items that characterise Yázigi's specific franchise offer within the Pearson Group, are training and support purposes, according to the Franchising Portal of the Brazilian Franchising Association:

##### Initial Guidance:

- Funding support
- Choice of equipment
- Promotional Material
- Method guidance
- Architectural project
- Operation project
- Financial project
- Marketing project
- Organizational project
- Advertising
- Point selection
- Personal training

##### Further Training and Support:

- Business Administration / Management
- Customer service
- Collection
- Accounting and Finance

- Preparation of Manuals
- Quality management
- Stock Management
- Store Implementation
- Computers / Internet / Extranet / Intranet
- Marketing
- Negotiation
- Planning
- Commercial point
- Services provision
- Productivity
- HR
- Sales Team Selection / Training / Motivation
- Telemarketing

Taking into account the compliance with the guidelines provided for in the 2019 Franchise Law, the methodological, didactic, and infrastructural attributes are considered. In addition, a financial and organisational project is presented as a standardised management model (controls, payments, enrolments, service providers). Among the most substantial support offered is accounting and human resources support, which appear to be critical in complying with the Pearson group's general guidelines.

The franchise model disclosed by Yázigi to potential franchisees is characterised as sixth generation and net-learning (which appears from the fourth generation). The main element that prompts Yázigi to characterise itself as a sixth-generation franchise is the concern for the Pearson Group's strategic approach with good sustainability and ethics practices. As an institution based on Net-leaning, Yázigi wishes to communicate its adaptation model ability and incremental development, being subject to interference and productive changes throughout the process, and based on the experiences of franchisees.



## ***Training***

After a franchise agreement is signed between the franchisor and the franchisee, the entrepreneur or the General Manager designated by the franchisee is trained during a 70-hour program in the franchisor's headquarters. The program, called the "Institutional Training Program", covers general aspects of the language school management, such as marketing, human resources, finance, and teaching methods. During the interviews with the franchise unit owner, the program was described as a "mini-MBA".

In addition to the General Manager training, the franchisor delivers initial training to all employees of the new unit, which is then complemented by virtual training material provided in the franchise portal.

After initial training, the franchisee employees are regularly invited to training sessions in the headquarters. This training is optional and a fee must be paid by the franchisee. There is also an annual schedule of regional and national meetings at which the franchisees can exchange learnings and watch presentations given by the franchisor and invited speakers in the management area.

Academic and sales supervisors are also trained by the franchisor in specific programs, not only for their activities, but also on a "train the trainers" approach, in order to transfer the knowledge to teachers and sales representatives, respectively.

Teachers, in particular, undertake forty hours of training, provided by the academic supervisor. In such training, teachers have to perform example classes to the supervisor, through micro-teaching which allows them to discuss each aspect of the class.

The Yázigi franchisee also receives manuals as part of the knowledge transfer, as follows:

- Architectonic and Brand Manual – includes brand and visual identity (fonts, colours, and formats), facilities signalling, etc.
- Franchisees' manual – basic information on business processes.

During the interviews, the manuals initially provided by the franchisor by email were described as incomplete and outdated, while more complete manuals and up to date materials

were available on the franchise system portal. The portal is organised in two main areas for knowledge. The first is a repository of files, with seven categories: marketing, commercial content, pedagogical (or academic) content, events, partnerships, expansions, and new units. Files are placed in a random manner within each category, and cover many aspects such as marketing campaigns, sales arguments, and specific class materials (main screen shown in Figure 9). The second area is the corporate university, which has four categories of course: commercial, pedagogical, people, and management (main screen is shown in Figure 10).

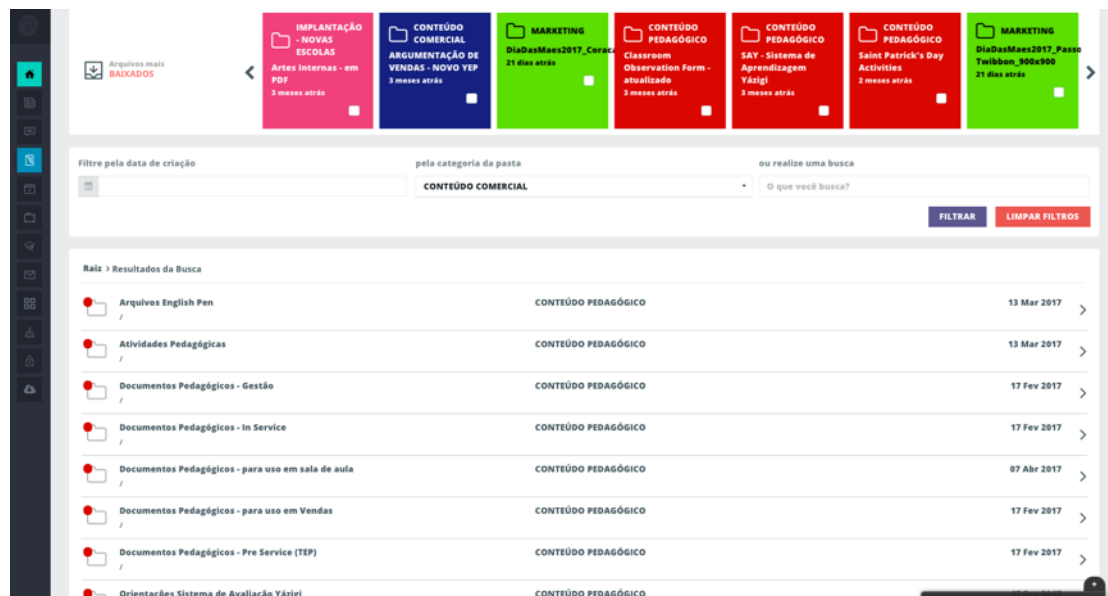


Figure 9 - Yázigi Portal File repository

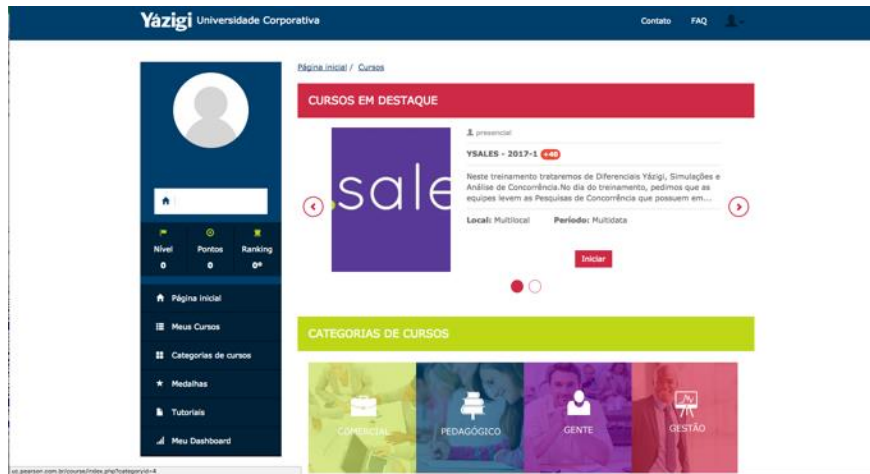


Figure 10 – Yáziq Portal – Corporate University

### **Advertising**

The Yáziq franchise system advertising activities are mainly coordinated by the franchisor and executed through third-party agencies. This is funded by an advertising fee of 5% on gross sales, charged to all units. A new advertising campaign is launched at each cycle (semester), aligned to the franchise system strategy, and presented to the franchisees in a conference before it goes live.

For 2017, the advertising campaign of the Yáziq franchise system focused on the proposal of not only teaching students English, but developing their critical thinking skills and awareness of the global environment as illustrated by the advertisement in Figure 11.



Figure 11 – Example of advertisement: “We don’t just teach English; we shape citizens of the world.”

### ***Management Support***

As part of the infrastructure to support franchisees, the franchisor designates regional coordinators that advise, train the personnel of the franchise unit, and monitor unit performance. There are two coordinators, one being responsible for teaching affairs and the other for commercial affairs. Those coordinators are the key contacts for teaching and commercial staff in the unit, as well as for the unit’s General Manager. As such, they support the replication of routines by complementing the knowledge obtained in training sessions and answering questions that might be raised during implementation.

#### 4.2.5 The Campo Grande Unit

The Campo Grande franchised unit is the key location for the fieldwork in the present research, where the routines were investigated in depth and where all the staff were available for interviews and observation. This franchise business began to operate in 2014. The franchisee and General Manager of the unit came from careers as an automation engineer and consultant and, along with her husband Henry, decided to invest in a business, looking for a safe but active retirement.

The unit is franchised under the small school format and is located in a commercial house that was acquired by the couple and completely renovated for the business.

The unit now has 21 employees as follows:

- a) 1 academic supervisor
- b) 1 sales supervisor
- c) 3 sales representatives
- d) 13 teachers
- e) 1 administrative assistant
- f) 1 student support
- g) 1 janitor

•

Those employees support classes that occupy eight classrooms, with a capacity to serve 800 students.



Figure 12 - The Yázigí Campo Grande Unit.

#### 4.2.6 Other Franchised Units Studied in Fieldwork

Besides the Campo Grande unit, interviews were performed at the units in Recreio and Cabo Frio, and with employees of the franchisor. The objective of these was to confirm or reject the initial findings and understand processes from the franchisor's perspective.

### 4.3 Franchised Unit Routines

The franchised units discussed above set the environment for the present research, but the principal cases for study are the routines that form the business function. In the case of the Yázi language schools, routines can be divided into three areas: administrative, academic, and commercial. The main routines will be listed in this section but analysed in-depth in the next chapter. The list is not exhaustive but covers the routines that are more frequently energised and understood to be essential for the school's existence.

#### 4.3.1 Administrative Routines

From an administrative perspective, a language school is usually a simple operation with a small number of transactions. It has a small number of staff, distributed across a limited number of functions, which are well defined. Customers pay on a monthly basis, following a roughly standardised price.

Administrative routines can, therefore, be handled by a few people or outsourced to third parties.

Table 7 lists the main administrative routines and who is involved in performing each routine.

Table 7 – Administrative Routines

	Routines	Who participates in Routine Performance
HRC	Recruitment	General Manager (all), Pedagogical Supervisor (for teachers), Sales Supervisor (for Sales representatives)
HPB	Payroll and Benefits Control	General Manager and Accountant (3rd Party)
FAP	Accounts Payable Management	General Manager and Administrative Assistant
FAR	Accounts Receivable Management	General Manager and Administrative Assistant
FCF	Cash-flow management (Treasury)	General Manager and Administrative Assistant
FAC	Accounting	Accountant (3rd Party)
FBG	Budgeting	General Manager and Accountant (3rd Party)
MPC	Purchasing	General Manager and Administrative Assistant
MCM	Contract Management	General Manager
GSS	General Services	General Manager and Administrative Assistant

The above routines can be found in other types of business, but a few particularities will be discussed in the case analysis.

#### 4.3.2 Academic Routines

Although academic routines at Yázigi schools can be related to similar routines in other schools, they have singularities that differentiate the teaching method and constitute the core elements of the service proposal value. As discussed previously, Yázigi schools propose faster results through a more dynamic and engaging teaching method. Each lesson is planned around, what Yázigi describe as three ‘moments’:

1. Preparation
2. Performing
3. Accountability



The above ‘moments’ constitute the core of the lesson routine and the other academic routines are structured in a way that ensures that those steps are performed consistently in every class, with the expected results. Table 8 lists the mapped academic routines.

Table 8 – Academic Routines

	Routines	Who participates in Routine Performance
APL	Academic Planning and Class Creation	General Manager, Academic Supervisor
ATP	Teacher Performance Review	Academic Supervisor, Teacher
ALN	Lesson	Teacher, Student
AEX	Exam	Teacher, Student

The planning routine is executed at the beginning of each semester while teacher training is executed once a new teacher is hired. Training refreshers are embedded in the performance review and executed monthly with formal feedback, thus reinforcing the method.

The lesson routine (ALN) has been selected as one of the cases for the empirical investigation, along with other two routines from the commercial function, since it is at the core of the service that the franchise unit provides to its customer. The existence of other academic routines are somehow only justified as they improve or attest to the performance of the ALN routine.

The flow of each routine will be covered in the case analysis.

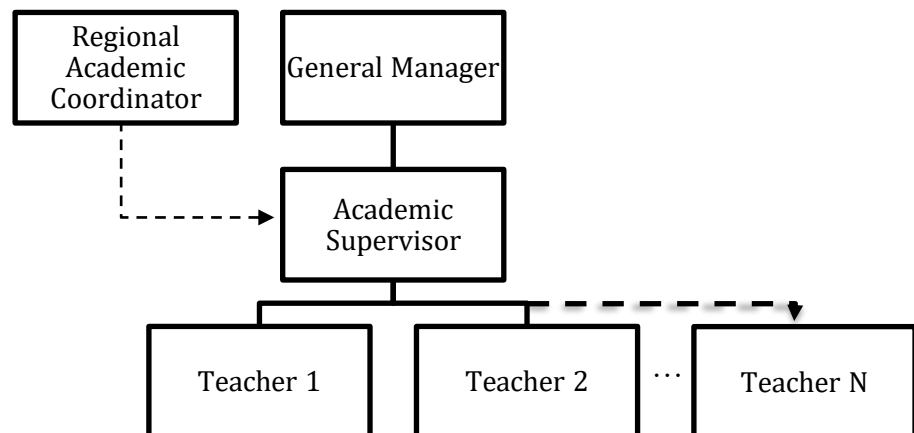


Figure 13 - Simplified Organisational Chart of the Academic Structure

### 4.3.3 Commercial Routines

The overall routines map from the Campo Grande Franchise Unit of the Yázigi System is similar to the one found in other small educational service companies. The differences are more noticeable when a particular routine is investigated in detail in isolation. Following the routines listed in Table 9 below, it can be seen that the central routine of the daily functioning of the sales department is New Students Identification and Enrolment Routine (CNS). This is the routine that is responsible for the deliverables of the department, while Commercial Planning (CPL) and Sales Performance Review (CPR) are routines designed to review and improve the performance of that routine. Meanwhile, the Commercial Partnership (CCP) routine is responsible for opening new channels of sales, which will also depend on that routine to deliver results.

Table 9 – Commercial Routines

	Routines	Who Participates in Routine Performance
CPL	Commercial Planning	General Manager, Sales Supervisor
CPR	Sales Performance Review	General Manager, Sales Supervisor, Sales representative
CNS	New Student Identification and Enrolment	Sales representative, Prospect
CCP	Commercial Partnership Establishment	General Manager, Sales Supervisor, Sales representative

The New Student Identification and Enrolment (CNS) and the Commercial Partnership (CCP) routines were selected from the above list to be cases in the empirical investigation as those are arguably the most important commercial routines for the sustainability of the franchise unit resulting directly on sales.

The commercial area in Yázigi units is well structured, having a sales supervisor that plans and monitors activities. Below, the organisational chart of the sales department is shown. The

unit has one sales supervisor and two sales representatives covering different shifts. The sales supervisor reports to the General Manager and has an indirect reporting line to the franchisor business coordinator. They are more for support and to ensure adherence to campaigns and special programs.

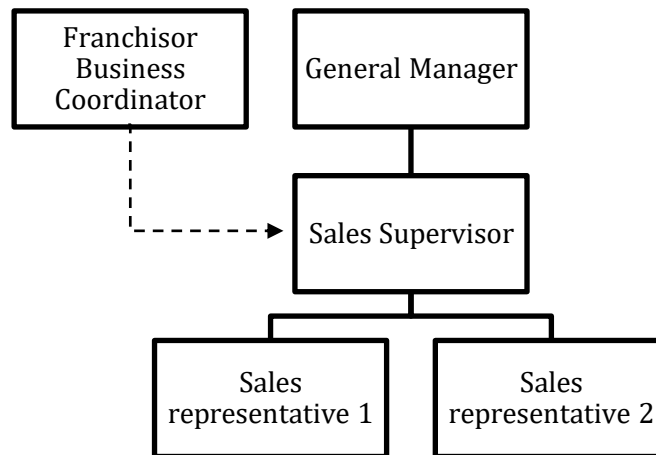


Figure 14 - Sales Department Organisational Chart

Considering it is a critical area for the unit performance and is providing an immediate account of results, its routines are constantly under evaluation. A detailed review of the selected routines is provided in the next chapter.

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## 5 CASE FINDINGS

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The objective of the present chapter is to present the findings from the case study research at the Campo Grande franchise unit of the Yázigi franchise system. These findings result from the examination of data from documents, interviews, and observation sessions, towards answering the proposed research questions (see page 94). The chapter starts with the description of the cases chosen for analysis, along with the justification for the selection. Next, routines are analysed through the identification of the routine templates and the review of the process of transferring knowledge for the replication of those templates until the routine is embedded in the franchise unit. During this analysis, common themes that emerge from the data will be mapped. Finally, the techniques described in the section 3.4.7 are used to match, compare, and synthesise findings across the different cases.

The understanding of how routines are replicated in the selected Yázigi school franchise unit will be reached through the combined analysis of cases (selected routines). The cases selected for the empirical investigation were drawn from the list of routines mapped from the description provided by the General Manager of the franchise unit, and covered in the previous chapter (see section 4.3). The selected cases are as follows:

Table 10 - Selected Routines as Individual Cases for Empirical Research

Area	Code	Routines	Description
Commercial	CNS	New Students Identification and Enrolment	Routine of the sales department that is used to search for, approach, and enrol new students
Commercial	CCP	Commercial partnership establishment	Routine for pursuing, establishing, and managing a partnership with other institutions to offer a language program to their customers
Academic	ALN	Lesson	Routine of the language lessons provided to the students

The approach used for the selection of cases among the mapped routines is based on the learning from Pentland and Feldman (2008), who outlined the boundaries of routines, their distributed execution, the duration of the routines' cycles and the interruption in execution, as proving difficult for empirical investigation. From all of the routines mapped with the help of the General Manager of the Campo Grande unit, the selected cases (CNS) and (ALN) above have the most well defined boundaries, are wholly executed within the unit, have short performance cycles, and are easy to track as they are rarely interrupted in a critical manner. However, the case of commercial partnerships (CCP) does not comply with this criteria, but has been selected as it exemplifies the situation in which there is a need to form a new routine; and it will be used to draw a contrast with the replication of routines from templates.

It is questionable if the New Students Enrolment (CNS) would not present a challenge when attempting to observe their behaviour when involving telephone calls to customers. However, customer behaviour is not strictly part of organisational behaviour; it must be considered part of the environment that interacts with the routine.

Regarding the administrative routines (accounts payable, cash-flow management, accounting, budgeting, procurement, contract management, and general services), no particular elements were found that could bring additional explanatory insights to the research. In those routines, the process of replication was similar to the accounts receivable and payroll management routines, while these routines have specificities that will contribute to the understanding of routine replication.

During the analysis, extracts from documents, lesson materials, interview transcripts, and observation notes were coded and associated with the above cases, nodes, and techniques described in section 3.4.7. As a result, an explanation to the research questions can be articulated.

## 5.1 The Commercial Function

The first routine studied as part of the commercial function within the Campo Grande unit is the 'student enrolment routine'. As such, this does not stand alone as a sequence of actions, but has its own place in the overall commercial department activity planning and

organisation. The proposed model for commercial activity is explained by the franchisor in the video lessons that show what is expected from sales personnel, as part of its working time plan for the sales representatives, as shown in Figure 15.

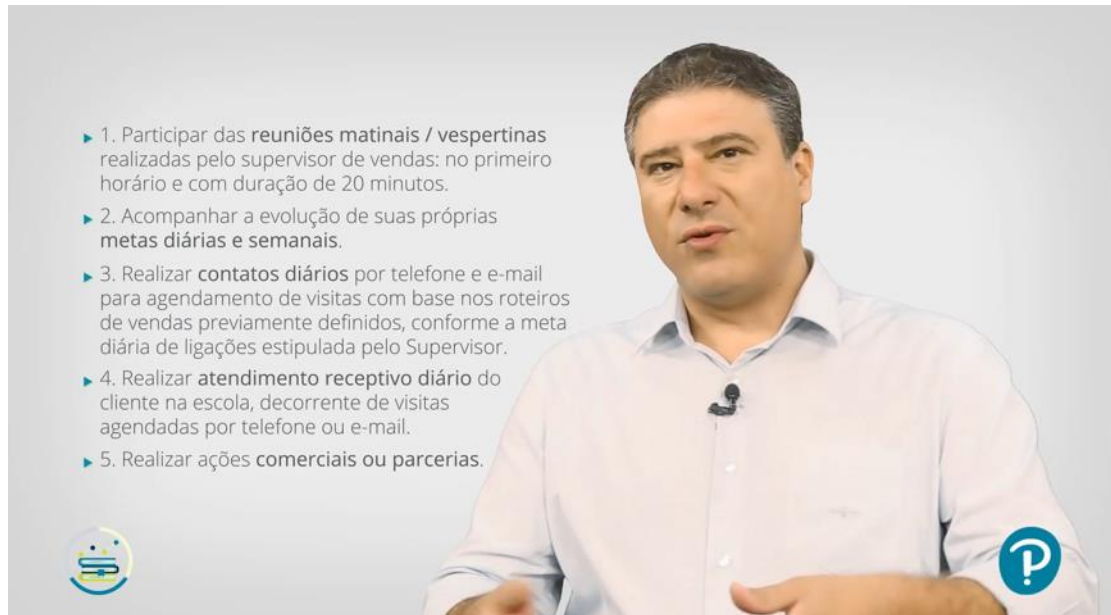


Figure 15 – Instructions to Sales Personnel on Commercial Activity

The figure above lists five main activities for the sales representatives. The first is to participate in brief daily morning meetings, which last twenty minutes and are organised by the sales supervisor<sup>8</sup>. The second is to monitor the development of their own daily and weekly sales targets. Next, it encourages the personnel to engage in active sales, contacting prospective customers and reaching a target number of calls set by the supervisor. The fourth activity relates to passive sales routine, serving customers that enter the school or contacting them by phone or email. Finally, the instructor requests that attendants attend external sales events and develop partnerships. The sales events are treated in the present research as being part of the sales routine, while partnerships are managed as a separate routine.

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<sup>8</sup> All extracts from materials in the thesis were translated by the researcher from Portuguese to English.

This description of commercial activities is useful for the provision of a broad map of expectations, and prepares for routine replication, although it does not give enough information to understand the process of each activity and underlying routine. In a subsequent section of the video, the instructor continues to a more procedural instruction, as shown in Figure 16. He asks the sales representative to review their performance up to the present day, comparing it with set targets and evaluating the size of the challenge, and the gap. After this, the outlined task is to distribute six to eight hours a week between essential subroutines of active sales, such as contacting leads, returning quotations, and external events. At this point, instructions start to be procedural and relate to scheduled triggers. However, by themselves, those planning instructions do not account for the sequences of actions that comprise routines, and only place triggers to energise such routines.

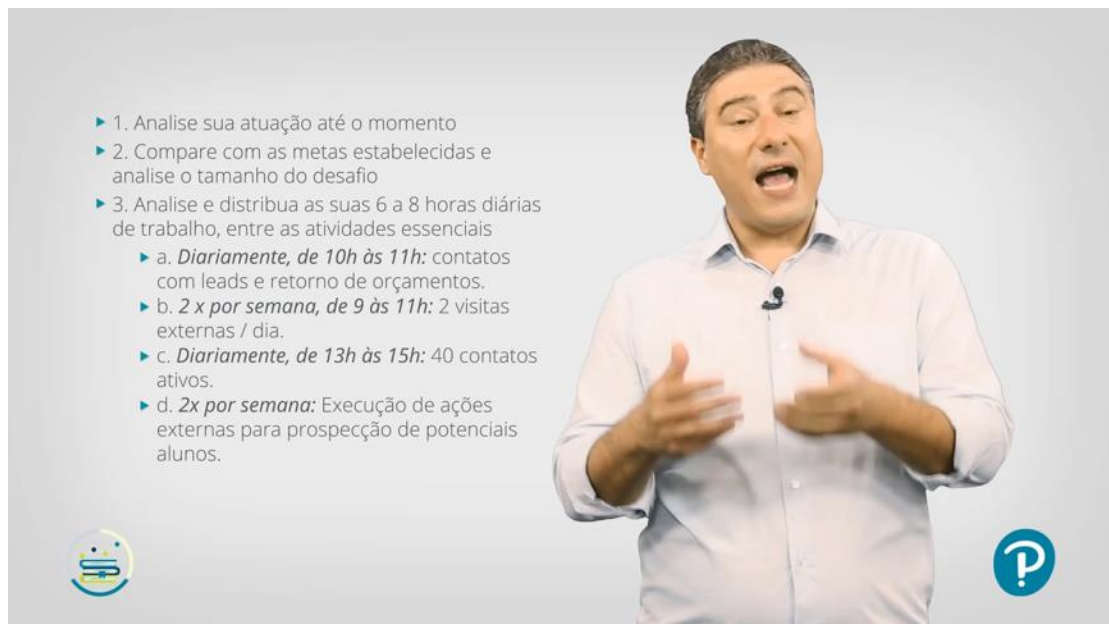


Figure 16 – Planning Commercial Activities

In addition to instructions on commercial activities planning, the lesson briefly presents organisational tools that support routines, as illustrated in Figure 17 and explained below:

1. LEAD Machine – a Customer Relationship Management software that centralises a database of prospective customers captured by the site, phone calls, and emails received, and which comes from acquired contacts databases.

2. SAY – a script to improve the Yázigi sales discourse, to be printed and consulted on during conversation with customers.
3. Start and progression table – a table to guide the sales representative on which program is more suitable for each customer type, according to age group and needs.
4. LYGA Yázigi – an incentives program for the sales teams, offering prizes for those who meet and exceed sales targets.
5. Y Sales Day – a monthly national day of external events planned by the franchisor, during which all schools participate in concurrent excursions in order to promote enrolment.
6. Good Practices Manual – descriptions and templates of successful initiatives from other schools.
7. Regional Groups – groups created for the exchange of ideas between franchisees from the same region.



Figure 17 – Artefacts to Support Sales Routines

The described tools are understood here as artefacts that carry routine knowledge and facilitate its replication. As the franchisor makes those tools available and instructs franchisees on how to use them, a new instance of the tool becomes part of the replicated routine and guides the behaviour of employees through its input requirements and output



standards. As such, those artefacts act as more than information storage and processing units, working as reinforcement mechanisms for peoples' behaviour.

At this juncture, it is necessary to focus on the new student enrolment routine (CNS), and relate back to the overall commercial area functioning.

### 5.1.1 Case CNS: New Students Identification and Enrolment

Following the Case Protocol in section 3.4.6, the empirical investigation of the case of New Student Identification and Enrolment (CNS) is divided into three stages: routine template representation, knowledge transfer, and replicated routine formation. For each stage, the data collected during fieldwork will be explored in an attempt to answer the intermediary questions listed in the protocol. At the end of the analyses of all three cases, a cross-case analysis will be performed to consolidate and validate findings.

#### 5.1.1.1 CNS Routine Template Representation

As discussed before in the case protocol section, a routine template representation is rarely outlined as one complete set of instructions; rather, it is formed by pieces of information made available by the franchisor through different means and media. To guide the mapping of this information, and the understanding of how it is formed and made available, each intermediary question will be addressed and indexed by the code of the routine (CNS) and "IQ" followed by the number of the intermediary question.

**CNS.IQ1.** How and where are routine templates developed and stored by the Franchisor?

During the interviews with franchisor business coordinator, the franchise unit General Manager, and the franchise unit Sales Supervisor, they were unanimous in identifying the franchise system portal as being the primary repository for the learning of the commercial routines. This portal was described previously in section 4.2.4. The owner of the Campo Grande unit franchise unit shared access to the portal with the researcher, with the approval of the franchisor. This portal contained all documentation, including video lessons, manuals, training material, forms, contract templates, and spreadsheets.

In the portal, two particular documents represent sources of information for commercial routines: The Y-Sales Manual (Pearson Education 2016a) and the Commercial Management Manual (Pearson Education 2016b). Although there is no formal description of the purpose of each manual or, more importantly, where one or the other should be used, the Commercial Management Manual is more directed towards commercial supervision, while the Y-Sales Manual is more detailed and includes operational instructions and information. This assumption was confirmed to be correct by the unit General Manager during interview.

Besides the two documents, the portal also hosts the video lessons under three courses: (1) Commercial Structure and Profile, (2) Sales Techniques I: Customer Attraction and (3) Sales Techniques II: Yázigi Sales. Those courses provide instructions, examples, and many recommendations on how sales activities should be performed.

Even though the training is available on the portal, there is a face-to-face paid training program which is also available to the franchise units' employees, simply called Y-Sales. Those training programs are broadly aligned with the video lessons and the manuals according to training material but are perceived as more effective both by the franchisor business coordinator and the General Manager, as expressed during interviews. When confronted by the question as to why they continue to consider the portal as the primary source when the face-to-face training program is perceived as more effective, both interviewees argued that the portal is available on a continuous basis. Furthermore, the General Manager added that it was not affordable to send everyone to face-to-face training.

The General Manager praises the face-to-face training, stating that “instructors experienced in sales techniques give important hints and examples, making you exercise scripts and objections handling”.

In addition to the information in the portal and face-to-face trainings, franchise unit employees considered that the franchisor business coordinator was a good source of information on how commercial routines should work., i.e. hold valuable knowledge on the routine template.

The above examination describes how and where the template is stored, but it does not explain how and where it is developed.

The researcher did not have direct access to the materials on the development of the routine templates but the question was asked of the franchisor business coordinator. She explained that the commercial ‘process guidance’ (used by the interviewee with a loosely similar meaning of routine template in the present research) “comes from the long successful experience of Yázigi, but is frequently updated with the best practices found in Franchisees and most modern sales techniques in the market” (Franchisor Business Coordinator interview). This response was rather vague, and additional questions were asked to confirm the details of the process of the development of the material. To summarise the sequence of questions and answers, the development of routine template representations in the materials is largely based on historical processes deriving from the first successful units, and is revised annually to incorporate the learning from regional coordinators observing franchise units innovations, as well as from the input of external consultants on new techniques. It is important to note that the coordinator input from external consultants is only used in specific areas where there are specific needs as raised by franchisees. One example given was the sales technique of approaching people at external events to find new prospective clients, which was developed by external consultants.

**CNS.IQ2.** How is the routine explicit knowledge codified?

As briefly described in section 3.4.6, routine codification (for knowledge transfer) is generally achieved through the use of language, symbols, diagrams, charts, recorded video and audio, animation and other formats. The way that codification is implemented changes the way that it will be interpreted by the recipient of the knowledge transfer. In this sense, it is important to evaluate the codification of explicit (declarative) knowledge by the franchisor to better understand how representations of the routine template are developed.

The examination of the two sales manuals and the three video lessons indicates that the codification of explicit knowledge is not standardised across media. However, within the video lessons, the codification seems more consistent across courses than in the written material, being more effective in supporting the recipients' learning process.

Extracts from all material were analysed qualitatively in NVivo, but considering that the Y-Sales Manual (Pearson Education, 2016a) is more operational and gives more focus to the CNS routine template, it will be detailed here to illustrate some of the findings. This manual has five chapters, the first one being a description of the history and profile of Yázigi, and the second discussing the proposed commercial structure for the unit and expectations regarding capabilities, attitude, general behavioural rules to follow in respect to the customer, and body language. It also presents some of the tools available to the sales representative, customer archetypes and advice on how to manage them, and guidance on the daily schedule, with basic instructions on basic routines. The third and fourth chapters are described as containing 'sales techniques', and provide relevant instructions and examples for the approach, persuasion, and objection management as part of the student enrolment routine. The fifth and final chapter is a simple approach to social networks as an extension of the prospective activity.

The codification of knowledge in the Y-Sales Manual is relatively simple, mostly itemised and contains all the information in 77 pages, with very low text density. The Media Richness Theory (see section 2.1.4) suggests that written formal messages are already low in

information richness so, with a lower density text, the capacity to carry data is further diminished.

Many of the itemised topics are not accompanied by a description of the items. The extract below illustrates this point:

*“Customer care must have 3 fundamental objectives:*

- 1. Establish a healthy relationship with the customer.*
- 2. Create value for the customer*
- 3. Ensure a positive experience and perception.”*

No further explanation is given about how a ‘healthy relationship’ can be achieved, how value be created for the customer, or what needs to be done for a positive experience. The above directions, standing alone, do not transfer useful knowledge to the sales personnel.

The language in the manual varies from giving broader advice as in the above extract, to setting goals or providing particular instructions. The following extracts from the Y-Sales Manual outlines the expectations of ideal behaviour from sales representatives:

*A good Yázigi sales representative must have important competences that allow a professional, qualified, and results generating performance.*

*Know the main types of customers so that you can provide an excellent service:  
Procrastinator: prefers to delay the response to another day.*

And the below extract has a more instructional objective:

*Based on the positive response from the consumer, the attendant can evolve by:*

- *Inviting the consumer to attend a class in the school.*
- *Recording the name, telephone number, e-mail, and address to send an invitation.*

A particularly interesting part of the Y-Sales manual is a description of recommended body language that warns about crossed arms, curved shoulders, adequate voice volume, the need for eye contact, and smiling (Pearson Education 2016a, p.16). Those aspects are quite hard to implement simply by reading instructions, although can be developed with self-awareness. Despite the attempt to articulate these tips on behaviour, there is more in the sales representative posture that suggests the need for tacit learning.

The manual also contains examples, such as in the following extract, in which a call between the sales representative and a prospect is exemplified. The prospective contact was in the database, as he had contacted Yázigi in the past month.

*Sales representative: Good Morning/Afternoon, this is <your name> from Yázigi. Please may I talk to <name of the prospect>? Is everything ok?*

*Sales representative: <name of the prospect>, you have searched for information about English courses here at Yázigi in the last month, and we are now contacting you to inform you about registrations and the enrolment campaign for October, on special conditions. Can we talk ?*

Looking at the language applied in the above extract, it could be said that it is not totally clear and professional, but very colloquial and of a poor standard. However, the use of examples is valuable to facilitate the creation of skills or habits. Anderson (1993 p.88-89) explains that instructions and examples expedite learning as learners can visualise the

sequence of actions and apply the same mechanism used for analogies, in order to learn from them.

Yázigi also uses charts and diagrams to codify routine template knowledge as seen in the commercial process workflows below (Figure 18). The term “process” here reflects its use by companies, in a loose form that relates to the concept of routines in this study, but does not have the same rigour.

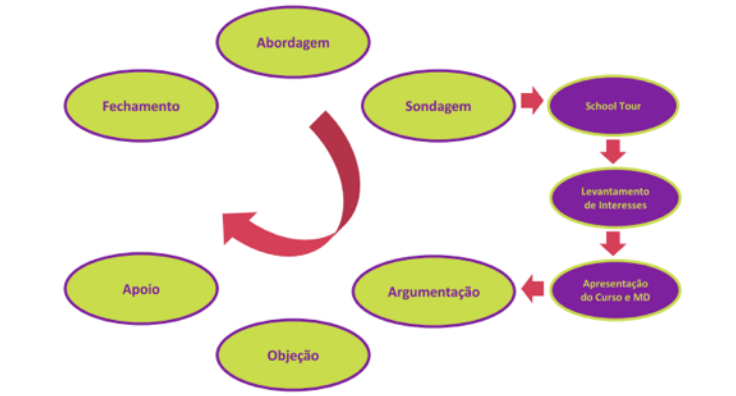
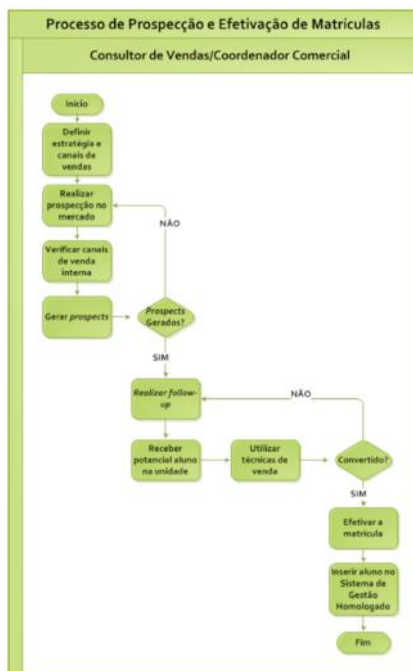


Figure 18 - Commercial Process Workflows

The above workflows are part of the Commercial Management Manual (Pearson Education 2016b) and exemplify the lack of standardisation in codification. In the first diagram, tasks are connected, and decision points are clear, as in a proper workflow. In contrast, the second workflow shows a direction that is not fully clear, with the detailed steps between two tasks and no clear decision point. It would be difficult for an employee to follow the second workflow without further explanation. Nonetheless, visual codification in charts and diagrams can be attractive and draw the attention of the learner.

It is now important to discuss the codification of knowledge in the video lessons. Lessons are guided by a presenter (see Figure 19), with a persuasive tone of voice, in conjunction with key text and physical presentation.

Knowledge in the online course videos is structured in a fairly similar way to in the content of manuals, and topics are covered through lists. Simple instructions are given at certain moments. Figure 19 pictures the lesson passage with the initial steps for answering a call from a prospect client being listed in order to set establish good practice, as shown in the below translated transcript:

1. *Answer the phone at the first ring.*
2. *Identify yourself and the company at the beginning of the call.*
3. *Open the customer's registration in the system while talking to them.*
4. *Avoid noisy areas for reception.*

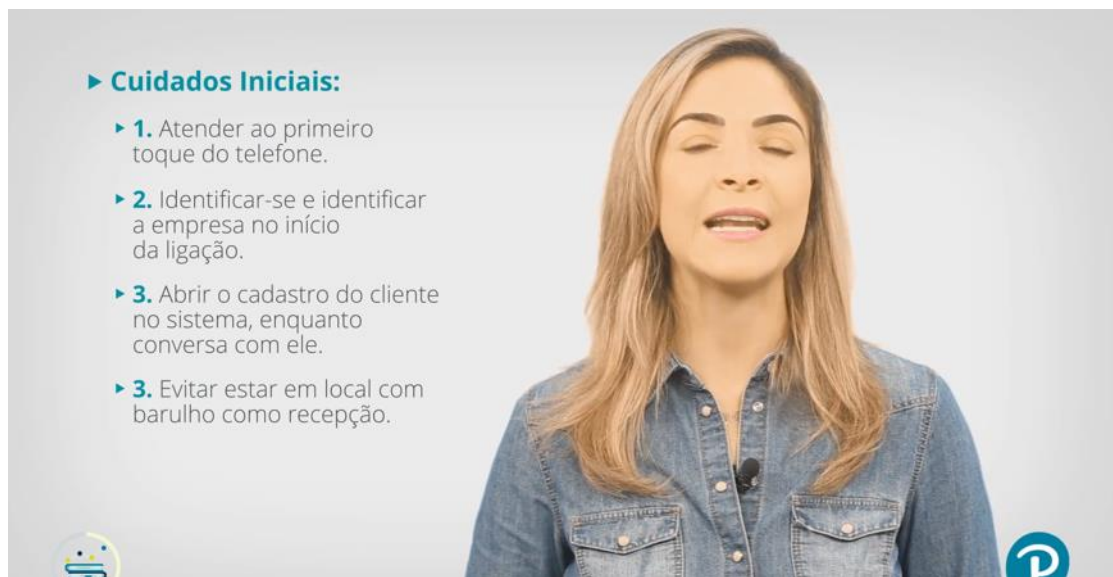


Figure 19 – CNS Routine – Telephone Call From Prospective Clients - Steps and Recommendations

As an example, the script for a call initiated by the customer is provided with more instructional steps, as illustrated in Figure 20 and Figure 21. The script proceeds as follows:



1. *Identify yourself and introduce the company*
2. *Request the prospect's name, telephone number, and email address, to formalise customer service and open the system registration screen.*
3. *Assess the customer needs though open questions*
4. *Present solutions and arguments*
5. *Overcome objections*
6. *Close the sale*



Figure 20 – CNS Routine – Telephone Call to Prospective Clients - Steps and Recommendations

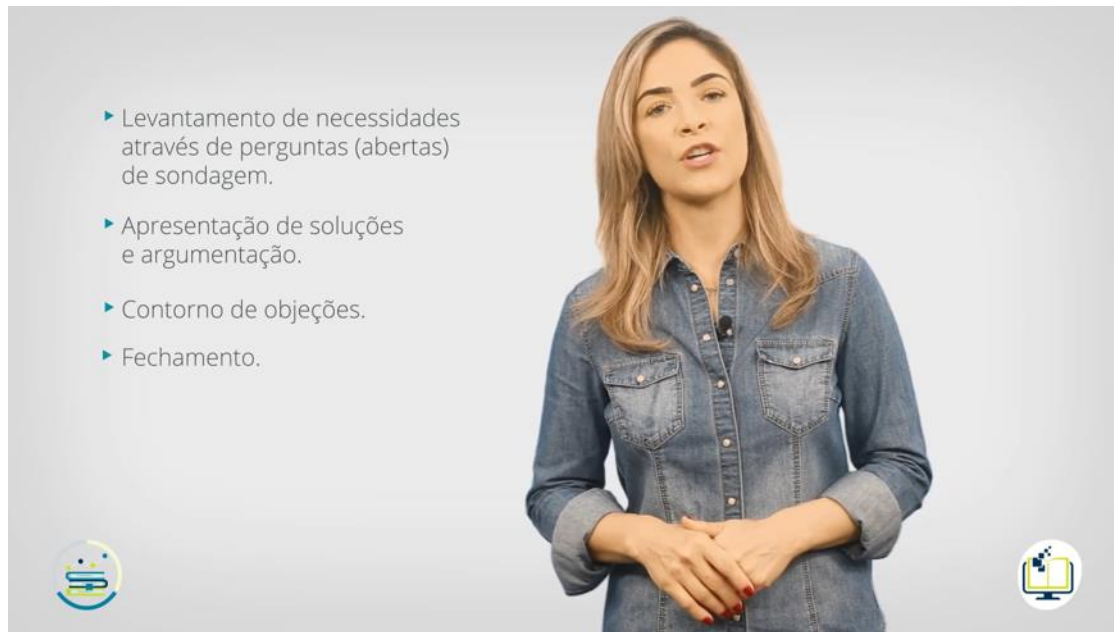


Figure 21 – CNS Routine – Telephone Call to Prospective Clients - Steps and Recommendations

In the videos, examples of a routine performance are rarely given. Even in cases where there is an exemplar performance, such as the one below with Figure 21 demonstrating materials and Figure 22 giving a school tour example (Figure 23), neither are examples in which the conversation can be heard, or the physical actions can be identified. Instead, only a few seconds are displayed as an illustration.

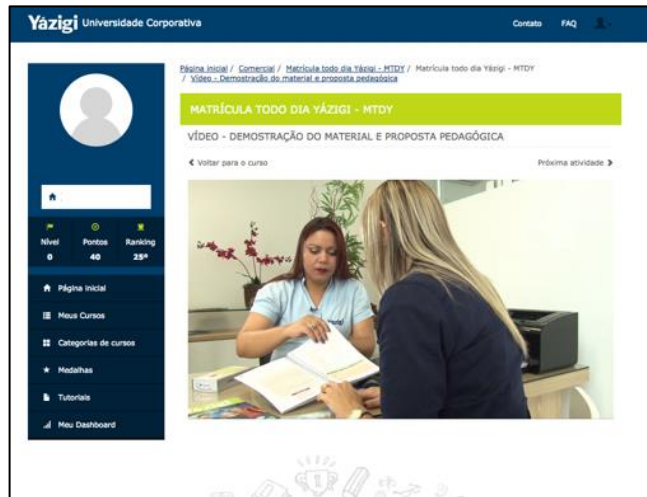


Figure 22 - CNS Routine – Showing Material

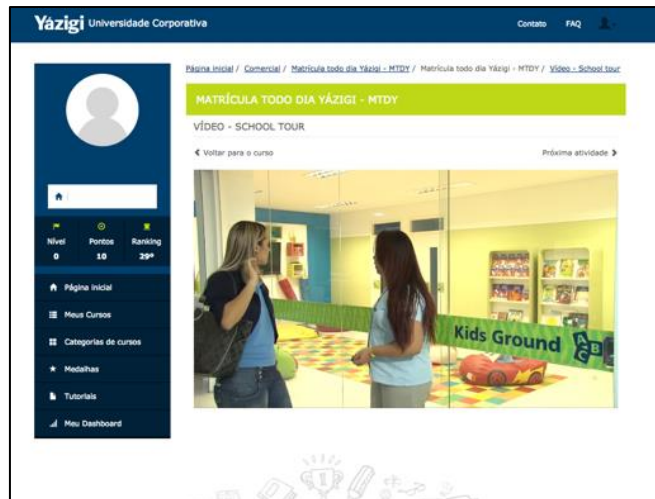


Figure 23 - Online Training for Sales – School Tour

It is possible to suggest that the codification of declarative knowledge by the franchisor is non-standardised and possibly oversimplified. It appears to assume that further explanation will be given to accompany the written (and drawn) information. In addition, there is no indication that it was intentionally chosen to match specific learning objectives in terms of routines replication, as it leaves out critical information required to connect the task's execution.

**CNS.IQ3.** How is the tacit knowledge of the routine presented for copying?

As described before (see section 2.1.1), tacit knowledge is uncodified and, consequently, costly and slow to transfer. It requires socialisation to be transferred through imitation; as a consequence, tacit knowledge is not present in the documents. It can only be attained through the direct interaction with participants of routines, as a shared disposition to behave, which could assist in the transference of this knowledge to learners.

To receive tacit knowledge, the employees of the franchise unit would need to have access to those participants. As no mention to such experiences was alluded to in the documents, or spontaneously described by interviewees, the question was posed to the General Manager of the franchise unit in the third interview, as she answered: “[regarding] the opportunity to go to another franchise unit and follow them on the activity, this is not a possibility”.

She also mentioned that this was a possibility that she missed in the early days of the school implementation, but she did not know other franchisees, nor did she get the support to do it. Also, she argued that she was so busy that she gave up on pursuing it. This means that the easier and potentially best form of tacit knowledge transfer was not made available by the franchisor.

Direct access to other franchisees was later developed by the General Manager, though. As explained in interview, she became part of the Yázigi franchisees association when she started to gain contacts and explore them in order to ask about how they would undertake certain tasks about which she had doubts. Even then, no visits were made to other units either by her or by employees to pursue or develop their work. It could be argued that the value of tacit knowledge is not fully clear or explored based on the lack of spontaneous mentions of this need, or any related opportunities.

It could also be opined, that tacit knowledge is transferred during face-to-face training sessions when routine parts are exemplified by instructors. For instance, when instructors show how a sales technique can be used, simulating the approach to a customer, tacit knowledge is available through the observation and imitation of body language and other

details. However, in the face-to-face sessions, only parts of the routines are exemplified emulating its enactment, and do not expose learners to the full routine, as it would happen with direct experience in an actual working environment.

**CNS.IQ4.** What are the routine artefacts that support the routine? What is their role in the routine template?

The artefacts used in the CNS routine are systems, forms, and reference tables, among others. In the last section (5.1), some of the artefacts offered by the franchisor were listed, and from those, the following artefacts are used in the CNS routine:

1. LEAD Machine – Customer Relationship Management software that centralises a database of prospective customers captured by the site, phone calls and emails received, and from acquired contacts databases.
2. SAY – a script to improve the sales discourse about Yázigi, to be printed and consulted during conversations with customers.
3. Start and progression table – a table to guide the sales representative on which program is more adequate for each customer type according to age group and needs.

The LEAD Machine is the main system used in the CNS routine. It stores the information on the identified prospective clients, the history of the conversations that the sales team had with those prospective clients, dates for follow-up calls, as well as other critical information. The system triggers sequences of actions from the sales representatives as part of their CNS routine and its reinforcement as part of the standardised output of their activities is expected. For instance, specific information about customers objections is required, making it necessary for the sales representative to follow the correct steps during calls.

A second artefact is SAY, which is a call script that specifies what the sales representative should say and ask, and how they should respond to the prospective customer during approach calls. It helps to ensure that the call is followed according to the expected routine.

Finally, the start and progression table is a frame of reference to help the sales representative to offer the adequate program and persuade the prospective customer with related benefits.

Aside from the artefacts above, the CNS routine also uses the commercial policy reference table for prices and other forms specific to enrolment campaigns.

**CNS.IQ5.** Who are the franchisor employees responsible for transferring the knowledge to the routine?

The franchise business coordinator is the key employee of the franchisor and responsible for supporting the franchise unit with respect to commercial routines. The coordinator has the knowledge of how it is supposed to perform, how other units are performing, and so on. However, the coordinator does not perform the routine themselves, so they are incapable of transferring tacit knowledge to franchise unit employees.

During the interviews with the General Manager, she mentioned that in certain occasions she would ask the coordinator how a task should be performed, and he would then consult other franchise units before returning with a response.

Other franchisor employees involved in knowledge transfer are the trainers that present face-to-face training sessions on the Y-Sales course. According to the interview with the franchise business coordinator, the trainers themselves are regional coordinators, or directors and other employees with a long history in the franchise system. Sometimes, external consultants are also hired to lecture in the training sessions but they usually focus on new sales techniques that are being introduced as changes to improve the performance of the CNS routine.

**CNS.IQ6.** What is the representation of the routine template?

As explained in the introductory text of this section, the routine representation template is rarely presented as one complete reference. That being said, in order to support the understanding of CNS routine replication, a proposed representation is formulated here,

based on general steps referenced in documents and confirmed during interviews. The main sources of the routine template representation are the workflows shown previously in Figure 18, the input and output points of the artefacts, and some additional information collected from documents and interviews.

Figure 24 displays several things: the yellow elliptical signs identify external artefacts, the light blue circles identify routine artefacts, the amber rectangles identify prospect management tasks and triangles for decisions, the pink rectangles represent the passive prospect contact, the white rectangles identify steps during interaction with prospective clients, and the grey rectangles represent specifically relevant interaction tasks. It is important to highlight that this representation does not reflect the researcher’s mapping and interpretation of the routine template but the aggregated view of what is indicated in the data.

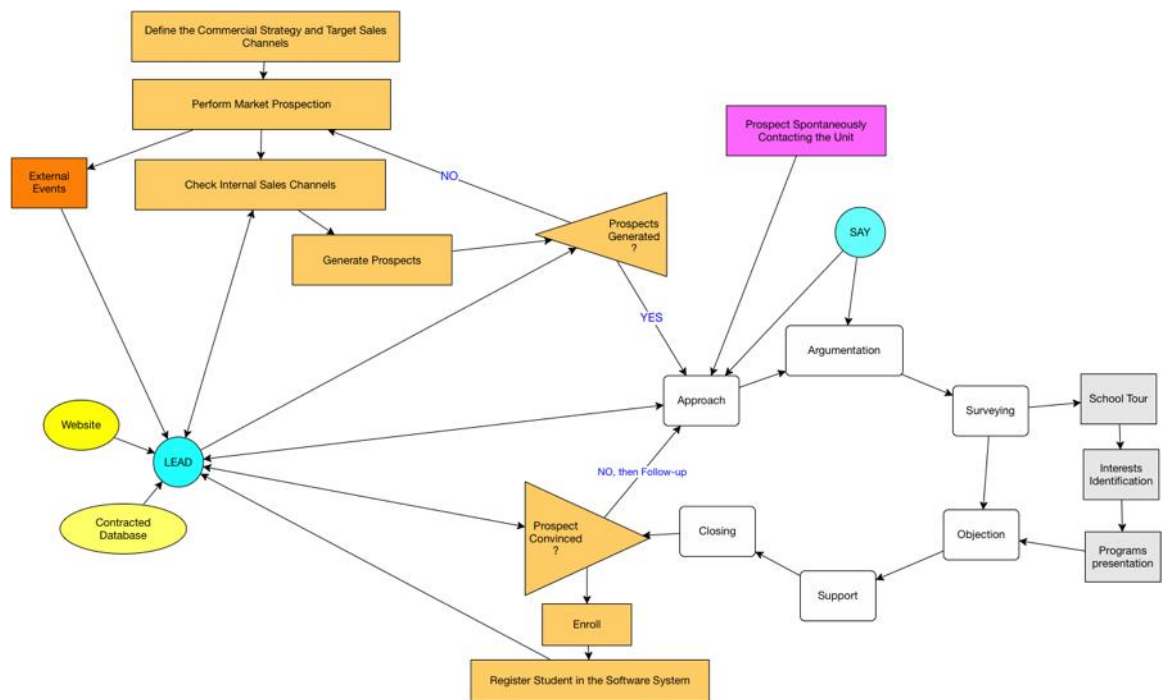


Figure 24 - CNS Routine Template Representation

The CNS routine has two starting points; one through searching for prospective clients to approach (amber rectangles) and the second when a prospective<sup>9</sup> customer enters or calls the school (pink rectangle) with interest in a program for themselves or someone in their family. It is important to highlight that contact initiated by the customer is not represented in the documents diagrams but is referenced in the text of the Y-Sales manual (Pearson Education 2016a). Naturally, this is also a key starting point for new student enrolment routines for the performance of the school. The prospective customer that spontaneously contacts the school tends to have the highest chance of converting to an actual customer, compared with the active sales prospect, since they are already interested in and searching for a language program. Prospective customers identified in the identification activities are usually identified as having the demographic and psychographic characteristics according to the target market segment, but they have not undergone the process of thinking about it or manifesting the desire to acquire the service. The prospective customer that has triggered a passive sales process, unlike the former, has completed the thought process of evaluating the benefits and expected costs, and is committed enough to act and contact the school.

It is important to elucidate the context of the decision process that the prospective customer is undertaking, as explained by the General Manager of the franchise unit during the interview. The language school's market is quite competitive and there are several alternatives for the customer. Firstly, in the so-called 'digital era', English schools with face-to-face lessons compete with distance-learning programs, mobile apps, and online platforms. Even in distance-learning programs, classes can be one-to-one with a dedicated instructor or classes in groups. Mobile applications and online platforms can use recorded material and gamification<sup>10</sup> to increase interaction in the absence of a live teacher. Secondly, within the

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<sup>9</sup> In sales, prospective clients are usually defined as people that have a chance of being converted to a customer. Differently, leads are contacts that may be generating a sale directly or indirectly through referencing other people, but who were not assessed regarding potential (Szymanski 1988).

<sup>10</sup> Gamification is the term used to describe the use of games for ends other than pure leisure, such as for educational purposes. Games can engage students and make them learn words and grammar in a fun way, using the dynamics of playing and competing for points. Literature suggests that there is a positive effect of gamification in the absorption of new knowledge in educational programs (Caponeto et al. 2014).



market of face-to-face classes in traditional schools, there are several other schools available in the same neighbourhood of Campo Grande, and even on the same street. According to the General Manager, a prospective customer usually comes to the Yázigi school as part of a search, and rarely with the decision to already enrol. This is due to the fact that the franchise has a long history in São Paulo, but has only been expanded into Rio in recent decades. Therefore, it is taking time to have the generational effect on parents enrolling their children because they have been to the same school, or on people who have concluded a course recommending it to others.

The active<sup>11</sup> search for new prospective students occurs in two ways. The first is by acquiring databases with contact information for families in the school area that have the demographic characteristics matching the school intended segmentation. The second is through external events, such as street sales and external visits. Street sales are conducted in selected, busy locations in the city with high pedestrian traffic, and particularly where the public matches the target market for language programs.

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<sup>11</sup> Here, 'active' means the methods for identifying prospective customers who have not contacted the school spontaneously.



Figure 25 – Street Sales Pictures

During street sales events, the public is attracted by games and music and the sales representatives approach those who appear more interested, to explain the school’s proposal.

External visits are programmed visits to organisations, in which special conditions are offered to their members if they enrol in the language program.



Figure 26 - External Visit Stand

Following the declarative representation of the CNS routine template (Figure 24), it is clear that external events feed prospective clients into the LEAD Machine software system, which is an artefact, qualified as a type of Customer Relationship Management (CRM) software. This artefact is key to the routine performance, tracking and driving productivity with a dashboard that shows conversions between the list of prospective clients received, contacted clients, and enrolled clients. In Figure 27, there is a line chart that shows the number of leads in the received list in orange, the number of contacted leads in yellow, and the number of enrolled students in green.

The list of prospective clients consolidated in the LEAD Machine software is central to the new student enrolment routine performance and is part of the triggering of the approach step in the representation of the routine template (Figure 24). The approach step is made through a telephone call, for which instructions in the template routine are shown in the answer to question CNS.IQ3 above. It is important to note that the approach step is triggered

both by the review of the prospective client list in the LEAD Machine system, as well as the contact that is received spontaneously when a prospect customer calls the school or visits to find more information about the programs offered. The sales supervisor should then start with the approach, introducing him or herself, confirming basic information about the prospect, and moving to argumentation. In the argumentation step, the sales representative should present the benefits of the school and its methods. After this, the sales representative must collect more information about the prospective client to understand his or her level of the language and other requirements, thus completing the surveying step. The next step is to offer a school tour and show the prospective client through the facilities, explaining the dynamics of the classes. Following this, the sales representative can understand what drives the prospective clients interests. The programs that match the prospect needs and interests are then presented. The sales representative the addresses any objections and questions that the prospect might have in the objections management step, and offers support to equate payment conditions and other needs to make the prospect comfortable to close the enrolment. If the prospective client is not fully convinced yet, he or she might ask for some time to decide. Then, the sales representative will need to contact the prospective client again, restarting from the approach step, but they will be likely running the other steps in a summarised fashion and skipping the school tour and program presentation steps.



Figure 27 LEAD Machine – Customer Relationship Management Software

The routine template parts for the above steps are represented with more clarity in the video lessons. In Figure 28, there is a snapshot of the video screen, showing the instructions for the call and example of the scripts to be followed. It is important to note that during the argumentation step, the sales representative can use SAY, the artefact in the form of reference guide, with scripts to present the benefits of Yáziqi’s methods.

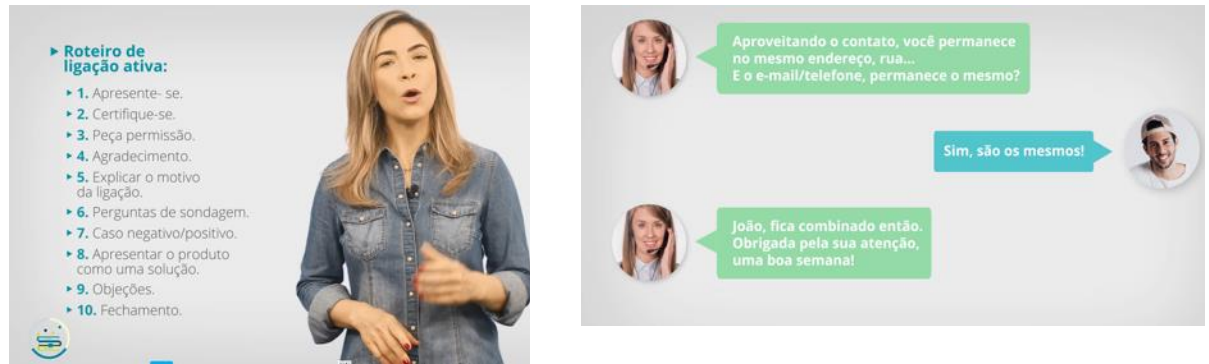


Figure 28 - Telephone Call Instructions in Video Lessons

As explained earlier in this chapter, besides the declarative knowledge description in training materials and manuals, the CNS routine template also relies on the explanation provided by the franchisor business coordinator and other franchisees, when accessed.

### 5.1.1.2 CNS Knowledge Transfer

As described above, routine templates contain the knowledge of how work should be conducted. In this section, the means through which knowledge is transferred by the franchisor to the franchisee will be discussed.

In line with the proposed protocols for case study research, the intermediary questions will be addressed below.

**CNS.IQ7.** What are the means by which knowledge can be transferred through and for routine replication? What is the media used?

In the text for the intermediary question CNS.IQ1, the repositories of routine template as made available for the franchisor were covered. However, in order to understand the means for the actual knowledge transfer to franchisees, it is also important to understand where

franchise unit employees that participate in the routine execution (energising) looked for such information. Interviews with the General Manager, sales supervisors, and sales representatives were organised in order to understand how knowledge was actually transferred to them from the franchisor for the CNS routine. During those interviews, they referred to different training opportunities, materials consulted, video lessons watched, and people that helped them. The first finding in this respect is that transfer occurred in a different way for each one of the participants in the study.

The General Manager explained that the first contact with information regarding the school routines, including the CNS routine, was made during the franchisees' school management training. Although the General Manager is not involved in the direct execution of the routine, she guides the supervisors, sets expectations and goals, and even trains some of them in the absence of the supervisor. She was also the person choosing the face-to-face training programs that employees would attend.

The General Manager then stated that the training was very thorough and impressive, and much better than the management post-graduate certificate program she had done before. The franchisee's training program covered almost all functions of management (academic management, commercial management, human resources and financial management) and discussed the business of language schools. During this program, a first view of the commercial approach (strategy and routines) was presented to the General Manager. In the interview, she commented that although it was a good program, it was too much information to retain, and that she had felt overwhelmed with content and information. She continued explaining that when she was back at the unit and having to start the business, she would consult the material of the training but she did not have anything else despite the inauguration day drawing closer. She felt quite unsupported. The issue was that the legal documents were not fully complete (licenses, etc). When she completed all the paperwork, she received one email with manuals, access to information online, and software to download. At that time, the video lessons were presented on 'TV Yázigi' which was an internet video channel that preceded the corporate university. She then watched all the videos that she could, especially in the areas in which she was not fully knowledgeable, such as academic management. This made her more comfortable.

It is important to note that before investing in the franchise, the General Manager was a senior engineer at a multinational company, with managerial responsibilities. Her background impacts the knowledge transfer in two ways, as she then explained. As an engineer, she believes in formal learning (manuals, training, etc). Also, her managerial experience helped to fill the gaps in her own experience, especially in areas such as finance. However, as she was new to this industry, she tried the best she could to learn from the franchisor.

During the interview, the General Manager continued describing her experience with learning by sharing that when she opened the school, she only enrolled 8 students within the first month, and as a result, was feeling concerned. At the same time, the National Convention of the Franchisees was scheduled, which she attended. At the convention, she met the Yázigi brand director and told him that she was an engineer who had invested in the franchise but was not getting any support with her business. In the weeks that followed the meeting, she received a visit from the franchisor coordinators (academic and commercial) to support her, and adjustments to the routines were made to improve performance. According to the General Manager, these included working on external events to gather more prospective clients and to improve the argumentation and objection management scripts.

Although the General Manager has an oversight of the CNS routine, the implementation is the responsibility of the Sales Supervisor.

In this specific case study, the Yázigi franchise system, it was observed that the first supervisor held the belief that he already knew the commercial routines from his previous job experience, while the second supervisor (who replaced the first supervisor in late 2016) was more concerned with improving his practice based on the Yázigi model.

During the fieldwork, both the first and second sales supervisors were interviewed, with very different responses, reflecting different attitudes towards learning new routines.

In the interview of the first sales supervisor, before asking about the specific learning experience, the researcher asked if he was having any challenges in picking up the job, by way of commencing the conversation. His response was interesting and somewhat surprising:



*I have not had any difficulties with the commercial processes, as one company, in truth, is like the commercial process of any other. The only thing that changes is the name of the company. The goal will always be to sell your product.*

At the time that the fieldwork research started, the franchise unit had employed its second sales supervisor and after eleven months, there was another change. When asked about the replacement of the first supervisor, the General Manager explained, “*He was not getting students enrolled and was not a good leader when managing the sales team*”.

The second supervisor was hired and attended a three-day face-to-face training. During the interview, he praised the program, stating that “the content of the course was quite interesting, and some techniques were new to me”. In the interview, he referred to the franchisor’s coordinator contribution as an advisor: “*[the format of the sales representative training] was a suggestion from our consultant; we worked in transition phases to format the training*”.

Sales representatives often rely on sales supervisors to acquire knowledge. During the interview with one of the sales representatives, who was in his fourth week of work, he showed the interviewer a folder with selected pages from different training materials and said: “*Somewhere here, there is a step by step outline of the sales process*”. However, a few minutes later, he clarified further: “*This is very theoretical, but we learn more in practice*”. From the interviews with the sales representatives, it became clear that they seldom accessed manuals in full and only watched the video lessons rather than participating in the face-to-face training.

Based on materials, observations, and interviews, it was noted that commercial routines present a particularly interesting challenge to knowledge transfer since the balance of explicit and tacit knowledge appears to be critical to its performance.

A successful sales routine, leading to a closing, has actions that require knowledge of product characteristics and benefits, prospect tracking tools, and good rapport with people. Knowledge of products and tools can easily be covered by explicit knowledge in representation artefacts such as manuals and training material. On the other hand, a good

rapport requires a set of relationship skills that demand knowledge is obtained tacitly, as it includes gestures, demonstration of feelings, body language, and other elements that are best learned through imitation (Heinrich 2016: 42). This relates clearly to what the literature of organisational learning refers to as tacit knowledge (see section 2.1.1). When asked why, the sales personnel indicated that persuasion, connecting with customers, and similar human interaction elements cannot be ‘forced’, but need to come naturally and be allowed time to develop.

All these ways of sharing knowledge influence routine replication, although the actual result will depend on the way they are compiled into the replicated routines.

**CNS.IQ8.** Are there intermediaries? If so, how is knowledge transferred through these intermediaries?

As mentioned previously, the knowledge of commercial routines was not directly transferred from the template to all the participants of the replicated routine that will energise or enact the routine. Before there was a sales supervisor in the unit, the General Manager learned about routines through manuals and training, then retransmitting that knowledge to sales representatives. Likewise, when a sales supervisor was hired, he became an intermediary.

Interviews with sales representatives suggest that the existence of a supervisor gave them someone to consult for all enquiries and needs. In addition, the supervisor could provide examples and facilitate learning.

The sales supervisors play an important role in the formation of the sales routines. For the sales representative, it is the supervisors who are perceived as being the experts. Thus, it becomes important to examine how sales supervisors form their view of the routine to understand how they transfer to the sales representatives.

In interviews with two different supervisors (before and after one of the replacement supervisors was hired, which will be referred to here as supervisor 1 and supervisor 2), it became clear that they were applying knowledge from their experience in prior jobs to shape the routine implemented.

In this sense, the sales supervisor acts as an intermediary in the knowledge transfer for routine replication for the parts of the replicated routine that reflect the template, and as experts for the parts that actually reflect the input from their experience. The role of the supervisor is also critical for the routine replication when they reinforce behaviour by giving frequent feedback to the sales representatives on what they are doing well and poorly. In the interview with the sales representatives, they referred to a weekly meeting with the supervisor in which feedback is received and opportunities for improvement are discussed. Nonetheless, the extent to which this practice works in favour of the replication depends on the supervisor's adherence to the routine template.

As described previously, the sales supervisor can have both the 'role of an intermediary' and the 'role of an expert'. The difference between the two roles is that the intermediary is accountable for driving replication and finding ways to transfer knowledge for the routine replication, and the expert is expected to have knowledge about the routine and is consulted by the routine recipients and the intermediary while the routine template is incomplete. When the intermediary doesn't have the knowledge, they search for it in order to learn and replicate. The General Manager explained in the interview, when referring to the sales supervisor: "*It is his job to replicate the process to the attendants*", confirming the attribution of the intermediary role to the sales supervisor. In the sales representative 1 interview, he stated: "*My supervisor has a lot of experience in sales and helps me to go through the objections and provide responses*". Therefore, he is considered an expert.

In relation to sales routines knowledge, the commercial coordinator designated to support the franchise unit was presented as the expert by the franchisor. It is usually a seasoned professional in language schools' sales, with proficiency in the franchise system approach. The franchisor commercial coordinator was seen more as an advisor for performance, and the training materials and sessions were proposed by the franchisor as being sufficient to facilitate the establishment of the routines.

In the third interview with the General Manager of the Campo Grande unit, the question as to whether the commercial coordinator played a role in the initial training given to sales representatives at the school opening was addressed. She answered: "*No, I used to get the part of the sales manual that I found relevant, build the training, and work with the*

*attendants*". Here, the General Manager references the Y-Sales Manual <sup>12</sup> (Pearson Education, 2016a). However, the franchisor's sales coordinator did answer questions on routines as well as rectified gaps in the understanding of template routines.

The General Manager acted as an intermediary in the transfer of the knowledge that was stored in manuals and conveyed in new franchisee training. However, this does not mean that she was an expert. Apparently, there was no recognition by the team of her experience in sales; only respect for her authority as the leader of the unit. It is not, however, possible to confirm those perceptions, and even more difficult to understand how it impacted routines replication, since the actual interactions were not observed. Nevertheless, the view from the General Manager is that this process was less effective than if it had been directly transferred through an expert.

At a later date, estimated by the General Manager to be three months after the replicated routine had been implemented, the General Manager requested further support from franchisor coordinators in a formal complaint to the franchisor leadership. This request led to a series of visits from the sales coordinator and gaps in the routine understanding were discussed and closed.

**CNS.IQ9.** How is the explicit knowledge of the replicated routine de-codified and retained?

The first contact with knowledge on commercial (or sales) routines happens at the new franchise units training, although it is rather simplified. The commercial approach from this training are described through the sales approach phases: approach, identification, support with needs and agreement, argumentation, objections (management), support, and closing. In the second slide, a simple flow for the passive sale is displayed, with the following relations:

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<sup>12</sup> The sales manual examined was the latest version (February, 2017). However, the content is mostly the same as the manuals available at the time of the unit's implementation.

1. *Definition of the offer → active contact →*
2. *Telephone 20 contact/day*
3. *Email automatic sending;*
4. *Contact for receipt confirmation → Make commercial proposal →*
5. *Telephone contact*
6. *Scheduled visit*
7. *Closing.*

During one of the interviews with the General Manager of the Campo Grande unit, she expressed that the verbal explanation during live training was also simple and did not require detailed actions so that it could be conveyed to the commercial staff.

In the face-to-face training, there are some examples and simulations of those situations, as described by the General Manager. Still, it is expensive to send all sales representatives to this training and it is almost never done as a result. Also, since those training sessions may not match the time of the initiation of employees, it is rarely among the first knowledge that they receive. A comment from the General Manager during the third interview reinforces this:

*Those training [sessions for sales representatives] have nothing to do with my implementation phase. I have been in business for three years and this is the first time I sent someone to this training.*

Examples are usually available from a sales supervisor. They are responsible for training the sales representatives and making them observe a few attendances before they are exposed to the actual prospect.

One comment from the expert exemplified the variation between following the proposed instructions and leaving gaps for the sales team to fill, as he explained at the end of the program material demonstration module: “Did you see how it is done? Now, be creative”.

**CNS.IQ10.** How is the tacit knowledge of the copied routine absorbed or retained?

As described in the answer to the intermediary question CNS.IQ3, the availability of tacit knowledge in routine templates is very limited. The participants of the new routine have practically no access to participants of existing routines.

However, as mentioned in CNS.IQ3, it could be argued that tacit knowledge from instructors, mostly people with substantial sales experience in the franchise system, is transferred during face-to-face training. Even though the knowledge available in routine templates is mostly explicit (or declarative), as it is transferred through intermediaries, it incorporates tacit knowledge.

During the interview with the sales representative C, she explained that she initially had difficulties in approaching potential prospective clients at street sales events. She said, “I used to think that people were feeling uncomfortable, making me also uncomfortable”. She then continued sharing that during the face-to-face training, the instructor performed simulations showing the approach in a very natural way, with a friendly ‘feel’, which made her realise that it should not be a tense situation. As she performed the exercises in the training and used the same approach for the next events, she felt more confident and at ease.

It is also important to highlight that tacit knowledge is transferred from supervisor to representative, and from more experienced representatives to newcomers, helping to embed the routine and replicate habits in individuals. However, the knowledge transferred is not strictly part of the routine template.

**CNS.IQ11.** Are the routine artefacts that support the routine copied? How?

As explained in section 2.3.4, there are two types of artefacts that concern organisational routines: replication artefacts, which hold part of the knowledge on the routine template; and routine artefacts, which function as tools in performing a routine. The training materials and the sales manuals are examples of replication artefacts. As such, they are particularly used

during routine replication, but not for the performance of the routine itself. However, the current intermediate question is concerned with routine artefacts.

Routine artefacts hold part of the knowledge required to energise the routine. Examples are the systems and forms used during the new student enrolment routine. The routine forms contain cues that trigger actions in the routine. In the current case, the SAY artefact can exemplify this, as it contains scripts to be consulted by the sales representative, triggering a specific approach to the conversation with the customer. The cues provided by forms and reference tables are provided upon consultation with sales personnel. Systems and machines, however, can actively perform tasks as part of routines, and can prompt users with cues resulting from the processing of information or materials. In the case of the CNS routine, the LEAD system schedules follow-up calls, prompting the sales representative to act.

During the empirical investigation interviews with the General Manager, she described aspects of the implementation of systems and tools, such as when she received access to the system and how she received some of the reference materials. Also, during observation sessions, the usage of those systems and tools by sales representatives was observed. In this sense, it has been confirmed that replication artefacts were being used.

It is important to note that the term copy here refers to any form of creation of another instance of the same artefact, being an actual physical printed copy of a form or an instance of software being accessed remotely.

### 5.1.1.3 CNS Replicated Routine

After addressing questions on the routine template and knowledge transfer, according to the study protocol, the investigation must focus now on questions about the replicated routine.

**CNS.IQ12.** How is the knowledge transferred during replication used to the establish the new routine?

As described, the CNS routine at the Campo Grande franchise unit of Yázigi is performed by the sales supervisor and sales representatives. During observation sessions, the enactment of such a routine was followed, and notes were taken about the sequence of actions performed by those employees. After the observation sessions, quick interviews were undertaken to map its source. At this point, it is important to refer back to the routine template representation illustrated in Figure 24.

The routine begins with the definition of strategy and directions for new student enrolment. Weekly meetings are held between the General Manager and the sales supervisor to review performance and define strategies. In the observed meetings, they reviewed the number of contacts made, rates of conversion from prospect to student, and the main objections. The review used reports provided by the lead machine software. Also, the team behaviour and external event plans were discussed.

Although the activities may reveal that the routine could be changed after meetings to comply with new strategies, this is not what happened during the empirical examination. Strategies and directions functioned more as changes to the input for the actions already determined by the routine. For example, changes were applied to the amount of time dedicated to each activity, or in discounts offered to prospective clients.

It is difficult to trace the source of the knowledge and how it has shaped the behaviour in the review meetings. However, two moments can be highlighted during the meeting. The first is the performance review, during which actions are triggered by the KPIs in the software reports. The second is the discussion on sales representatives and events planning, where there is a sequence for each sales representative and events are then discussed based on ideas from participants.

In this sense, it is possible to say that the use of the software, as an artefact, creates a series of cues from reports that helps trigger the sequence of actions during the meetings and beyond.

Regarding the performance review of sales representatives, some associations with the expected behaviour were described in the Y-Sales Manual (Pearson Education, 2016a) and discussed in the section for the intermediary question CNS.IQ2. In one of the observed



meetings, the supervisor explained that a sales representative was not describing the programs in a paced and clear manner but was rushing through this section. This remark can be seen in the sales manual (Pearson Education, 2016a Part A<sup>13</sup>).

The internal sales channels check step of the routine was observed as part of the activities of sales supervisor and representatives at the beginning of the week. The sales supervisor reviewed the information on contacts coming from the website and available in the contracted database and then assigned a target number of calls to each sales supervisor, with an indication of a 20% conversion rate from prospect to student. When prompted after the observation session, sales supervisor 2 admitted that this target was very difficult to achieve, but he argued, “*We need to challenge sales representative, and every prospect can be converted if he [or she] has the need and can afford it*”.

The process of checking internal sales channels is briefly described in the Y-Sales Manual (Pearson Education, 2016a, Part A), without specifying the actions in detail. Once again, it has been observed that the artefacts, such as the LEAD machine software and the contracted contacts database, played a key role by organising a list of prospective clients with attribute fields, and providing cues that trigger actions. In addition, the definition of the target number of calls triggered the sales representative actions.

The sales representative work was observed, both in performing active sales calls triggered by the prospective clients list, and in response to the calls from prospective clients to the school, referred to as passive sales by the manuals.

Independent of the trigger, sales representative reasonably followed the sequence of Approach → Argumentation → Surveying → Objection handling → Support → Closing. Some variations were also noted. When asked at a later time, the sales representatives said that they were forced to deviate due to the prospective client saying that they only wanted to know the price, or that they had previously attended Yázigi and wanted to resume studies, or by other specific clarification requests.

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<sup>13</sup> The Y-Sales Manual (2017a) has no indication of page numbers.

The steps between approach and closing are the most detailed in the training materials. During interviews, the sales representatives described watching the video lessons and reading the Y-Sales Manual (Pearson Education, 2016a), but they also frequently referred to learning from the supervisors. According to the attendants, during their first days in the job in particular, the supervisor followed their learning and gave frequent feedback. Sales representative 1 also showed the interview a few pages in a plastic file, summarising information from the Y-Sales Manual, and said, “*I have this cheat sheet with the key points that I need to follow when talking to the customer*”. In the observation sessions, even the representatives being on the job for some time, there was eventual feedback from the supervisors on what they were saying to the prospect client, as well as frequent consultations with the attendant and the supervisor.

During the interview with the sales supervisor, when talking about the sales representative calling prospective clients, he said: “[The sales representative] *needs to go through all the ‘points’ to make sure that the prospect knows the school and the programs and sees the value*”. During the observation sessions, there were feedback statements from the supervisor, emphasising the need to guide the prospective client to the next step (or phase) of the conversation namely to the closing phase. The sales representatives seemed to understand this as being a goal, or sub-goal, that would lead to the conversion from prospect to student.

In relation to the actual source of the knowledge to ‘know what do to’, the sales representative 3 said during interview, “*Anyone that enters Yazigi has training. For instance, training from Beth [General Manager]. We also go to training sessions to understand the brand, how to talk to the customer, and so on*”. Nonetheless, she later added an important statement that indicates the plurality of the knowledge sourcing: “*I learned to visualise what other people were doing. I also did some training at the portal, and we attended some courses. We get a little bit from each one and aggregate it*”.

After the CNS sales routine has been compiled, it is embedded through practice. In the interview with the recently hired sales representative, an embedding process was portrayed that was still in progress, with gaps in the knowledge of actions that would need to be filled when energising the routine. Those gaps were filled by asking the supervisor, and eventually by looking at materials when the supervisor was not available. The representative also

demonstrated the consolidation of the routine by noting, “*It [filling the gaps] is still like that [by asking the supervisor], but less so than before*”. In an interview with another, more experienced, sales representative that was at the school long before the new supervisor was hired, she seemed proud of already knowing the work well. At the same time, she tried to demonstrate that she was complying with the new proposed routine. In this sense, it became clear that there was an effort to override old habits with new learnings.

The evidence from the data collected suggests that the formation of new routines includes goal setting, cue identification, feedback, learning based on instructions and examples, and reasoning based on previous experiences or analogies. These findings will be discussed further at the end of this chapter and in the following chapter.

**CNS.IQ13.** Are there mechanisms used to confirm that the knowledge has been retained?

The retention of CNS routine knowledge depends on the feedback from the General Manager to the sales supervisor, and from the sales supervisor to the sales representatives. During the weekly meetings, the performance of the sales team members was reviewed and, as a part of this process, there was a discussion about compliance with the routine. It is important to note that there was not a formal directive of executing the work exactly as described in training and manuals, but rather a more general understanding of what ‘working well’ means. The problem with this is that the ‘ideal’ way of working seems to be vague and there are different views of what it means to each person.

A more indirect account of knowledge retention was based on the review of the results achieved by each salesperson; for example, how many calls were made in a day, how many new students enrolled, and what the root cause analysis of such results was. When underperformance was noted, the discussion eventually identified a lack of understanding of how to explain benefits or to manage objections, or even more operational issues such as registering contact details correctly on the system, among others. In those cases, feedback

was given to the sales representative and further training was provided by the supervisor. In addition, but more rarely, video lessons were assigned. According to the General Manager, face-to-face training was not assigned to underperforming sales representatives, but only to those that could teach others, so that the supervisor or more senior sales representative was being developed with a goal of eventually becoming a sales supervisor.

**CNS.IQ14.** Are there relevant changes in the replicated routine in comparison with the routine template? What are the sources of those changes?

During the observation sessions of the CNS routine, it was possible to note that small changes were triggered by a conscious decision from the participants, which were unintentional. In this section, changes are identified in comparison with the template routine.

In general terms, the replicated routine follows the same sequence of the routine template as detailed in the response to the intermediary question CNS.IQ6. However, changes were observed to this for various reasons. The first was the feedback from KPIs that created pressure on the supervisor and the attendants to push to close sales. Occasionally, sales representatives would use a degree of flexibility around the benefits presentation, skipping less impactful benefits, according to their experience, and focusing on benefits such as technological tools, that they felt would be more attractive to prospective customers. If the prospective client was satisfied with both the benefits and the price, a date for the prospective client to visit the school and enrol would be arranged, and the call would be terminated.

At certain moments of pressure for more success in closing sales, or when the sales representatives felt that the prospective client was hesitant in agreeing to enrol in the program, the sales representative would push for the fulfilment of some steps in the enrolment process, such as sending the payment slip for the enrolment and materials (books) fee by email, instead of waiting for to the prospective customer to visit the school. The objective was to force the customer to make a financial commitment as soon as possible, as this was a significant milestone in ensuring the completion of enrolment.

Sales representatives and sales supervisors also learned that they could add another step to the replicated routine by consulting the General Manager in cases where the financial conditions offered required a further stretch in discounts or terms.

A second reason was the particular behaviour of a supervisor or attendant towards adhering to routines. This caused changes in the way that the disposition to perform each action was adopted, with some attendants following previous habits instead of adopting the new ones as indicated in the routine template.

During an interview with the second supervisor, he explained that he already had experience in selling language school courses, and that the sales routine at Yázigi was more focused on selling the benefits of the products, rather than the characteristics, as in the other courses. So, other courses would focus on the number of features and competitive prices, while at Yázigi, he would discuss the impact on the student life, or where the formation would take them. However, he also noted that the sales techniques were already known. This belief that the new routine is very similar to the old, learned routines could reduce staff focus on copying the new routine exactly, resulting in a change occurring through the addition of certain parts of the old routines. This is a potential source of change but was not directly observed during the fieldwork.

At this point, it is important to highlight two responses from the interviewees that work in opposition regarding routine replication. The first was extracted from the interview with the first sales representative: “This was in theory, but practice is different”. The second occurred in the interview with the second sales supervisor: “We need to master the benefits and objections to become a Yázigi salesperson”. This comment from the sales representative reflects a preconceived idea that declarative knowledge shared during training and conveyed in manuals is not always applicable, and that only procedural knowledge formed with experience is. A similar view was also found to be present in the first supervisor, when he mentioned the relevance of his experience to the current commercial work at Yázigi. Conversely, the idea of ‘becoming a Yázigi salesperson’ triggers an open attitude towards complying with the standards proposed by the school model and pushes the team to absorb the knowledge transferred. The two opposite triggers appear frequently during interviews and observations.

Other small changes observed were due to the influence of personal preferences, and the belief that one action was more important than another in order to achieve the goal of the routine. For example, in a few enactments of the telephone call subroutine on the second step, instead of following the regular complete sequence of features and benefits of the program, the sales representative focused on technology, which is one of the most compelling differentiators, but not the only one. Features such as the frequent training of teachers abroad and the extra-curricular activities were sometimes skipped. When asked about this behaviour, the sales representatives argued that when prospective clients started to show signs of boredom, they would simplify the script and focus on the benefits that they believed were more compelling in practice.

The General Manager of the franchise unit raised the point that one of the issues of understanding the routines, understood here as the routine template, was failures in the education basis of the sales representative or even their experience as students on a language course. Although the sales routine is fairly simple, some of the details of pricing and program benefits were not understood by the representatives with gaps in basic mathematical education, or who had not previously studied a language course. To mitigate those gaps, the school has included basic tests during the recruitment process of sales representatives.

The evaluation of change during routine replication involves a decision on the granularity to be used, which in turn raises a discussion about how to evaluate similarities and position findings in relation to the 'copy exactly' approach (see page 61 for a more complete description) from Szulanski and Jensen (2008). This will be further debated in the next chapter.

An important phenomenon to be accounted for is the high turnover in the sales area. As described, the sales team was completely substituted twice over a period of one year along the empirical work, and according to the owner, the current team is the fifth since inauguration. Frequent changes were a result of poor performance of the sales team, as explained in the interview with the General Manager, especially in the active sales routine. The active sales routine is seen by the franchise system as the area in which having a robust sales team makes a positive difference. By actively engaging with the prospective clients, the

sales team look to convert undecided prospective clients, or those that want to study the language but have not yet taken action.

**CNS.IQ13.** If change happens during replication, how does it affect organisational performance?

Positive sales routine performance is obviously critical for the overall business performance of the franchise. At Yázigi, there are three measures for performance on the CNS routine according to the Commercial Management Manual (Pearson Education, 2016b): the number of new students, the average ‘ticket’ (value paid) by the student, and the conversion rate from prospect to student. There are also measurements for the retention of existing students, which are calculated in terms of academic and administrative, through the quality of service and customer management activities, but these do not relate to the CNS routine. This clarity of performance indicators benefits the sales routines evaluation and allows for the setting of performance targets for the teams.

In the training material, it is explained that six of every ten calls should convert to visits and three of those should convert into new students, on average. When this was discussed with the General Manager, she said that she viewed this more as a target than an actual average of the franchise system.

When discussing the relationship between the CNS routine and sales performance, it is important to separate active and passive sales approaches. As briefly described previously, active sales occur when the contact starts with the school calling a prospect listed in a database, while passive sales occur when the prospect calls or visit the school looking for more information. This is the common terminology used by the school.

One of the distinctions between the Yázigi franchise system business model, and other language school chains and franchise systems, is the active sales section. Most language schools in the market sell their products by promoting the brand and products through advertising and passive sales. At Yázigi, however, schools make use of telemarketing, calling leads to offer their products and services.

There is some debate about the adoption of this type of commercial strategy, as it can position the institution as being more concerned with pushing sales than building a reputation that sells the institution itself. There is evidence that customers in Brazil feel invaded and that it is a waste of time when they are contacted for telemarketing purposes (Savi Mondo et al., 2008).

It is therefore critical to evaluate why the franchisor of Yázigi promotes the use of active sales. Passive sales rely on free publicity from current students and partners, and expensive paid promotion to attract prospective clients, in what could be termed a ‘pull strategy’<sup>14</sup>. It is a slow process for which there is little control, and one which requires the sales department to be ready to support in-coming calls and visits for the entire period that the unit is open. Between passive sales instances, sales representatives would be idle. Although there is a significant loss in active sales calls, there is significant synergy as the school uses idle time to contact leads.

Active sales work also plays a role in the franchisor-franchisee relationship limitations and scope of responsibility. As the franchisor is responsible for advertising and brand promotion, the active sales model shares the accountability for driving sales with the franchisee. This both has an impact on the franchisor-franchisee negotiations around support for performance, and on the level of autonomy that the franchisee has in order to drive results.

In general, the proximity of the routine execution and the impact on the overall financial performance of the school through achieved enrolments creates an active feedback mechanism that may create pressure for changes in the routine. However, this is translated into pressure on the active sales activity.

During the interview with the General Manager, she expressed her frustration with the active sales performance: “We don't sell! Targets are not met. The commitment of the sales team...for example...they know that it is proven, we have statistics, that you need to do at

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<sup>14</sup> Pull strategy is defined as a marketing strategy that uses advertising and consumer sales promotion to create interest for the product and brand, while push strategy uses trade sales promotion and direct sales to push closing (Varadarajan, 2010).



least 40 calls a day...when they are hired, they know that they will need to be actively telemarketing...me, for example, even I cannot talk well on a mobile, recording those long WhatsApp messages...I almost even stutter. [...] but they are salespeople, hired for this. You give training and set the targets, and they respond with 17 calls in a day”.

The importance given to active sales in the franchise system is reflected in the training materials, in which substantial space is dedicated to this type of routine. The contact with active sales routine knowledge occurs in a similar way to passive sales, as described previously.

Despite the similarity between the replicated and template routines, active sales have been perceived by the General Manager as a routine that is frequently underdelivering, as few enrolments have been made using this routine since operations started in 2013. Ultimately, they have not covered the costs of having a fully resourced sales department, to date.

The frustration with the results of the active sales and resulting high turnover on the team creates pressure on the new supervisor. During the third interview with the General Manager, when asked about her frustration with the sales team, she mentioned that sales representatives were not reaching the minimal target number of daily calls. In this sense, she was concerned with complying with the targets of the existing routine execution, and not necessarily with changing the routine itself. However, the new sales supervisor felt that he also needed to do something differently in order to obtain better results, so a change in routine can also be seen as a possibility due to the underperformance.

### 5.1.2 Case CCP: Commercial Partnerships Routine

The commercial partnership routine is energized to prospect, sell and support the supply of language programs in partnership with other institutions, especially traditional education

schools. The present examination of this routine follows a different approach than the one used by the CNS and ALN cases, since it is not a case of replication, but a case of the formation of a new routine in the Campo Grande Unit to be replicated later by other units.

### 5.1.2.1 CCP Missing a Routine Template

At the time that the General Manager of the Campo Grande unit decided to pursue commercial partnerships, a routine template representation was not available from the franchisor to be replicated. The only mention of commercial partnerships appeared in the new franchisees' training material, as a suggestion of as potential way to expand the business.

In the absence of a routine template representation, the General Manager went down the path of contacting other franchisees and General Managers. In the interview she explains: *“I contacted the group of franchisees saying...people, I have an opportunity...anyone has experience...the colleagues then started to bring their experience”*.

In this first instance, the opportunity was a significant one, as it was for a large chain of schools. As such, it attracted a lot of attention and besides the help of other franchisees, the franchisor offered support along the process.

The sequence of actions to sell and build a commercial partnership is rather complex. The General Manager shared that she was quite nervous during the process, knowing the revenue that it could bring to her business, but feeling insecure about the steps that should be taken. More importantly, her insecurity shouldn't be visible to the potential partner, otherwise he would not proceed with it.

As she explained, there were many points to be clarified, like what needed to be in the proposal to be presented to the potential partner; how profits should be shared; what were the responsibilities of each party, etc. A first meeting could not happen if a complete proposal was not ready to be discussed.

### 5.1.2.2 CCP Routine Formation

The formation of the routine used for this first opportunity was obtained by the consolidation and adaptation of the information shared by people in other franchisees and the franchisor's executives, based on their knowledge from similar experiences in the franchise system or even in other businesses.

This first partnership was close to being signed until the chain of primary and secondary education schools was acquired by an economic group who already owned a language schools' chain. Therefore, the partnership did not progress.

The need raised in this instance added to other requests from other franchisees and the franchisor decided to create a project to create one routine template representation for the system.

In the project, the franchisor structured a series of meetings and invited franchisee's General Managers to participate, give ideas, revise and approve the template.

The Campo Grande unit General Manager was impressed by the initiative of the franchisor in this process. She said on the interview: "*they are exceptional!*".

After this experience, the franchisor-built material around the partnerships which is now called "Education Centres". According to the General Manager, the routine template representation built is far more complete than the first one she created and used.

Although the General Manager liked the way the franchisor managed the absence of a pre-established routine for commercial partnerships, she expressed a clear preference that the routine template representation could be available from the start.

Despite the fact that the CCP routine was developed with the help of the unit General Manager, and its knowledge transfer and replication followed a different path than that of the routines originally held by the franchisor, the intermediary questions will be addressed to conform with the structure of analysis used for the other routines.

### 5.1.2.3 CCP Routine Template Representation

**CCP.IQ1.** How and where are routines templates developed and stored by the Franchisor?

The process of development of the routine template representation was explained above. The template resulted from the experience of a group of franchisors in establishing a commercial partnership, and from the insights from some experienced franchisor employees, who formed a project team to create the template. The information was shared during the meetings of the project team, and the franchisor`s employees consolidated the knowledge into a single process(routine). The CCP routine developed was then codified and embedded in the replication artefact called Education Center Manual (Pearson Education 2017d) and made available at the Yázigi portal. The commercial partnership initiative was branded as Education Center, to reflect the name used to identify the format of the business instance that is built in the partnering educational organisation.

Besides the manual, the Franchise Business Coordinator was also trained in routine template representation and received a presentation file with slides that show the benefits for the franchisee that can come from the commercial partnership.

**CCP.IQ2.** How is the routine explicit knowledge codified?

The routine template representation was codified using a descriptive language in parts of the manual, and instructional language in others. Descriptive language, here, means to have a clear description of objectives, reasons, rules, benefits, and other elements important for the understanding of the routine template representation. Below, is an example of the use of this type of language in the manual:

*“The Education Center Program possesses positive points as well as points that need attention to be implemented correctly. See below the main advantages and the points that need attention:*

- *Partner’s classroom utilization: It is not mandatory the characterization of the classroom for the program, the same classroom where regular classes are given can be used.*” Pearson Education (2018d, p.8).

An example of the instructional language can be seen in following extract of the manual:

*“ 5.2 Method Demonstration*

*After the presentation of the Education Center model, it is necessary to demonstrate how is teaching at Yázigi, and this demonstration can be done in three ways:*

- *Invite the decision makers to attend a class at Yázigi.*
- *Perform a demonstration lesson to the decision makers and teachers of the partner*
- *Present the didactic sets of Yázigi and its methodology”* Pearson Education (2018d:17-18)

The manual appears to be much more standardized in terms of language than the Y-Sales Manual (Pearson Education 2016a) and the Academic Guidance Manual (2017b). There is little use of charts and diagrams to codify the knowledge of the routine template representation.

**CCP.IQ3.** How is the routine tacit knowledge presented to be copied?

There is no reference to tacit knowledge found for the CCP routine, from the franchisor. However, during interview, the General Manager said that she frequently talks to other franchisees that participated in the process of the formation of the CCP routine, and exchange

experiences. Since the talks involve telling stories about their experiences, it may be suggested that some tacit knowledge is transferred.

**CCP.IQ4.** What are the routine artefacts that support the routine? And what is their role in the routine template?

Besides the replication artefacts described in the previous section, the CCP routine has a few routine artefacts. The first and highly critical artefact is the Contract Template. This artefact was actually the starting point for the General Manager to contact the franchisor asking for support in creating the routine. The contract template ensures that the partnership will not create future exposure and issues to the franchisee. It also guides the points to be discussed and agreed on with the partnering institution.

**CCP.IQ5.** Who are the franchisor employees responsible to transfer the knowledge for the routine?

As described in the response to the intermediary question CCP.IQ1, the Franchise Business Coordinator is the employee from the franchisor that has been trained entitled to replicate the CCP routine.

**CCP.IQ6.** What is the representation of the routine template?

The representation of the routine template was built from the information in the Education Center Manual (Pearson 2018b), and involves a first step of identification, where the Sales Supervisor and the General Manager map the schools in the territory designated for the franchise, looking at characteristics that fit the target market. Indicators such as price of tuition of the traditional education are used to create a list of prospective client. The Sales Supervisor then calls each prospective client to confirm if there is interest in establishing a partnership for a foreign language program.

Once initial interest is confirmed, the Sales Supervisor schedules a visit with the prospective client. The General Manager also participates in the meeting to give credibility and to provide quick responses to any special condition requested by the partner.

If general conditions are met, the Sales Supervisor engages the Academic Supervisor for the method demonstration. As described in the response to the intermediary question CCP.IQ2, the method demonstration can be done through the participation of the partner in a regular class lesson in the Yázigi unit, or through a demonstration class lesson in the partner facilities, or through the presentation of the method material and program content.

If the partner is pleased with the conditions and the method, the routine moves into the negotiation and signing of the agreement. The negotiation of the agreement is a critical step since many of the conditions are only made clear at this step, once a binding commitment needs to be reached. Once the agreement is signed, the partner starts to adapt its facilities to house the education centre, and then a team formed by staff from the franchise unit and the partnering institution is formed. This team includes the General Manager of the Campo Grande Unit, the Sales Supervisor, and the Academic Supervisor. The partner designates participants on its side according to its structure, what varies substantially from institution to institution, and can involve the owner, directors and managers.

Once the team is set, they work to organise the education centre launch, communication to parents of students of the partnering institution, marketing activities, etc. A sales representative of the Yázigi unit is then designated to stay in the institution for a few days to assist and enrol students.

Once the classes are closed with students enrolled, the education centre operation begins with class lessons. During the operation, there are monthly meetings with the partnership team to review the functioning of the operation. In Figure 29, the routine template representation is shown under a diagram.

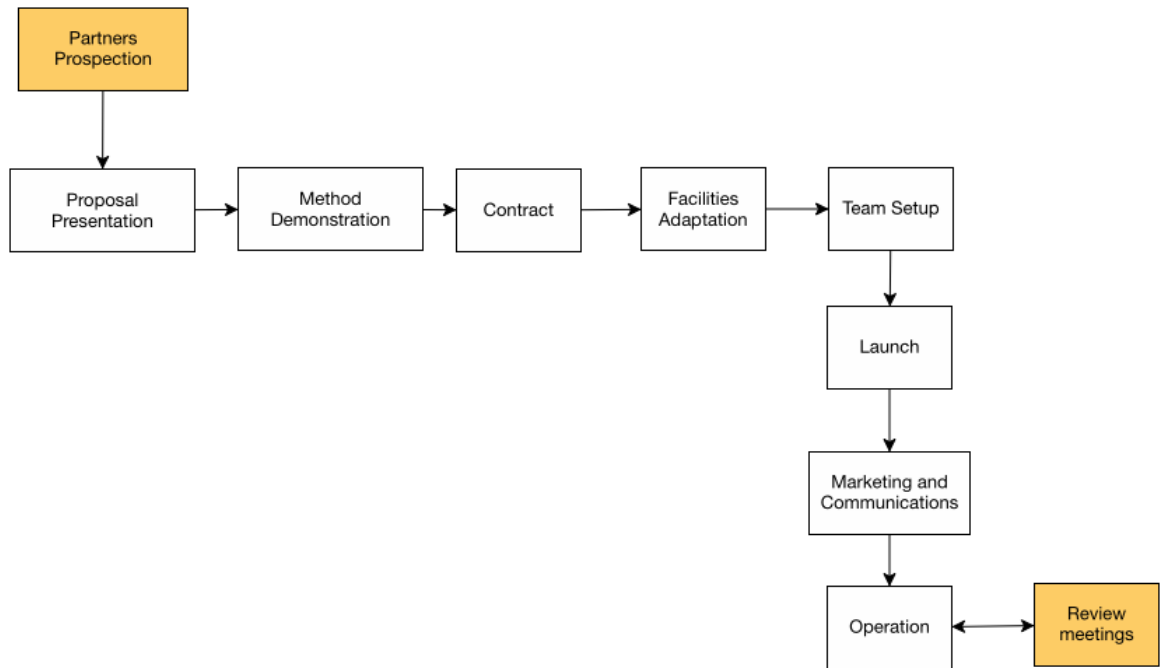


Figure 29 – CCP Routine Template Representation

#### 5.1.2.4 CCP Knowledge Transfer

As explained, the knowledge transfer of the CCP routine replication did not follow the same process as the CNS and ALN routines. Since the General Manager participated in the formation of CCP routine, she functioned as an expert on the routine. Even so, the intermediary questions on knowledge transfer will be addressed here.

**CCP.IQ7.** What are the means to transfer knowledge through and for routine replication replicate routines? And what is the media used?



The General Manager worked as the expert and transferred directly the knowledge to the Sales Supervisor and the Academic Supervisor, during the process of its formulation. Meetings were scheduled according to the need to setup activities to prospect and develop the partnerships. According to the General Manager during an interview, the manual generated by the formation process will only be used to train new supervisors.

**CCP.IQ8.** Are there intermediaries? If yes, how is knowledge transferred through these intermediaries?

The General Manager is an intermediary since she transfers the knowledge and coordinates the activities that they will perform. This does not only apply to the Campo Grande unit, since the General Manager was involved in the formation of the new routine, but it is also the expectation for other franchise units.

It is vital to consider that the General Manager is not only an intermediary but is expected to take part on the key steps of negotiation with the partner, being responsible for the success of the CCP routine.

**CCP.IQ9.** How is the replicated routines explicit knowledge de-codified and retained?

Due to the participation of the General Manager in the formation of the routine template representation, she was the one responsible to de-codify declarative knowledge that was exchanged as part of the template routine formation process and retain it. She then transferred this knowledge verbally to the supervisors in meetings.

**CCP.IQ10.** How is the copied routines tacit knowledge absorbed or retained?

Since the only part of tacit knowledge was obtained by the General Manager in contact with other franchisees, discussing about their experiences, she has retained it. It could be suggested that when she participates in meetings with the supervisor, some form of tacit knowledge is also transferred, as she became an expert in this routine.

**CCP.IQ11.** Are the routine artefacts that support the routine copied? How?

The artefact that supports routine execution, the CCP contract template, has been copied and is customized according to the particularities and negotiation of each partnership.

#### 5.1.2.5 CCP Replicated Routine

The CCP routine established at the Campo Grande unit cannot be considered a replicated routine. The process of establishing the routine has been interactive, transferring parts of the dispositions that triggered activities performed by the unit to the franchisor routine template representation, and replicating routine template parts back to the unit. The process then formed a unique situation of routine formation at the unit.

To provide consistency though, we will continue to answer the intermediary questions proposed in chapter 4.

**CCP.IQ12.** How is the knowledge transferred during replication used to the establish new routine?

All of the knowledge collected during routine template formation was managed by the General Manager, who transferred it to the Sales and Academic Supervisors, and continuously provided feedbacks to them on whether they were performing it right or not. Due to the value of the commercial partnership to the school, there is close monitoring of all activities by the General Manager.

**CCP.IQ13.** Are there mechanisms used to confirm that the knowledge has been retained?

The only mechanism to confirm knowledge retention applies to the retention by the supervisors, who are monitored by the General Manager.

**CCP.IQ14.** Are there relevant changes in the replicated routine in comparison with the routine template representation? What are the sources of those changes?

The CCP routine is inherently flexible to accommodate the needs of the partner. The routine is only energized beyond identification a few times in a year, according to the General Manager, and it takes a long time to work on each step. Moreover, each partnering institution has its own ways of working. During interviews and observation sessions, the possibility of change was always viewed as acceptable. Notwithstanding, the routine broadly maintained the same steps towards completion. The General Manager described that some schools did not require the demonstration of the method, knowing Yázigi's reputation or having decision makers that attended its programs.

This does not mean that the unit CCP routine is different from the routine template representation, but that it allows some flexibility in its enactment, to adapt to the needs of each partner.

**CCP.IQ13.** If change happens during replication, how does it affect routine performance?

As described, the routine found at the Campo Grande Unit was not replicated from the franchisor template. Furthermore, the established routine does not differ from the routine template representation in significant terms.

## 5.2 The Academic Function

As explained in the history of Yázigi (see section 4.2.1), the method of Cesar Yázigi is the signature of the service provided by this organisation. The consistent use of the method is what assures that student learning will progress as expected, and that the school will be recognised as a quality provider in the area of foreign language education.

Academic function is under the responsibility of the academic supervisor. Considering that teachers may have vast experiences in other foreign language organisations, and that some of them still work part-time in those schools, the role of the supervisor is critical. The academic supervisor is considered the guardian of the school's academic routines.

Even though the academic supervisor reports to the General Manager of the unit, like the sales supervisor, he or she has a certain level of autonomy, and works more closely with the regional academic coordinator than the sales supervisor does with the franchisor business coordinator, as described by the General Manager during interview.

According to the Academic Guidance Manual (Pearson Education 2017a, p.6), the academic supervisor has the following scope of work:

Subfunction	Activities
Academic Performance	<ul style="list-style-type: none"> <li>• Participate in the School Strategic Planning</li> <li>• Monitor the academic KPIs for decision making</li> <li>• Coordinate the implementation of all academic programs, products, and services</li> <li>• Act as technical support in the promotion of the products and services of the franchise unit</li> <li>• Plan the academic operation and self-development</li> </ul>
Academic Supervision and Teachers	<ul style="list-style-type: none"> <li>• Recruit and select, coordinate the preservice and in-service programs of the academic team</li> <li>• Manage the performance of the teachers</li> <li>• Evaluate the team under the functional, methodological, linguistic and technological perspectives</li> <li>• Define team qualification goals</li> </ul>
Academic Supervision and the Students	<ul style="list-style-type: none"> <li>• Elaborate on and manage the class schedule</li> <li>• Elaborate on and implement the school calendar</li> <li>• Be co-responsible for the organisation of school events</li> <li>• Coordinate the implementation of the ‘resource centre’ as an academic support tool</li> <li>• Coordinate the utilisation of technological resources applied to the academic practice</li> <li>• Manage and monitor the student allocation process.</li> <li>• Coordinate the process of reenrolment.</li> </ul>

	<ul style="list-style-type: none"> <li>• Coordinate the process of student maintenance.</li> <li>• Monitor student satisfaction</li> <li>• Manage proficiency exams</li> <li>• Assist students and parents</li> </ul>
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As can be seen, the academic function is not only comprehensive in terms of planning and operations, but also interacts with the commercial function in some instances.

In the fieldwork, the focus was to understand how the routines for the lesson were replicated.

### 5.2.1 Case ALN: Lesson

The study now moves from sales routine cases to focus on academic routine cases.

Classroom lessons are a core routine for the Yázigi schools' services. These are based on the principle that students will actually reap the benefits of the program and learn the new language. This routine is also the point at which Yázigi schools propose to differentiate themselves from other institutions.

The classroom routine is composed of subroutines to prepare the lesson, conduct the lesson, monitor students' performance, and work on action plans to close learning gaps.

#### 5.2.1.1 ALN Routine Template

**ALN.IQ1.** How and where are routine templates developed and stored by the franchisor?

The repositories of routine template knowledge for the ALN routine are the same as the CNS routine: manuals, training material, and video-lessons. However, in contrast with the

sales team, the teachers are required to follow a formal learning program called the “Y Learning Cycle” (Pearson Education 2017c), which organises their learning path. The program has four levels, one for each year, in a four-year program.

All levels follow the same structure with variation in content only as is described below, according to the Y-Learning Cycle presentation (Pearson Education 2017c):

1. Pre-test: Assessment of the teacher`s knowledge gaps related to the Yázigi learning materials, class planning, and pedagogical methods.
2. Corporate University: Three programs are available for the teacher - (a) Yázigi Pedagogical Composition; (b) Yázigi Pedagogical Conception; and (c) Classroom Management.
3. Face-to-face Workshop: Two workshops are available – (a) Pedagogical planning and practice; (b) A well run class.
4. Post-test: Assessment of the teachers’ learning throughout the training.
5. Follow-up session: Feedback on development and remaining areas for improvement.

The program covers ALN (Academic – Lesson) routine, and was developed around the core of the Yázigi teaching method, as described in the Y-Learning Cycle presentation (Pearson Education 2017c):

- a) Preparation – Presents the context in which the lesson will be developed, which could be an ordinary life situation, an event or a general interest topic; and presents the linguistic elements of the lesson.
- b) Performing – Creates the opportunity to practise the learned linguistic elements among students, using the context from preparation.
- c) Accountability – Promotes student acknowledgement of the internalised learning.

The method is a formalisation of the class format developed by Cesar Yázigi, which made the first schools successful in teaching languages.

According to the academic supervisor in the interview, the ALN routine has had little change over time: “The three-step method is the heart of Yázigi and works great. I have

worked in other schools in the past that only followed a grammar book, leaving the lesson to the teacher only. Results varied a lot depending on the teacher”.

During the interview with the regional academic coordinator, who is an employee of the franchisor, she explained that the academic method and processes (with a meaning similar to routines) is overseen by the franchisor academic committee. This process tends to be quite rigorous in making any changes. She further explained that it is important that the method is applied consistently across schools, so that a student that moves from one neighbourhood to another can continue with his or her education seamlessly.

Nonetheless, the way that the template routine has been stored for replication has changed over time. The regional academic coordinator explained that there has been an increasing need to create new versions of the material to refresh the knowledge of the teacher. Also, she mentioned that there has been an increasing need for digital material, especially video lessons, to make quality training affordable to the schools, especially as the organisation grows geographically, increasing the costs of sending teachers to face-to-face training.

The template routine knowledge is mostly stored in the training material and in intermediaries, such as the training instructors and the regional academic coordinator.

#### **ALN.IQ2.** How is the routine explicit knowledge codified?

During fieldwork, the examination of academic training materials, video-lessons, and manuals was performed in order to understand how the ALN routine was codified into language, charts, diagrams, images, and recordings of scenes exemplifying the activities.

The language used to codify the routine template can vary significantly. In the Academic Supervisor Manual, the language is quite formal, direct, and instructional. The academic supervisor is seen as responsible for guiding the teachers and running processes; therefore, this language is much clearer and more functional.

For example, the following extract of the Academic Guidance Manual (Pearson Education, 2017a) instructs the academic supervisor on how to conduct the feedback session with the teacher:

“Feedback Session

General Objective:

Question, evaluate, guide the teachers for the preparation of and critical reflection on the planned lessons, both given and observed. Focus on the teaching/learning process in the classroom context.

Characteristics:

1. After the lesson observation
2. Scheduled previously
3. Originates specific tasks before and after the lesson observation
4. Generates specific results inside the classroom”.

This type of language contrasts with the language used in the teacher training material available to the academic supervisor. The material uses very ludic language, stimulating reflection and creativity. An example of this occurs in the following extract of the training material:

“How to develop relationship management in the classroom.

Activity 1

To start our discussion about the topic, read the below citation and, following the instructions from your academic supervisor, talk to your colleagues:

‘To achieve positive control of the classroom, there is a need to closely monitor the teacher-student relationship. Care, trust, cooperation, respect, and teamwork must be present, as those are skills required to promote a classroom in which mistakes are not only tolerated but are welcomed’.”



During the training, teachers are asked to reflect on their past experiences as students, and to discuss these with other teachers in the training.

In the video lessons, the three ‘moments’ of the lesson - preparation, performing, and accountability – are codified in a descriptive not instructional way, i.e., each moment is explained through its goals and possible content rather than by a set of steps that must be followed in order to achieve it. However, the video shows examples that can be mimicked. Figure 30 illustrates the description of the method in one of the online training videos. To complement the videos, other materials such as exercise sheets are made available to the teacher, according to the method, to support the consistent execution of the three moments.

In fieldwork examination of the materials, the description of how the teacher needs to organise and execute activities in each of the three moments is clear and recurrent.

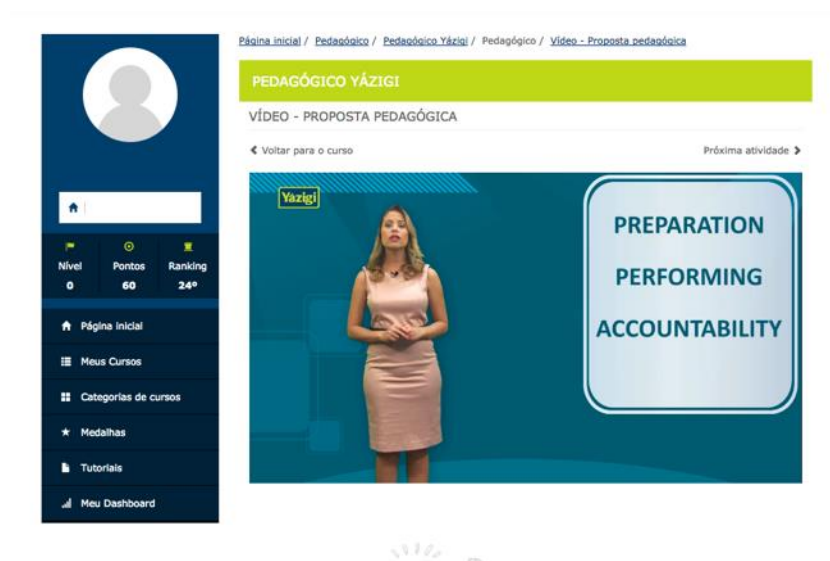


Figure 30 - Online Training on the Yázigi Classroom Lesson Method

In the examination of the exercise sheets, knowledge is codified in the form of instructions. Figure 31 shows an exercise in which the teacher needs to prepare a Google Form.

## Unit 6 Families Today

### Class 1

#### Opening

**Objective:** to promote practice with mobile devices for learning, to introduce the topic of the unit, to break the ice.

**Communicative Competence:** Strategic, Sociolinguistic.

**Linguistic Aim:** families today.

**Procedures:**

1. This is a Google Forms activity. Download the folder YEP1\_Unit6\_images on **YConnect** and prepare the form before the class.
2. Ask students to get their mobile devices in order to access the Google form you have sent them. Have them look at the pictures and ask: *What do these pictures show? Who are the people in them?* Tell them they will give their

Figure 31 - Classroom Exercise Proposal With Pre-Work

Even though a general account of the class structure was not articulated as a defined instruction, it was framed under the three clear moments, and instructions were provided for the proposed exercises in the material, which supports each topic in the program. In this sense, the teacher was guided to the main approach, then given some freedom to choose the composition of the lesson within each moment and, depending on his/her choices, could count on instructions to conduct each exercise.

**ALN.IQ3.** How is the tacit knowledge of the routine presented for copying?

In a way, this is similar to the CNS routine, as there was no formal program to transfer the tacit knowledge to the employees of the Campo Grande unit other than by working directly in an existing unit. In this manner, the routine template knowledge was mainly presented as explicit (declarative) knowledge.

However, the video lessons demonstrated many examples with recordings of teachers with students. There is some support in the literature of medical and mathematics teaching for at least the partial transfer of tacit knowledge through video (Braude 2011, Herbst & Kosko

2014). Examples of ALN routine execution were available in the online training videos. In those examples, teacher and student discussion could be heard, and the entire lesson moment could be followed (Figure 32).

Figure 32 - Classroom Lesson Example



Nonetheless, the extent to which tacit knowledge can be fully transferred when the recipient of that knowledge is not doing the tasks with the holder of the knowledge, and is not directly socialising or engaging in bidirectional communication, is questionable and will be addressed in the next chapter.

As will be discussed in the knowledge transfer section of the ALN analysis case, the regional academic coordinator has an active and significant role in transferring the routine template to the academic supervisor of the new unit. Considering that experience in teaching the Yázigi method is a pre-requisite for her function, as declared during the interview, there is inevitably a transfer of tacit knowledge. This transfer does not seem to be planned by the franchisor, despite it not taking place, as observed in a meeting between the regional academic coordinator and the academic supervisor. In this meeting, examples of how to address the feedback to teachers were given by the coordinator, in which body language, tone of voice, and the entire approach to communication could be observed beyond the actual words exchanged.

Another type of tacit knowledge provision occurs in face-to-face training, according to the academic supervisor. Training instructors are also experienced language teachers and create a strong dynamic with group exchanges and exercises, exemplifying how these should be performed.

Nonetheless, these situations are based on an emulation of how the routine would be energised but do not take place in the actual environment with real students.

**ALN.IQ4.** What are the routine artefacts that support the routine? What is their role in the routine template?

Artefacts appear to be critical to the reinforcement of the Yázigi method and have been categorised into two groups. The first group is made of representational artefacts such as teaching manuals and training programs, which aim to transfer the knowledge to the academic staff and build the classroom lesson routine. The second group contains the artefacts to be used in the routine such as the student books, planning frameworks, and exercise sheets.

The teachers plan each lesson according to the program guidelines issued by the franchisor and use an artefact known as TAF (Task Analysis Framework). The TAF template below was collected as part of the documentation during empirical work:

TASK ANALYSIS FRAMEWORK	
MYP3 – Diving in 1 – page 46	Group: 8 students (young adults)
Objectives (What for? Why?)	Provide students with the opportunity to talk about methods for learning a language. Practise using adverbials to make concessions.  Competence: Discourse
Procedures & Instructions	Preparation Phase:

(What to do)	<p>Performing Phase:</p> <p>Pair students up to discuss the icons in their books. What does each icon represent? Ask students to exchange pairs and rank the icons from best to worst, justifying their choices. Circulate around the room and monitor students, taking notes of any common language errors. Correct the mistakes, if necessary, while students exchange pairs, especially after the first round of conversations. Change pairs once or twice.</p> <p>Accountability Phase:</p> <p>Tell students they have to record a message to YEP groups using sentences they have just used in the performing phase on the most and least effective methods for learning languages. If there is time, record mini videos of the students speaking individually and tell them they are going to be shown to YEP students. Make sure they give reasons (using the language in the box).</p> <p>Instructions for the Task:</p> <p>Talk to a partner about the icons. Exchange pairs and talk to a second person to rank the icons, justifying answers. Ask them to underline the adverbs in the language box each time they use them. Motivate them to use the target language as much as possible.</p>
Grouping (Grouping + what kind of arrangement?)	<p>Preparation: open group; open-pair (T x S) (S x S) Performing: pair-work, changing pairs (3x)</p> <p>Accountability: open-pair (T x S)</p>
Input data (What to use)	Teacher's cell phone, book, board.
Related homework	Y Connect – Diving in

	Contextualise the activity in Y Connect by telling students there are other ways of making concessions which they have to know. Invite them to do the activity on the platform and get to know all of them.
--	---

The TAF helps the teacher to set cues and goals that will form the sequence of actions during the lesson. Although the particular actions may vary from lesson to lesson to adapt to the content that is being taught, the structure of the lesson remains the same as part of the routine, and the types of cues and goals that are provided are also structured in the same way. The example below shows that the “Objectives” field sets a goal for the lesson. The procedures and instructions field set a subroutine for that specific lesson, following the preparation, performing, and accountability structure. The other fields present the cues that will be used during the lesson to trigger parts of the sub-routine.

A second routine artefact is an action plan, which is completed after class review meetings with the academic supervisor. During the review meetings, the teacher talks about each student’s development, barriers, and strengths, and together with the supervisor agrees on actions to improve learning. This process was explained by the academic supervisor during the interview. The action plan template follows a simple logic of naming the student, describing barriers and strengths, and defining the action to be taken to improve his or her development in the program.

Regarding the artefacts used to teach the students, the knowledge of a language that is being taught at the Yázigi unit is not limited to what the teacher conveys verbally, but is also available in materials. The teacher can have knowledge of the English grammar and vocabulary, but effective language learning depends also on obtaining examples of language application, and it is difficult to memorise thousands of examples that cover all types of lessons. Books and materials can then store examples of language application and extend the teachers’ capabilities. Furthermore, these materials also present grammar and vocabulary in a structured way, helping to enforce a sequence in class that is aligned with the teaching method, i.e., is aligned with the proposed academic routine.

**ALN.IQ5.** Who are the Franchisor employees responsible for transferring the knowledge of the routine?

The ALN routine template representation is under the responsibility of the instructors of the face-to-face training to be transferred to the personnel of the new franchise unit. However, the franchisor's regional academic coordinator is treated as an expert, as expressed by the General Manager in the first interview:

*As they [regional academic coordinators] have either years of experience or a lot of material from Pearson, they have a lot to share. Also, [they have acquired knowledge] from the training and workshops that they participated [in] as well.*

To the teacher, the franchisee's academic supervisor is the reference for classroom routines but also the intermediary of the routine template knowledge, despite this not being a formal position adopted by the franchisor.

The academic supervisor also refers to the academic coordinator as the expert and is in frequent contact with her to clarify any gaps regarding the routine. This contrasts with the sales supervisor and franchisor's sales coordinator relationship, where there is no reliance on the coordinator to transfer all the knowledge of routines.

**ALN.IQ6.** What is the representation of the routine template?

In the same approach previously followed for the CNS routine, a routine template representation is elaborated based on references from the material, since it is not presented in the material made available by the franchisor. The routine representation is exemplified below in Figure 33, and its main sources are the materials used for the teacher training (Pearson Education, 2017b), the input and output points of the artefacts, and some additional information collected from documents and interviews.

In the routine template, the amber squares represent the tasks of planning and reviewing the lesson, the yellow elliptical forms represent the artefacts, and the white boxes with round edges represent the core steps in the lesson.

The routine template representation starts with the Lesson Planning, which is performed by the teacher using the TAF artefact but needs to be submitted to the academic supervisor for review. There is no requirement for formal approval of the plan, but the TAF form stores this information for review during the class review meetings.

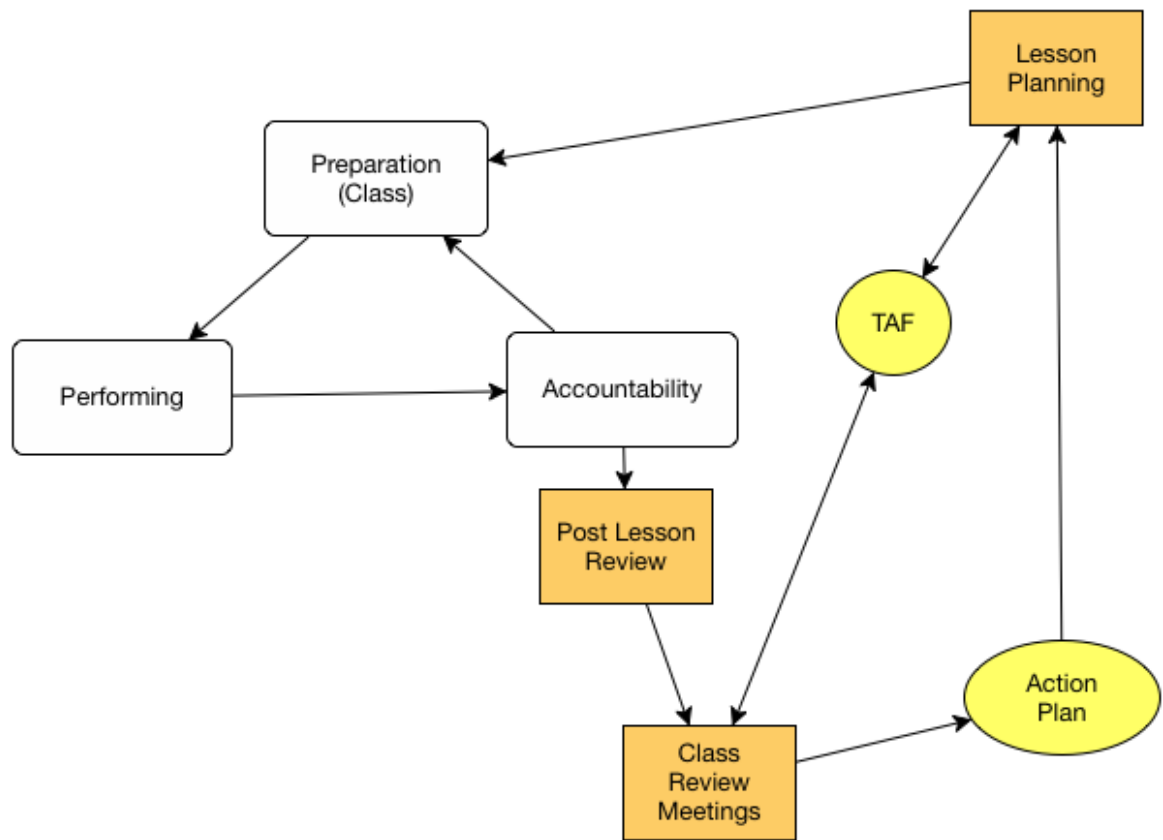


Figure 33 - Lesson Routine Template

In possession of the lesson plan, the teacher goes to the classroom to deliver the lesson based on the three steps: preparation, performing, and accountability. Here, it is important to emphasise a misalignment in some slides of the training presentation, in which terms like “warming up” were applied to the preparation step. In this moment of the lesson, the teacher introduces a topic that could stimulate and engage the students. This can be something that



is happening at that moment and is of interest to the class members, according to their age group and backgrounds. The teacher then moves to the performing step or moment, when the main language learning content is shared with the students, and exercises are practised with the group, while giving immediate feedback and supporting their conclusions. Finally, the lesson arrives at the accountability site or phase, where students are asked to use the learned lesson in the context of an activity and are expected to do so without assistance.

The academic lesson routine structure and the sequence of actions do not vary from lesson to lesson in the language learning program. Notwithstanding, it does not account for all the actions performed by the teacher; there is a subroutine involved in the lesson that is organised and triggered according to the Task Analysis Framework. It is important to mention that parts of that subroutine are also replicated using templates provided by the franchisor for each program. The final enactment of the lesson should result from the main lesson routine, the replicated sub-routine aspects, and content-specific input for the language learning.

After the lesson has been delivered, the teacher performs his or her own review, taking notes about the students' performance, possible barriers, and strengths, to prepare for the class review meetings with the academic supervisor.

In the class review meeting, as described previously, the development of each student is discussed with the academic supervisor, who adds some advice and together with the teacher, creates an action plan, which is formatted as an artefact of the routine.

#### 5.2.1.2 ALN Knowledge Transfer

In this section, the means used to transfer knowledge for the ALN routine replication will be explored.

**ALN.IQ7.** What are the means by which knowledge can be transferred through and for routine replication? What is the media used?

The means of transferring the ALN routines possess many similarities to the means used in the CNS routine, as could be expected. The franchisor uses manuals, video-lessons, and face-to-face training, with instructions, examples, recommendations, and artefacts. However, there are some differences that should be examined.

One difference between the two routines is that in the ALN routines, the training is strongly focused on the academic supervisor, while the CNS routine knowledge transfer has no clear distinction between the supervisor and the attendants. The training of the academic supervisor is meant to “*train the trainers*”, as explained by the General Manager. According to the interview with the Academic Supervisor, there was a week-long, face-to-face training program in order to learn the whole ‘method’ two months after being recruited. She said, “*Training prepares me a lot, you leave it with a lot of information...and you see all of it [the knowledge of routines]. When you get back, that you put it into practice and start to walk [progress with the routines]*”.

The academic supervisor also has a closer alignment with the franchisor regional academic coordinator than the sales supervisor has with the franchisor business coordinator. This relationship starts in the recruitment phase, as the regional academic coordinator also interviews and participates in the selection of the academic supervisor.

During the interview, the Academic Supervisor praised the support of the regional Academic Coordinator, stating that she is very supportive and available. Moreover, she stated that “*this [the support of the regional academic coordinator] is something I did not have in the schools where I worked before*”.

The academic supervisor then becomes the guardian of the teachers’ learning process. For the teachers, the first training session is with the academic supervisor, lasting one week. An enlightening account of the knowledge transfer and the challenges of routine replication was expressed by Teacher 1 during interview, as follows:

“I had the training with the academic supervisor. I believe it was one week. It is very extensive....in the beginning, you feel like 'oh my God how am I gonna do it? It is a lot! But then I realised that it was much like the other one [last language school organisation she

worked for], in the other I have worked for 20 years. I sometimes talk to the [Academic Supervisor], I still have 'remnants' from the last job, but little by little, I am adapting. So many of the fun activities I use I learned in the other school”.

This testimony by Teacher 1 displays some key aspects that influence knowledge transfer for the replication of routines. Although she was instructed through lessons, she only felt comfortable when she could relate the new information with previous knowledge that she had. This testimony will be explored further in later sections of the current analysis.

The training of the academic supervisor and the explanation of the use of the Task Analysis Framework are also based on the Academic Guidance Manual (Pearson Education, 2017a). According to the Academic Supervisor, this manual was not the basis of her learning, but was kept as reference and consulted whenever she had any doubts as to the details of the process. To her, the combination of the face-to-face training, as well as the conversations with the regional academic coordinator, formed the key sources of knowledge.

**ALN.IQ8.** Are there intermediaries? If so, how is knowledge transferred through these intermediaries?

As described in the previous question, only the academic supervisor is in contact with the coordinator and is trained in the franchisor’s face-to-face sessions. She is also responsible for training the teachers, checking their performance in the routines, and reinforcing learning. In this sense, she has a strong position as an intermediary.

During the interviews and observation sessions, it became clear that the academic supervisor was the holder of all the knowledge in the ALN routine before it was replicated to the teachers.

**ALN.IQ9.** How is the explicit knowledge of the replicated routine de-codified and retained?

Knowledge transfer in the ALN routine is less focused on materials and video lessons, and is much more reliant on face-to-face instructions and feedback. In this manner, the de-codification of the knowledge presented benefits from a two-way communication channel, which allows for a more reliable copy of the knowledge transmitted. On the other hand, there is some evidence in interviews that suggests that the process of knowledge transfer is impacted by the experience of the teacher.

In the interview with Teacher 1, as quoted before in the answer to question ALN.IQ7, she refers to her process of learning as an adaptation of the routines that she had learned in her previous job to fit the new routine she was learning. She elaborated on this by admitting: *“Sometimes I say to the academic supervisor: I still have some vestiges from my old job, but I am slowly adapting. Many of the activities and games that I do with students come from what I learned on the other one [previous job]”*. In a second instance in the interview, she explained the steps of the lesson as, “there is a warm-up, when you start to engage the students, then I present the lesson, then they practise it. In this practice, you guide them, saying what is right and what is wrong, and in the end you have the production, when the student is free, where you can help by giving ideas, but you cannot correct them at that moment”. This explanation that she provided does not use the terminology: “Preparation, Performance and Accountability” which is used in the routine template. This suggests that she has probably settled with a structure that is comfortable to her, as it creates compatibility between the old and new routines.

The Academic Supervisor expressed some frustration regarding the development of the teachers, as follows: “I need teachers that always want [to learn] more. But when I arrived here, that is not what I found. There are teachers with more than 20 years of experience or even just more than 10 years, who believe in another philosophy. So, my struggle here is to have teachers who love to be educators”.

Besides the retention of the in-classroom steps of the routine, the teacher has to learn the planning, review activities, and understand that his or her role goes beyond pure lecturing, as it also includes the full management of the class learning experience. In the training material (Pearson Education, 2017b), the figure of a ‘managing teacher’ is used. The training sets a

goal for the teacher to become the managing teacher, caring for the relationship with the student and taking care of his or her learning in all aspects.

The following extract of the training material illustrates the above observation: “During planning, the managing teacher must manage the times and processes, giving emphasis to the student as a protagonist and planning the moments of collaboration and active learning” (Pearson Education, 2017b).

In addition to highlighting the importance of full class management, the figure of managing teacher is related to the overall attitude with students. This can be seen in the following statement in the same material:

*The managing teacher knows that even the students with more learning difficulties have positive characteristics that deserve compliment, improving their self-esteem, and their perception of the learning experience.*

The figure of the managing teacher attempts to create an ‘ideal’ towards which the teacher can aim their professional development at.

According to the General Manager and the Academic Coordinator, the Yázigi method demands a lot of additional effort from the teacher compared with other methods that only require covering the book content. This is treated as a change in the philosophy from being a basic teacher to be an educator who will foster critical thinking.

**ALN.IQ10.** How is the tacit knowledge of the copied routine absorbed or retained?

The examination of the face-to-face training materials indicates that it contains many exercises to be completed by participants in groups and performed with instructions and examples. This type of activity allows both the academic supervisor and the teachers to test their understanding, ask questions, and receive immediate feedback, while they tried to achieve the goal set for each activity. It is reasonable to assume that this improves the

retention of the knowledge and the formation of the routine. In the next chapter, it will be shown that this relates to the literature presented before, and confirms that assumption.

An important fact about the ALN routine is that it is performed by a pool of teachers with a high turnover, requiring frequent replication. As described previously, the process is overseen by the academic supervisor, who also uses experienced teachers to serve as holders of the template. For example, Teacher 3, who was in the first few years of her career, shared that “*She [the Academic Supervisor] asked me to attend a few classes of an experienced teacher to learn from him*”. She continues: “*I also socialised with other teachers to get some hints*”. In such experience, tacit knowledge is transferred, even though it was not originally made available by the franchisor.

**ALN.IQ11.** Are the routine artefacts that support the routine copied? How?

In the response to the ALN.IQ4 intermediate question on the existence of routine artefacts that are part of the routine template, there are two artefacts presented: the Task Analysis Framework (TAF) and the Action Plan from the class review meetings. Both artefacts are forms that guide the planning and review processes of the lesson. Those forms are digitally copied from the franchisor to the franchise unit as part of the set-up of the new unit and are referenced in all materials and trainings. Their content retains its integrity during copy and the knowledge of its use is reinforced by its own contents, which includes cues and goals that guide the sequence of actions to be undertaken. In this way, these artefacts support the replication of the routine and its consistent use in the new unit.

### 5.2.1.3 ALN The Replicated Routine

**ALN.IQ12.** How is the knowledge transferred during replication used to the established new routine?

The knowledge of the lesson routine learned during training is first put into practice through test lessons organised by the academic supervisor at the end of the teacher training. This is done to confirm that the teacher is ready to manage their first class in the Yázigi system.

As described before, the task analysis framework completed by the teacher before the lesson serves as a sub-routine structuring artefact that facilitates its formation. In the fieldwork data collection interview with the Academic Supervisor, she told the researcher that in the first days of the teacher training, every lesson is monitored from TAF to the end, until there is confidence that the teacher can manage the routine proficiently.

The interview with Teacher 2 introduces some interesting insights to the process. In contrast with Teacher 1, an English language teacher with a vast amount of experience in language schools, Teacher 2 is a French language teacher who only taught in private one-to-one lessons, with no formal structure other than the one guided by the books used. In the interview, he expressed a relaxed view of the method, saying:

*It was not hard to learn the [Yázigi] method. The planning of each class helped to structure it. It is only a bit demanding to always think of a new 'hook' for the preparation step, but the rest flows once you study it and practise a bit.*

The narrative of Teacher 2 contrasts with the experience of Teacher 1. As described in the last section, she told the researcher that it took a while to absorb the new method and that she only felt comfortable once she realised that it was not that different from the method she had used in her previous job. Although she was more experienced, the process of changing her habits to learn the new method served as an initial barrier.

The academic supervisor has a critical role in the formation of the new routine, as she monitors the whole process and gives feedback to ensure that it is being followed.

**ALN.IQ13.** Are there mechanisms used to confirm that the knowledge has been retained?

Even though the concept of the Yáziǵi method goes beyond the academic routines, the effort involved in adopting the method is directly linked to the effort of performing the routines. In accordance with this, resistance to adopting the method means there is a challenge to embed the routine.

Resistance is faced and managed through a reinforcement mechanism. Every month, the academic supervisor attends one class from each teacher. After observing the teacher's performance, the supervisor arranges a feedback meeting. For some teachers, feedback is received as an opportunity for awareness of some blind spots in their behaviour, as shown in the following comment:

For other teachers, the feedback meeting is a difficult process. When describing this process, the academic supervisor comments, *"There are teachers that just cannot stand receiving negative feedback"*.

**ALN.IQ14.** Are there relevant changes in the replicated routine in comparison with the routine template? What are the sources of those changes?

The only potential source of change noted during interviews and observation sessions was related to the adaptation of old habits to the new ones required to perform the routine according the Yáziǵi method. The statement of Teacher 1, describing her struggle to 'adapt', and her description of the steps involved in the method, using different names, exemplifies exactly this point (see the response to intermediate question ALN.IQ9). What she called "adaptation" here is actually a way to explain that she started with the old method and found ways to relate it to the new one. In doing so, there is a significant risk that the final result is not a complete replication of the Yáziǵi routine, but a hybrid between the old and new routines.



It is important to note a change in a routine which was captured in the fieldwork, though related to the teachers' training and not to the ALN routine. During the interview with the General Manager and with the Academic Supervisor, they both commented that they changed the routine with the approval of the regional Academic Supervisor. The change was to the initial training provided by the Academic Supervisor; the training that was originally provided after the teacher was hired, is now a part of the recruitment process. Thus, teachers undergo forty hours of training, giving simulated classes and learning the method, before they are hired. The General Manager commented during the interview: "*That [train before hire] was a surprise to me when I joined the franchise system, but apparently it is a practice in the language education industry*". Also, according to the General Manager, "*The ['train before hire'] process increases the effort from teachers during training and helps knowledge transfer*". Teachers are remunerated for their time during the training, but still it is more cost effective than having to reinitiate the hiring process, according to the General Manager.

**ALN.IQ13.** If change happens during replication, how does it affect organisational performance?

A fact that differentiates the performance theme between sales and academic routines is the less immediate connection between the academic routines and company performance. Generally, it may take more time for the impact of an inefficacious ALN routine to be noted. The result of academic routines is only perceived when students continuously underperform as a whole. However, student performance is also impacted by other factors like personal commitment and competence. Nonetheless, issues in that routine can have negative long-term effects on the school's reputation. Conversely, the inefficacious commercial routine impact the unit performance resulting in a number of new students that is lower than the General Manager expectation.

In this context, classroom lesson routine performance is monitored by applying another routine; the monthly feedback process performed by the academic supervisor. In this way, it works like a process of quality assurance rather than a measurement of final results. An attempt to measure final results would be to compare class exams grades, but it would be an almost impossible task to separate the effect of student performance and class performance.

## 5.3 Case Analysis and Explanation Building

The objective of this section is to compare the findings across the cases (routines) and map the explanation that emerges from data, thus addressing the research questions. To do so, findings have been organised in NVivo (see page 126) relating data extracts found in documents, interviews, and observation sessions, to nodes that represent the themes posed by intermediary research questions.

The comparison of cases regarding knowledge transfer for and through the replication of routines will largely focus on cases CNS and ALN, since those cases examine routines that pre-existed with the franchisor in the form of templates and were replicated in the Campo Grande Franchise unit. However, the case CCP will be important in illuminating the routine template formation.

As described previously in section 3.4.7, this thesis will use the explanation building technique to analyse the findings of empirical work.

### 5.3.1 Explanation Building

According to Yin (2013, Chapter 5), the explanation building technique starts with the initial premises, comparing the findings against the premises, revising the premise, comparing other details and each other's case against those revisions, and then repeating this process as many times as required. Therefore, the starting point here is with the research questions proposed for the present thesis, as follows:

- How are routines replicated from franchisor to franchise units in franchise systems?

- How is knowledge transferred for and through the replication of routines?

As discussed in section 3.4.7, the analysis performed to the answer the above research questions was based on the collection and review of data evidence around two sets of themes (set in NVivo as nodes). The first set of nodes is based on the intermediary research questions (see Table 6). The second set is made of themes that emerge as insights from the data, and contribute to further understanding, which are as follows:

- a) Directions to the routine template – since routine templates are stored in a distributed form across a group of people and artefacts, the knowledge attained by intermediaries and participants of the replicated routines depends on the directions provided to them about the routine template.
- b) The critical role of intermediaries – knowledge transfer is rarely done directly from template to replicated routine participants. Most of the time, knowledge is transferred through intermediaries with or without managerial attributions, which provide directions to the routine template knowledge, learn and teach, reinforce for procedural embedding and monitor habituation.
- c) Behaviour towards learning – different intermediaries and participants have different attitudes and express different habits of thought regarding the learning of new routines, and those differences can improve knowledge transfer or make it less effective.
- d) Routine compilation reproduces habit compilation – routines are compiled by breaking down work into tasks, distributing tasks among participants with subgoals to be achieved. This process is similar to the compilation of habits in the individual's mind.
- e) Routine embedding mechanisms – the process of embedding routines in participants of the replicated routine relies on the effectiveness of mechanisms of goals setting, and cues receiving.

The above emergent themes were recurrent in the data analysis and lead to unique contributions in the critical review of initial premises that develops throughout the rest of the present chapter.

To facilitate the analysis, the proposed structure will be used, following the routine template: representation → knowledge transfer → replicated routine direction, in order to address the research questions.

### 5.3.1.1 Routine Template Representation

The process of routine replication naturally begins with an existing routine. However, this routine exists as a disposition stored in a distributed manner across the minds of the people that need to energise it, as well as in codified knowledge in the artefacts that assist its execution. The artefacts can be copied exactly, but even so, the knowledge that people need to have in order to use those artefacts is still stored in people`s minds. As such, this study does not have access to the last part of the existing routine, per se. The knowledge of the existing routine is mostly available through its reflection on a routine template representation. The routine template representation is the codified declarative (or explicit) knowledge that attempts to capture the guiding example set by the existing routines (Winter and Szulanski 2001).

The understanding of the process of codifying existing routines in a template could not be assessed for the routines CNS and ALN, since those have existed for a very long time, and not even the franchisor`s employees that were interviewed were fully aware of the actual process that had originally resulted in the templates. Only general information was received, indicating that it was based on the vast experience of the schools, but that it incorporated the recommendations of external consultants. The support of consultants was seen as an element of adaptation to the new market and student needs. With the commercial routines, new sale techniques and learnings were incorporated, based on the competition. In the academic routines, motivation was drawn from the need to incorporate new technologies, becoming closer to the younger students as they began to be more attracted to digital media.

Fortunately, the analysis of the CCP routine formation provides insight into the creation of routine template representations in a franchise system context. The formation of the CCP routine template representation began with the mapping of existing practices and interactions between those that participate in such existing routines (in this case, a group of franchisees), and those that are accountable for future replication of the routines (in this case, the franchisor`s employees). The eventual gaps between the mapped practices and the routine goals were filled by solutions agreed by both groups, based on collective experience.

Once the routine template representations are formed, they are stored and guarded by the franchisor (Jensen and Szulanski 2007). In the initial premises (see section 3.4), the storage of declarative knowledge is expected to be in franchisor artefacts, such as manuals and videos, and franchisor's employees. Codification of that knowledge is achieved through the use of language, symbols, diagrams, charts, recorded video and audio, animation, and related formats.

As this premise is compared with the findings in the cases examined, it can be noted that the routine template representation is indeed stored in the franchisor's employees and artefacts. The franchisor employees that have knowledge of the template routines are the franchise business coordinator, the regional academic coordinator, and the instructors of the sales and academic training classes. Nonetheless, each of them has a different role in routine replication. The franchisor business coordinator is not seen as an intermediary accountable for the CNS routine replication but is considered an expert that can be consulted in the case of gaps in the establishment of the new routine. The regional academic coordinator, however, is actively involved in the replication of the ALN routine, as she instructs the academic supervisor, who then transfers this knowledge to the franchisee unit teachers. The training instructors are fully accountable for transferring knowledge for the replication of routines.

The declarative knowledge is codified as expected in the forms anticipated by the initial premises in both cases (routines), though more clarity on how this is achieved is gained through the empirical study. The first observation is that the use of language and visual forms such as diagrams and charts can be non-standardised and even not functionally designed for the replication of routines. The language can vary from general knowledge of business aspects and human behaviour, to advice on ideal behaviour, or specific instructions and examples. Diagrams and charts use a symbology that changes from one diagram or chart to the next. More importantly, this does not appear to connect the type of codification and the desired interpretation by the recipient, to ensure that the routine is correctly replicated. Some other missing elements, such as the lack of numbering in manuals and changes in terminology, were also noticed. This lack of standardisation and functional codification planning appears to increase the effort by the recipients to make sense of the information that they are receiving. The objective of the present research was not to testify to the effort or

even the fidelity of replication, but it is worth raising so that it can be studied as a starting point in future research.

Another point that emerges from the case findings is the variance in representation of the routine template for the people who will participate in the new routine. There is little reference in the existing literature to the way that routine templates are represented by the franchisor or by the intermediaries for replication. During fieldwork, it was observed that different routine participants were directed to the training material, manuals, and portal videos in different ways, focusing on different parts of the material and in a different sequence; they were also instructed by intermediaries in different ways. In this manner, there is no consistency in the learning experience across participants. This is by far more critical in the case of the CNS routine than in the ALN routine. In the ALN routine, the figure of the academic supervisor and their commitment to the method' brings more consistency.

Regarding the codification of the routine template knowledge, it is also important to note that in both cases, the use of instructional language (how-to) and examples is quite modest. In the CNS manuals and video lessons, the instructions are left in a very high-level bullet list, while in the ALN exercises, it was requested that during training, there was a limited amount of instruction in the header, but much would be left to the teacher's interpretation. The difference between the two is the more frequent feedback given to the teachers. Although it was not made explicit in the initial premises, there was some expectation from the researcher that manuals and training in a franchising setting would contain more instructional language and examples. It could be suggested that the farther declarative knowledge is from a procedure-like format, the more effort should be made to convert it to procedural knowledge, although instructions themselves are not procedural knowledge. In fact, instructions that can be verbalised as steps required to conduct an activity are considered declarative knowledge (Anderson 1993: 19) since they cannot be readily used for action and need to be embedded into a disposition that is fully functional in the individual's mind. However, according to Anderson (1993: 89), instructions are a type of declarative knowledge that helps to set subgoals for production rules across habits and routines during compilation.

It is now important to discuss the availability of tacit knowledge as part of the routine template. In the initial premises, there was not a large amount of expectation that

opportunities to transfer tacit knowledge were made available. The availability of an existing routine outset to transfer tacit knowledge requires the franchisor to select one unit that can serve as a template and ensure that it uses the routine in the way that is desired by the franchisor, to avoid unwanted behaviour being propagated. As described before in the premises, only a small percentage of training in franchise systems is on-site in an existing unit.

In the routines (cases) studied, tacit knowledge is only available indirectly from coordinators and training instructors, who may have once worked in existing units. Their experience with the routines under scope can provide some form of tacit knowledge as they exemplify the techniques required for sales, lesson teaching, or other key activities. However, there is no guarantee that this tacit knowledge is more effective within actual service provision.

Besides storing routine template representations in people, franchisors use artefacts. As explained before, artefacts can be used for both the transfer of knowledge and as part of the replicated routine (replication artefacts), or by processing information and providing cues to trigger behaviour (routine artefacts). Replication artefacts, such as manuals, training materials, video-lessons, and others, are largely used to store the routine template representation and to directly transfer knowledge to those that will read it, or by aiding people who are responsible for transferring that knowledge, such as training instructors, the regional academic coordinator and the academic supervisor.

The replication artefacts used by the CNS and ALN routines were similar, in the form of manuals, face-to-face training material (presentation slide decks), and video lessons made available through the Yázigi portal. Those artefacts were mostly copied exactly to assist the replication of the routine. In the case of the video lessons, instead of being copied, they were accessed directly from the source and presented for the franchisee employees' learning.

The replication of artefacts and the franchisor's employees involved in replication use different types of media to interact with the franchisee employees. The media used for the replication of artefacts was mainly composed of digital files, written document files and video recordings. Naturally, every time these are used, the codified information made available is the same, reducing the chance of change. However, the interpretation or de-

codification of this information into knowledge will vary from recipient to recipient, depending on prior knowledge. This differs from the information available from people, such as the franchisor's employees. It is possible that there are variances each time the information is presented, as there can be changes in those giving the training, and the same person can also explain the same content in different ways.

Both routines analysed also use routine artefacts, such as systems and forms, which are used as part of the replicated routines. In the case of the CNS routine, it uses systems such as the LEAD machine software, which are critical to the routine functioning, actively providing cues and goals through emails and alerts to the employees, on actions that need to be performed, such as contacting prospective clients. On the other hand, the ALN routine mostly uses forms for planning the lesson and specific actions are agreed in review meetings to improve students' development. Even if passively, by requiring the employee to interpret them, the forms also provide cues and goals that trigger actions, framing the routines to be followed by the participants of the routine.

In the premises for the present research, the routine template representation was referred to as if it was clearly represented in people and the artefacts to be copied. However, this was not confirmed by the empirical findings. Routine templates can sometimes be represented in a blurred manner, due to ambiguous codification, and the failure to have clear direction for recipients on where to search for the routine template representation information. In the case analysis, it could be observed that different participants of the replicated routine received different directions for learning the CNS routine template representation. This does not necessarily mean that the routine was not replicated, but it makes replication reliant on more interactions, in order to clarify the understanding of how the routine works. The directions to the ALN routine were more clearly given by the academic supervisor and organised within the Y-Learning Cycle (Pearson Education, 2017c).

### 5.3.1.2 Knowledge Transfer

Knowledge transfer for and through routine replication in the examined cases began with the franchise unit setup process, when the owner and General Manager of the unit received



materials and access to software and the Yázigi Portal. The General Manager also attended a face-to-face training session, which is specially tailored for new franchisees (see section 4.2.4). In this training, the intent was more to improve the managerial skills of franchisees, rather than to specifically scrutinise every detail of the unit routines. However, this initial information input gave the General Manager an overview of the main functions in a franchise unit, as well as the personnel required and the goals for the main routines. This initial knowledge is critical, in the sense that it will be used to engage the participants; meaning in this case, to hire new employees for the new unit, and to guide their learning process.

In the initial premises for the research, the figure of intermediaries was introduced as people that were not taken part in the routine template representation storage, but that would participate in transferring the knowledge to participants of the replicated routine. Also, in the premises, two types of intermediaries were expected. One type only has knowledge about the routine template representation and can be consulted for eventual questions to close gaps in the understanding about the routine (considered an “expert”), and the other has a hierarchical position in the routine and is responsible for assigning parts of it to other employees under his or her supervision. These two types are not mutually exclusive, as one intermediary can be an expert and have a managerial role.

During the empirical work, those types of intermediaries were indeed found in the cases. The regional academic coordinator and the franchise business coordinator are both intermediaries that are considered experts on routines. Their role is not to store the routine knowledge in the first instance, but to guide others to the people and replication artefacts that store the routine template representation, and eventually clarify ambiguities and close gaps in the learning process. The General Manager and the academic and sales supervisors are intermediaries that have managerial roles, being parts of the hierarchy and responsible for assigning parts of the routines to others. The General Manager may or may not also be considered an expert, depending on his or her involvement with the operational work. In this study’s case, the General Manager was very involved and committed to knowing as much as possible. The sales and the academic supervisors are seen by their subordinates as experts, and evidence from interviews discussed in the case analyses supports this.

In the premises for this research, intermediaries with managerial roles are usually seen as responsible for the compilation of the routines. It is important to highlight that routine compilations occurs at group-level, but it must be followed by habits (skills) compilation at an individual-level in order to be fully replicated. Compilation of routines, as a group-level process, was defined there as the process of itemising template routines into recognisable tasks to be performed by individuals, setting sub-goals for tasks that lead to achieving the overall routine goals. In certain organisations, the compilation can be driven by the direct participants in the routine themselves, without the intervention of intermediaries with managerial roles.

Before itemising the routine, the intermediaries must first learn about the routine template representation. The level of expertise of the intermediary can vary, but enough must be known to understand how the sub-goals to be achieved by each participant will lead to the overall routine goal.

In the case study targeted for empirical research, routine compilation was indeed observed as a breakdown of the routine goals into sub-goals for each participant in the routine. Compilation also involved giving directions to repositories and providing the means to obtain the knowledge for the routine template representation, so that the participants can learn it, and the direct knowledge can be transferred from the intermediary. In the CNS routine, the sales supervisor directed the sales representatives to the online videos in the portal and shared the Y-Sales Manual (Pearson Education, 2016a), asking them to watch and read them. After this, he set sub-goals for calls to be made to prospective clients, and expectations regarding enrolling new students. Then, he continued answering questions, giving feedback and monitoring the sub-goal delivery. In the ALN routine, the Academic Supervisor was more engaged in transferring knowledge directly, but still, sub-goals were set based on class progression and compliance with the method objectives. In this sense, routines were compiled at group-level, but habits still had to be compiled at an individual-level to be triggered by the cues received from the environment and from other people and artefacts that participate in the routine (see Wood & Neal, 2006).

During replication, the compilation of habits is framed by the sub-goals received by the individual, and the required knowledge to perform the activities that will lead to the

achievement of such sub-goals must be transferred. When the sales representatives receive the sub-goal of making a certain number of calls a day, they need to know how to obtain information on prospective clients, and how to approach them, argue in favour of the programs, survey interests, manage objections, support the decision of the prospective clients, and close the sale. The sales supervisor then provides the directions to the routine template representation and part of the knowledge. The sales representative then needs to access the knowledge in the media, participate in training sessions, and start to convert the declarative knowledge acquired into procedural knowledge. The procedural knowledge, consolidated by repetition, becomes the habit as a disposition to behave that can drive actions every time it is triggered. The habit of calling a prospect is triggered by the cue of the sales representative's workday organisation. Each day, at 10am, the sales representative would start to make calls, working through a list of prospective clients.

There were three main processes found in the empirical investigation that explained how declarative knowledge was converted into procedural knowledge by participants: role-playing simulation during training sessions; projecting the unfolding of the routine enactment and thinking on how he or she needs to behave; or by readily converting declarative knowledge when enacting the procedure and subjecting it to trial and error.

When inquired about the training sessions, interviewees felt that the roleplaying was helpful, making it easier to remember what to do as part of the routine. They were able to describe the experience in a detailed manner, explaining what they did during the simulation, as well as what others did, and the feedback that they received from instructors. Meanwhile, when asked to describe what they had learned from the manual, or from classes, the responses were typically more vague. Role-playing seems to be an effective way to embed routines, and is driven by the organisation, helping to ensure consistency in replication as knowledge is embedded similarly across the different participants of the routine.

One of the sales representatives shared that during his first days on the job, he followed the steps in his head, 'rehearsing' speeches before calls. He stated that while rehearsing, he would also mentally consider possible responses from prospective clients, which led to questions that he then posed to his supervisor. This type of compiling and embedding technique is valuable, and potentially reduces the impact on performance from gaps in the

routine knowledge during enactment. However, it relies on individual initiative and consistency cannot be guaranteed across the routine's participants; and even less across the franchise system.

During the compilation of habits, the incorporation of domain specific information is also important. For instance, there is information about the usage of the franchise software as artefacts, information about its academic programs, and specific information for the unit of Campo Grande, such as its location, phone numbers, staff, and facilities. As stated in the ACT theory (see section 2.2.1), routines such as production rules are made specific to the target tasks and dispense with the need to retrieve information during energising. For example, the CNS routine incorporates information that is given to prospective clients about the unit facilities during the tour. As the sales representative has a fuller knowledge of the facilities, the tour can be given quickly and with richer information for the prospective clients. The transfer of domain specific information was also performed by the intermediaries with managerial roles in the examined cases.

There is an important discussion raised by some of the findings of the empirical analysis. The research suggests that knowledge transfer for knowledge replication is also impacted by people's habits of thought regarding learning new routines and acquiring new habits. People consider that it is challenging to learn new habits, or even that there is no need for new knowledge transfer. In either event, this increases the tendency to continue with old habits. In the case of the ALN routine, Teacher 1 expressed how difficult she was finding it to learn the Yázigi lesson method, as she had 20 years of experience with another method. The way that she found to manage this challenge was to consider the similarities and adapt the old habits to the new ones. It was not possible to examine how much of the new routine was not actually learned due to the attempt to adapt, but there is a possibility of change in replication due to this attitude. An example of the belief that there was no need for new knowledge transfer was observed in the CNS routine. There, Supervisor 1, who had recently been hired, expressed in the interview that the commercial 'process' (routine) of Yázigi was like the commercial process of any other company, and that he was therefore not having difficulties with the new work.

To counter this “stickiness” with old habits, the use of associating professional recognition goals with new routines and habits was observed. Examples of this can be found in the challenge that was verbalised to the staff, stating that in order to be an ‘Yázigi Sales representative’ or ‘Yázigi Managing Teacher’ they had to be able to perform certain tasks and possess specific qualities. These were in fact set as goals for personal development and were seen by the Sales Supervisor and the Academic Supervisor as prestigious accomplishments. In this way, it created a habit of thought in supervisors, sales representatives, and teachers, promoting this shift towards new habits.

Besides the transfer of routine knowledge through people, the copying of routine artefacts is also important. Artefacts such as software, reference tables, and forms play an important role in the replication of the routines analysed, and the knowledge that they carry is easily preserved during copy. However, the knowledge required to interact with those artefacts, such as operating software or completing forms, is still subject to the transfer to participants of the replicated routines. If participants cannot understand the cues that are provided to them or cannot provide cues themselves in order to trigger the operation of the software, the artefact is not able to function as expected in the routine template representation. During observations in the empirical investigation, the LEAD Machine software, the TAF, and other artefacts were apparently used as expected. There was significant emphasis from the General Manager on correct usage, due to her background in engineering and software.

### 5.3.1.3 Replicated Routine

After knowledge transfer and compilation, routines are embedded through repetition. Each time cues are presented by the environment, routines are triggered and the procedural knowledge in the individuals is consolidated and habituated.

In the case study, it was observed that there was some struggle to embed the new routines through participants who had a lot of experience in similar functions in other companies. The Teacher 1 experience described in the answer to intermediate questions ALN.IQ8 and

ALN.IQ9 is an example of this. For participants with little or no experience in similar functions, the challenge in embedding came from the need to fill the gaps between the declarative learned knowledge and the requirements to achieve the subgoals set by supervisors. The closure of these gaps required the close support of supervisors. In the ALN case, this was provided since the Academic Supervisor had a strong commitment with the replication of the routines. In contrast, in the CNS routine, supervisor support was less consistent, and variances could be observed from one sales representative to another. For the CCP routine, the challenge was that the routine is not frequently energised and has a significant level of customisation to the partner's needs. As such, it must have a strong ownership, in this case, performed by the General Manager.

The use of reinforcement mechanisms was expected to have a critical role in embedding routines in the initial premises, and this was confirmed in the performed empirical research. The frequent monitoring by the Academic Supervisor, by watching classes of each teacher and holding feedback sessions, helped the teachers to be aware of their mistakes in following the method. Even so, there were teachers that resisted feedback. The Sales Supervisor also provided feedback as well as receiving additional feedback from the General Manager. However, the feedback was directed to the performance regarding goal achievement first, and was then further detailed through questioning about the routine's execution. This approach appears to be less efficacious in embedding the routine, but this is a possibility that requires examination in future research.

The use of development recognition goals such as in the ideals of a 'Yázigi Sales representative' or 'Yázigi Managing Teacher' appeared to be helpful in embedding routines, besides facilitating knowledge transfer. Those terms were referenced in some interviews as personal objectives of achieving such status.

During observation sessions, the main steps of routines were performed with reasonable similarity when compared with templates across all routines. However, the focus on performance and how it feeds back into the routine enactment was different from the CNS and CCP routines, and the ALN routine. In the commercial routines, the pressure of achieving sales would sometimes lead to thoughts regarding changing the routine. For example, during observed meetings between the General Manager and the Sales Supervisor, ideas such as

ordering specific employees to call prospective clients throughout the day, or designating employees only to street sales, were discussed. During the time of the research, however, none of those ideas were implemented.

In this chapter, the results of the research will be discussed to address the research questions. This section begins with the proposed theory to explain how routines are replicated from franchisor to franchise units in franchise systems, building on the theories in the literature and the contributions from the empirical work performed here. As part of this proposed explanation, there is a description of how knowledge is transferred for and through the replication of routines, according to the findings. This chapter also discusses the source of change during replication and how this appears to impact routine performance. Finally, other important aspects of the replication of routines that emerged from the study are outlined.

### 6.1 Knowledge Transfer for and through the Replication of Routines in Franchise Systems

In this section, the explanation resulting from the empirical research is used to confront, revise and extend the adopted preliminary framework formed upon the adopted set of premises, in order to formulate a proposed theoretical contribution to understand the phenomena of routines replication and the transfer of knowledge that permeates it. In this manner, it answers our first two research questions, reiterated below (from section 3.2):

- a) How are routines replicated from franchisor to franchise units in franchise systems?
- b) How is knowledge transferred for and through the replication of routines?

The theory proposed in the present research can be illustrated through the process model provided in Figure 34 below. The process model is vertically divided into routine template representation and knowledge transfer and follows the flow of knowledge transfer in the process of replication.



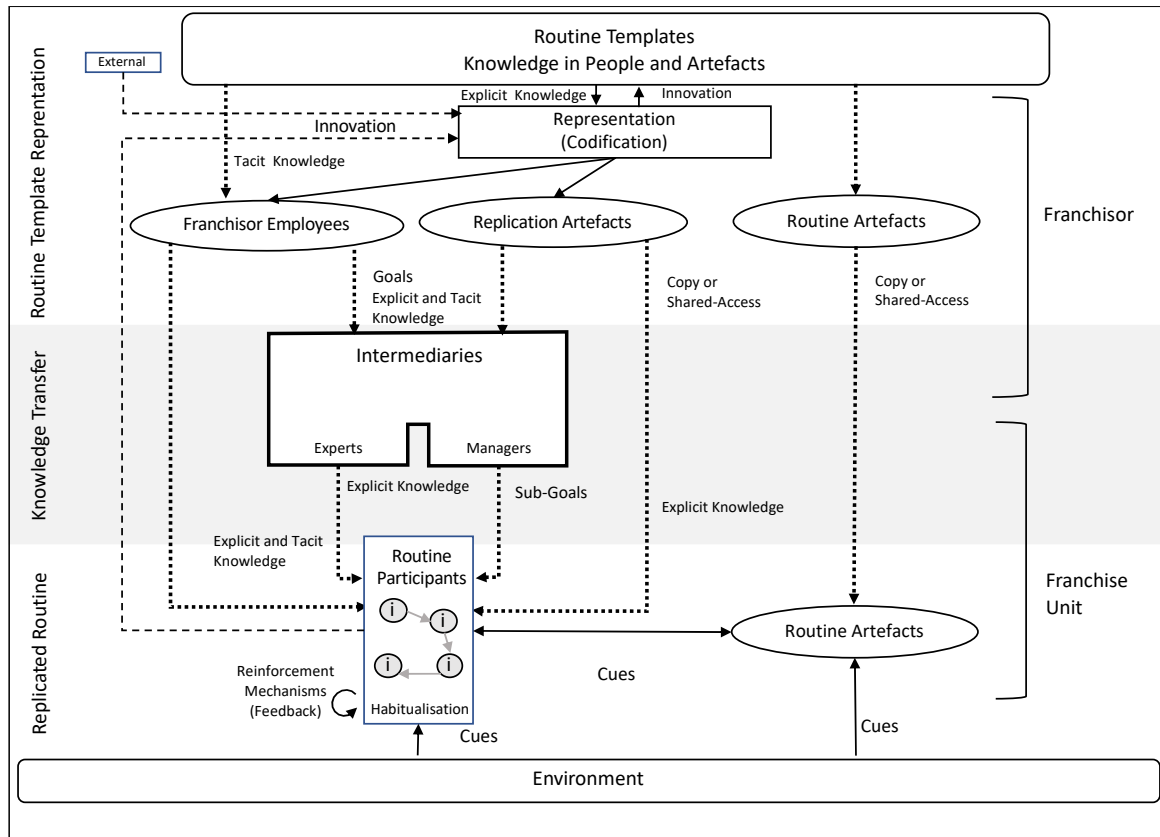


Figure 34 – Process Model of Knowledge Transfer for and through the Replication of Routines in Franchise Systems

The process model of routine replication begins with the concept of a routine template. This concept refers to the seminal work of Nelson and Winter (1982, p. 120), in which the use of a template facilitates the development of a relatively precise copy of a complex process. Nelson and Winter refer to an existing routine as being the template. Szulanski (2000, p. 1734) refers to the template in a broader meaning, outlining an “original practice”, or way of conducting activities. In franchise systems, the franchisor usually creates an abstraction of routine templates to use as a base for knowledge transfer and replication which, in this research, was referred to as ‘routine template representation’.

To franchise systems, routine templates are a key asset, even more than they are to other types of organisations, as the templates are what the franchisor ultimately owns. Franchisees can terminate their contracts and end their participation in franchise systems eventually. Subsequently, the routines that they follow are no longer of use to the system. Nonetheless,

templates retain the knowledge of how the business should function and are the basis for the retention of both long-lasting practices and recent innovation (see Breslin 2019). It is by replicating templates into new routines that franchisees ensure that new units leverage the successful experience of the franchise system and make it distinct from a newly opened business that looks to project a business model without such a template. As with other evolution-based processes, adaptive features that make a routine effective in its performance despite challenges from the environment, come from a long process of variance and innovation, selection through environmental challenges, and retention. Therefore, the inability to retain knowledge in a routine template, and to replicate it in new units, can lead the franchise system to lose the capabilities that made it successful in the past without building new capabilities.

### 6.1.1 Routine Template Representation

To replicate existing routines, the franchisor is challenged by two facts. The first is that routine knowledge is not centrally stored in one place but is distributed among people and artefacts (Argote & Ingram 2000). The second challenge is that routines contain not only explicit knowledge but also tacit knowledge (Nonaka & Takeuchi 1995). Therefore, they cannot be articulated into a single mechanism.

The creation of a routine template representation requires choices regarding how to transfer its knowledge, where to store it, and how to codify it. Different franchise systems may have different strategies for routine template representation. In the Yázigi franchise system, low value is given to tacit knowledge, and there is little opportunity for on-the-job training or direct socialisation with existing franchise units during the replication of routines. Even if some well-known franchisors create more opportunities for on-the-job training, such as the fast-food restaurant chains McDonald's, Subway and Popeye's, where supervised management experience is provided in an existing store for several weeks (Justis & Chan 1991), those opportunities are only given to franchise owners and managers. Meanwhile, most of the staff will need to rely on intermediaries as well as explicit (declarative) knowledge, in order to learn.

Routine representation is codified into knowledge stored in franchisor's employees, such as training instructors, as well as in replication artefacts, such as manuals, videos, slide presentations, and similar artefacts. The decisions on routine template codification influence the success of compilation at group-level, and habitualisation at the individual-level. As part of those decisions, the available media of different richness levels is used, with one- or two-way communication. If it allows multiple cues and nonverbal feedback, it can improve or reduce the amount of knowledge that is transferred, and the fidelity during transfer. Codification also requires a choice of language and visual symbols, and it is the level of codification across replication artefacts that may influence the efforts of recipients to decode the content (Friesl & Larty 2013; Zander & Kogut 1995).

Routine template knowledge is also present in routine artefacts, which can be directly copied, to allow shared access from a routine template, or its representation can be stored with the franchisor. The process of copying routine artefacts reduces the chance of change between the routine template and the replicated routine as it can be copied exactly or use the exact same artefact in shared access. Those artefacts interact with the routine participants by sending cues that trigger a routine's sequences of actions and, in turn, receive cues to be stored for future use, communicated to others, or trigger processes in the artefact, if it is a software or machine. In this way, it also supports routine replication by providing the same cues as in the routine template. The research confirms that it also conditions participants to trigger the same habits as in the routine template.

As the study showed, the routine template representation is stored in franchisor employees and replication artefacts. Usually, franchisor employees are training program instructors, who will teach franchisee owners or employees. Replication artefacts can be manuals, video lessons, instructional software, or related artefacts.

#### 6.1.1.1 Directions to the Routine Template

An important point raised by the empirical research is that the directions given to the stored routine template representation may vary from participant to participant. Those variances also reflect on variances in learning experiences and in routine compilation and

habituation. This can be a significant risk to franchise systems, as those systems mainly rely on routine template representations, rather than on direct access to existing routines for replication.

### 6.1.2 Knowledge Transfer

Knowledge transfer involves both tacit and explicit knowledge. On some occasions, the means of transfer can transfer both types of knowledge, such as in face-to-face training with instructors that were, or are, participants of those routines. However, it is more common to see different means of transferring each type of knowledge.

The tacit knowledge of a routine template can be transferred directly to the franchisee's employees, whether they may be intermediaries or participants in the routine; or it can be transferred to franchisor employees in their past working experience in existing units. The transfer of tacit knowledge can be subject to limited access to routines for observation, and to the lack of observational skills to imitate (Zander & Kogut 1995). Options for tacit knowledge transfer are on-the-job training at existing units and socialisation with participants in routine templates. As is demonstrated in this study, although on-the-job training is highly rated by franchisees (Hing 1995), it is not always provided for a reasonable enough duration (Justis & Chan 1991).

Participants' limited access to template routines was observed in the studied cases. The franchisor did not present options for on-the-job training and the participants of replicated routines were restricted to the tacit knowledge available from instructors. It can be inferred that these experiences are poorer in terms of their capacity to transfer tacit knowledge when compared with on-the-job training, since the exemplification of specific task performance may not fully reflect all the cues and conditions that are presented by the actual enactment of a routine in its real context.

The transfer of explicit (declarative) knowledge was more prevalent in the studied case. As described, explicit knowledge is codified when communicated between people into language, and in replication artefacts. The transfer of declarative knowledge can occur

directly to the participants of the replicated routine or, firstly, to intermediaries, who will then compile the routines and transfer knowledge to the participants.

#### 6.1.2.1 The Role of Intermediaries in Routine Replication

A question could be asked as to whether the designation of intermediaries could lead to lost knowledge from additional codifying and decoding of information. Conversely, the empirical study has raised a few important reasons why intermediaries can be valuable during replication. Intermediaries can better decoding declarative knowledge if they tend to have more experience and education around the topic, which is usually the case. The lack of background knowledge has been found to negatively impact routine replication in previous studies (Cohen & Levinthal 1990). Also, intermediaries can act as stable knowledge storage as participants of the routine leave and are substituted. When a participant leaves, immediate support is required to transfer knowledge to the substitute to minimise disruption in the routine enactment. However, if the intermediary leaves the organisation, the embedded routine is still capable of functioning. Finally, intermediaries can implement reinforcement mechanisms to help to embed routines, giving frequent feedback if they continue to be close to participants. Regarding the cases examined, the supervisors and General Manager were observed to be providing these three benefits.

The intermediary can have two roles; one as an expert who will master the knowledge for routine replication, and the other as a manager who can delegate to the participants of the replicated routine, being hierarchically superior. Usually, the intermediary with a managerial role is also an expert to some extent, but not all intermediaries that are considered experts have managerial control over participants.

The figure of the expert is somehow natural to humans in evolved learning capabilities. According to Boyd, Richerson, and Henrich (2013), there is evidence that supports human culture having evolved to identify and learn from experts. In the empirical study, a reliance on experts, such as the regional academic coordinator, sales supervisor, General Manager, and others, was expressed in interviews.

The figure of the expert is more passive in the sense that it is not necessarily accountable for replication but is available to answer questions to close gaps in understanding the routine template representation. The franchisor's regional academic coordinator and the franchise business coordinator are both examples of experts from the studied case.

However, the role as manager for the intermediary implies accountability for replication. This is substantiated through the compilation of the routine. Compilation involves both the breakdown of the routine, and its goals, into tasks and sub-goals that can be assigned to the individuals who will participate in the routine, and the directions for learning the routine template. To do so, the intermediary must have a good understanding of the overall routine functioning; especially of how activities are connected and sequenced by goals and cues.

As sub-goals are assigned to individuals, they start to search the information on how to achieve them. The directions to the routine template representation, recommending readings, video lessons, and face-to-face training, will guide them through the learning process. Some franchises have clear guidance on learning the routine template and establishing programs. At Yázigi, however, these were found to have only been partially established. For teachers, learning followed the Y-Learning Cycle (Pearson Education 2017c) but this was not strict as sales personnel did not reference any particular program as such.

The knowledge acquired by participants to engage in a disposition that can be energised into actions to achieve subgoals for the routine must be converted into procedural knowledge by each individual. This is achieved by converting knowledge into habits. From the empirical data obtained through the interviews and observation sessions, it is possible to suggest that the declarative knowledge transferred by replication artefacts, and by people, converts into procedural knowledge in three ways: (1) through role-playing simulation during training sessions; (2) through the employee projecting the unfolding of the routine enactment and thinking about how they need to behave; or (3) by readily converting declarative knowledge when enacting and subjecting it to trial and error, while responding and conforming to environmental cues.

This compilation is achieved by the recipients' cognitive processes, where new information can only make sense in relation to knowledge previously possessed by the recipients (see Gobet et al., 2001, p. 236). This implies that participants in the routine, who

have previous knowledge of the function and the business, can learn the knowledge that has been transferred more quickly. However, there is an opposite force exerted by prior knowledge, as noted in the empirical work. Prior knowledge can create a level of overconfidence where ‘all is known’ and were making an effort to learn the aspects of the new routine is not required, as the participant already knows how to achieve the subgoal that has been set. In addition, previous procedural knowledge in the form of “old habits” can make it more difficult for the individual to learn a new one, or even to induce the change to a habit that is a hybrid of the old and the newly proposed, as part of the routine template representation. In the current study, evidence was found that supports both sources of “stickiness” (section 5.3.1.2).

The choice of codification can also impact the compilation into procedural knowledge and habituation. As described previously, cognitive psychology theory (Anderson 1993, pp. 88-89) argues that instructions and examples expedite the conversion of declarative knowledge into procedural knowledge, as recipients can imagine the sequence of actions and apply the same mechanism that they use for analogies. In the empirical study in this thesis, examples were considered particularly helpful by sales representatives as a way of learning sales techniques for external sales events, and by teachers as a way of learning lesson steps.

The knowledge required to perform a routine not only needs to be embedded as behaviours in the employees that participate in the routine, but also in artefacts such as software, machines, lesson materials, and planning schemes. Such artefacts have a function in the sequence of actions, and as routine participants interact with them, their services become part of the routine enactment. In the case of the academic routines investigated in this study, lesson materials such as artefacts provided by the franchisor are used by teachers as a resource within the lesson routine, and as a repository of knowledge to enact it. In this way, when followed, knowledge in like an English lesson book that has both the language content for the student and the lesson structure that guides the lesson flow.

In a similar way, regarding sales routines, the LEAD machine software is an artefact that has the data fields that store the prospective client’s information, and the information of the interactions with them, but also that provides a structure that guides the collection of data

and flags alerts that triggers action from the sales representative to call the prospective client, following up on their interest.

‘Routine embedding’ is a term used in the knowledge transfer literature (Argote & Ingram, 2000, pp. 53-54) and addresses the concept of ‘learning by doing’. In order to retain compiled routines and have them ready to be enacted at any time, recipients need to store them. Routines become embedded as dispositions through the habituation of activities in their participants and through the coordinated exchange of cues and the achievement of subgoals and goals. Habituation is strengthened by repetition, similarly to routines.

Although the intent of the present research is to understand how knowledge is transferred for and through the replication of routines in actual franchise systems, it is natural that some prescriptive conclusions emerge from this study.

The opinion of the researcher is that three replication issues were undermined by the franchisor and the franchisee during the knowledge transfer for and through routines replication in the Yázigi franchise system. The first point is the importance of on-the-job training and the broader tacit knowledge transfer for replication. The second is the lack of singular, clear directions for the routine template representation that could improve the learning experience and its completion. Finally, the habits of thought that create “stickiness” to old routines have not been addressed formally.

#### 6.1.2.2 Wanting to learn

Some evidence from fieldwork supports the notion that people have different beliefs regarding the value of and need to learn new routines. The difference in learning attitudes between Sales Supervisor 1 and Sale Supervisor 2 is an example thereof. While Sales Supervisor 1 considered that the commercial function of one company is the same as every other company with only the product changing, Sales Supervisor 2 believed that he had to learn new techniques and routines to better perform his new job. As described in the research in studies by Holland et al. (2006), and Dollimore (2016), the intention to implement new habits is a critical element of learning and adapting to new settings. Nonetheless, clever habits



of thought can be created, close to what Richard Thaler (2015), the Nobel prize winner in economics has called ‘nudge’, to change the incentive to adopt new habits. In the empirical study at Yázigi, the thought of being a ‘Yázigi Managing Teacher’ or a ‘Yázigi Sales representative’ provided such incentive for specific employees to strengthen their intention to implement new habits.

### 6.1.2.3 Learning to learn

Anderson argues that the way that declarative knowledge is interpreted to convert to procedural knowledge, taking the form of production rules, also depends on interpretive procedures that themselves follow production rules, or meta-production rules (1993, p.79). In this sense, each person interprets declarative knowledge in their own way, abstracting examples and making analogies, according to the procedures adopted for this purpose.

During the empirical research, the General Manager expressed some frustration as sales representatives did not study the available material to improve their understanding of the routines, when so much was available. She then concluded that there were limitations due to their formal education. It is important to note that the General Manager of the Campo Grande unit is herself an engineer, who previously worked with production automation, so she is quite used to studying manuals, books, and other materials in order to develop herself. Thus, people have different meta-production repertoires that support their learning process to acquire new declarative knowledge, and to follow instructions and repeat until new procedural knowledge is formed.

This phenomenon can also be seen in the common event of people buying new equipment for their house, or a new car, but not reading the manual (Mehlenbacher & Laughery 2002), preferring instead to infer from past experience or engage in trial and error.

### 6.1.3 Replicated Routine

The process of embedding routines after knowledge is transferred to its participants is far from being effortless. As pointed out by Anderson and Lebiere (1998, pp.135-137), effort is actually a critical factor that shaped the mechanisms of learning although require high levels of energy and being time-consuming. In order to convert declarative knowledge into procedural knowledge in a group of participants, repetitive runs of the routine need to be conducted, sequenced by cue triggering, and guided by goals and subgoals. Only through the effortful habitualisation of tasks, can the replication of routines be secured.

#### 6.1.3.1 Cues and Goal Setting for Routine and Habits Compilation and Embedding

As explained above, the critical mechanisms for routine compilation and embedding them are cues provision and goal-setting. Cues work as input signals of routines and habits, while goals signal the expected output for them. They set the connections between routines and what comes before and after them, and the minimum information required to start the formation of a routine. Anderson (1993, 48-50) explains that goals make our cognitive system focus largely on them, and our mind tends to then “stack” them. A goal is placed above another in our priorities when it is a dependence for that other goal. This goal hierarchy is important to coordinate the energising of procedural knowledge into action. Each goal is broken into sub-goals until it matches production rules in the form of IF—THEN relations (see 2.2.1), composing a sequence of proposed actions to achieve that goal.

In the investigation of routine replication in the Yázigi franchise system, it has been observed that at the beginning of routine replication, there is a need to transfer sufficient knowledge to engage the participants, such as roles, goals, and expectations. Participants can only begin to embed their part of the routine as a disposition if they understand what is expected from them. As the participants become engaged, they start to form their habits and when they do not possess the knowledge to form production rules, they look for it in the

routine template. Not only habits for routine executions are formed, but also habits of thought that connect to and are triggered by particular cues from the environment.

The integration of the new sales representative exemplifies this effect. During his first few weeks, he was trained and told what he should do by the sales supervisor, but this was not enough to completely create the dispositions required for his work. As he started to respond to cues and triggers independently – such as working through the list of leads and calling them or receiving a prospect visiting the unit – there were gaps in his knowledge that he had to close. In those situations, he had to revert to the supervisor for guidance.

The participants' behaviour towards learning new routines, and the skills that they develop throughout their lives when learning how to learn, interfere with the process of embedding, and potential barriers need to be overcome. In the empirical study performed, it was possible to identify habits of thought created to reinforce goals, like 'being a Yázigí salesperson', which inhibits stickiness to old habits.

In the process of routines replication, reinforcement mechanisms, artefact cues, and goals act in support of the intent to 'copy exactly'. However, changes during routine replication may be inevitable and may drive important adaptation to environmental changes, depending on their characteristics.

#### 6.1.4 A Theory Based on Interactions

The theory proposed here details the elements, roles, barriers and solutions that transfer knowledge through and for the replication of routines in franchise systems. Its examination of the interactions between different participants of the knowledge transfer process, and between participants and artefacts, favouring or interfering with replication, provides a new perspective in a topic where empirical research has been modest, and where theory has been kept at a less granular level.

Evidence from the case study confirms that knowledge transfer and routines replication are highly dependent on cultural attributes of the organisation and more broadly of human learning. The identification of such attributes and the habits of thought that are energised

during knowledge transfer is key to create a favourable organisational context for replication. Those attributes will be discussed in the next chapter, indicating prescriptive implications and opportunities for future research.

Finally, the theory proposed has provided clarity on how routines are replicated from franchisor to franchise units in franchise systems, and how knowledge is transferred as part of this process. Thus, answering the first two research questions.

## 6.2 Changes During Routine Replication, Innovation, and Performance

This section addresses the changes in routines during replication and its effect on organisational performance, addressing the last two research questions below (from section 3.2):

- c) Do routines change during replication?
- d) If change happens during replication, how does it affect organisational performance?

The first intent of the empirical research was to confirm if changes were happening or if ‘copy exactly’ was taking place. According to the literature, routines can and do change during replication (Friesl & Larty 2013; D’Adderio, 2008). In a broader account including communication theories, knowledge transfer, and organisational routines replication, there can be many forms of change that affect routines replication. Changes can be intentional, in an attempt to promote innovation even during replication, or unintentional, due to failures in the process of knowledge transfer, or even in the process of simplifying and contextualising through which knowledge is transferred. Friesl and Larty note that ‘...we understand little about the micro-processes through which actors and actions shape replication’ (2013, p. 111).

The present research contributes to this understanding by examining some of the sources, characteristics, and consequences of those changes.

### 6.2.1 Changes from Codifying and De-codifying Declarative Knowledge

One source of change identified by comparing training documents and observed replicated routines was the codification and de-codification of routines. In the examination of sales manuals, it was possible to note that instructions were not given at a very granular level, requiring the reader to infer and connect many of the steps and actions required to reproduce it. Also, as language, structure, and symbology were not standardized, the de-codification process had to adapt along the learning process (see section 5.1.1.2). The generality and inconsistency of codification resulted in significant effort from learners, and consequent low retention of details. At a later moment, this low retention would be supplemented by analogies or trial and error, to close the gaps. It was possible to observe different interpretations across sales representatives about the instructions on the manual.

### 6.2.2 Changes During Routines Compilation

Another source of change is the simplification inherent to the process of compilation. The compilation of routines (in groups) and habits (in individuals) in the form of procedural knowledge is subject to the economics of representation, which needs to be acknowledged and examined (Anderson 1993, p. 32). Human brains need to make the best use of the limited storage space that they have and reutilise the neurobiological structures that fire production rules. In this sense, it is logical to use similar production rules utilised by other habits (or skills) as part of the new habits (or skills). It is also possible to propose, in the same way, that routines may be using old habits from individuals, as similarity protects them from being overridden by new habits during replication. In the examination case of ALN, teacher 1 discussed the “stickiness” of old habits from previous work experience. It was evident that, if participants in a routine had previous knowledge of similar activities, routines would tend to use that knowledge in the process of compilation.

If change can come from prior knowledge, it can also come from the lack of knowledge during transfer. Anderson (1993) explains that procedural knowledge is formed by analogy from examples; even when there is no observable example or direct prior knowledge, the mind imagines an example or builds one as it tries to act on and learn from situations. In this way, the transfer of skills from other types of problems can be used to perform new activities, guided by the subgoals set for the individual.

### 6.2.3 Changes by Innovation

The replication process unfolds in a balance between the intent to ‘copy exactly’ and the changes to routines. As discussed, changes can be unintentional or intentional, and the assurance of their resulting impact cannot be granted upfront. Ultimately, changes are welcomed if they make routines and organisations better adapted to their environment, constituting innovation. The value of such changes to performance and, more importantly, to organisational survival, may only be attested to by the organisation’s survival or expiration, i.e. *post-factum*, and even if this is the case, it may be hard to appraise its contribution to either.

It is possible to suggest that innovation during replication is less frequent than after replication. Replication is usually triggered by the recognition that the template routine is an effective way of achieving the intended goal. However, it is possible to introduce innovative changes if, during replication, the environment for the replicated routine presents different conditions, compared with the environment in which the template routine was found. In this case, adaptations may be intentionally introduced to the routine. It is important to highlight that if changes make the routine different from the template in relevant terms, it will not be considered replication according to the Generalised Darwinism framework (see section 2.3.4), but rather a type of ‘mutation’.

In the present research, the CCP routine was examined as an example of innovation in the Yáziği business model, but not to a prior routine, since a routine for commercial partnerships did not exist as such. The activity was previously implemented as isolated initiatives designed for single instance enactment. However, through the collaborative work between franchisees

and franchisor's, a new routine template representation was made, formulated from the routine templates as an established practice in existing franchise units. The initiative to pursue such innovation was seen to be led by the entrepreneurship of franchisees.

As with other types of organisations, franchise systems operate in dynamic environments, and innovation is required in order to continue to be competitive and survive. Watson et al. (2020) explain that there are many franchisee-led innovations documented in the literature and that for franchisors, the challenge is 'how to harness the innovative capabilities of franchisee without compromising system uniformity' (Ibid, p.769). In the studied case, the support of the franchisor was significant. It is important to highlight that the risks were small, considering that the innovation within CCP was not altering one of the existing routines, but creating a new one.

Reflecting on the empirical experience in this research, the author's opinion is that the relationship between copying exactly, changes, and routine performance is one of probability. It is reasonable to assume that intentional changes, which are based on information attained from the environment and some sort of reasoning, have a higher chance of resulting in adaptation than unintentional changes. An exception to this rule will be if unintentional changes are actually being driven by unconscious heuristics (habits of thought), which could have an evolutionary value and lead the process to a better position. However, this is a rare situation. Therefore, the prevention of unintentional changes and the implementation of carefully considered changes when environments are expected to bring new challenges are usually the safest path in such a balance.

Changes can be favourable or unfavourable to routine replication, as they can increase the speed of routinisation and incorporate valuable change, or they can make them lose performance if old habits or production rules were less efficient or less effective. It is difficult to accurately anticipate whether unintentional changes will be beneficial to performance. Intentional changes are always designed to improve performance, but success is still not guaranteed. However, the Variation-Selection-Retention (VSR) algorithm will inevitably act upon organisations for the shaping of the routines that prevail.

#### 6.2.4 The Impact of Changes in Organisational Performance

It is possible to think of two possibilities in approaching the impact of changes in organisational performance. The first is to evaluate the capacity of routines in meeting their immediate goals. The second is to evaluate the overall results of the organisation in commercial and financial terms.

During fieldwork, only the first option was available since the organisation leadership was not comfortable in sharing financial statements. Even in the routines' immediate goals, key performance indicators were not comparable in a way that performance could be associated with changes, to allow a quantitative analysis. Changes to routines were small as compared to the overall functioning of the routines, and the mixed effect of other performance drivers such as advertising, local economy, and seasonality, had a more considerable influence on those metrics.

Nonetheless, productive discussions were provided in the interviews with the General Manager of the Campo Grande unit to support the response to research questions. In those discussions, the dissatisfaction of the General Manager with the sales results and the satisfaction with academic results became an interesting finding, especially if we consider that more changes were observed in sales routines than in academic routines. However, there is no evidence to create a direct causal relation. Again, sales performance is influenced by many factors such as advertising, customer behaviour, competition, and local economy performances. Another interesting fact is the change of sales supervisors during the fieldwork period, where the first supervisor presented habits of thought that were less supportive of replication and considered that every commercial area was about the same, and the second was more prone to learn new routines and praised the Yázigi model. According to the General Manager, the first supervisor was underperforming, and she was 'happier' with the second.

Although a fully conclusive response to the research question on the impact of changes in the organisational performance was not reached, some initial correlations were found that could provide input to future research.



### 6.3 Comparison of Current Findings and Previous Studies

Argote & Ingram (2000, pp.2-3), observe that there is increasing empirical evidence supporting that organizations that can transfer knowledge effectively from one unit to another are more likely to survive than organizations that do not. Moreover, those authors affirm that successful knowledge transfer is difficult to achieve, and that understanding how to facilitate it can improve organizational performance.

A point made in previous studies is that individuals may not be adept at communicating their knowledge since they do not understand why practices are effective (Szulanski, 1996). In the present research, this particular point was substantially reinforced, because it was clearly shown that some of the intermediaries taking part in the replication process were not confident in why practices of the routines were effective and hesitated in transferring it.

Another point raised in the work of Szulanski et al (2002), is the loss of value of the template even if small modifications are introduced. An important insight established in this study are that small changes known as almost inevitable in franchise systems, are represented as template routines in a distributed manner in training materials and sessions. Directions to that representation may vary depending on who is intermediating the transfer and when the process is happening. In this sense, it appears that the accuracy to be considered 'copy exactly' is an ideal very difficult to achieve.

According to Knott (2003), franchisor control of franchisees allowed routines to spread through the franchisees. Units would not learn about superior franchise routines or see them as matching their operations without knowledge and guidance from the franchisor. The observed struggle of the studied franchise unit (Campo Grande) in face of the lack of presence of the franchisor in its early days corroborates with that finding. Again, the challenge is that even with information and directions, the lack of standard representation of the routine template and the variability of directions is a concern to a successful replication.

In this manner, the proposed view on the importance of directions to the routine template, and the critical role of intermediaries does converge with the line of thinking from other researchers, but it is more explicit about how exactly it plays a role in the replication process.

Gupta et al (2014) study a different approach to routines transfer, which proposes an intervention or redesign of routines before introducing it to the new context. This point of view defends that neither evolution nor exact copying is entirely sufficient in completely new contexts. Following Hodgson's definition of replication, where there must be a substantial similarity between the template and the replicated routines, the redesigning process should not account for replication. Gupta's study (2014) in a quick print chain, found it to be unsuccessful. It is important to relate this view to the changes introduced in the Yáziği's routine templates managed by the franchisor. In our research, we found that template changes were more often proposed for the active sales processes. However, pilots were conducted in existing mature units, before incorporating it. In this sense, the process of routines copying to new units remained consistent with the replication concept.

Regarding the compilation of routines, previous studies in the literature have pointed to the existence of a transactive memory system (Lewis 2003), which is a collective system for encoding, storing, and retrieving information. In such studies, routine embedding was reinforced by the understanding of who knows what and some stability of the division of tasks. The present study also finds evidence that knowledge transfer is facilitated by an embedding process in group procedural knowledge where tasks are divided and attributed. In addition, at another significantly related level, it notably elucidates how this embedding process is similar to the way that habits are embedded in the individual, as proposed by cognitive psychologists, being reinforced by the interactions of the different participants.

A very recent study from D'Adderio and Pollock (2020), they analyzed the replication of routines in an uncertain and complex context. In their research, the authors perform a three-year longitudinal study in a US technology company. In this study, routines are embedded through a sequence of repairing and distributing practices. Repairing includes adding layers of knowledge obtained to close the gaps of the first knowledge transfer. It also includes the review of templates to create alignment to the expected state of the routine. Finally, a common overarching narrative is created. Distributing includes the separation between similar practices and exceptions and between similar objects and different objects across locations that use the same type of routine.

Some of the findings of D'Adderio and Pollock (2020) are also found in the present research, where replicated routines are first absorbed in an incomplete state by sales personnel, and knowledge is pursued to close those gaps, even in simpler routines. This may suggest that the complexity of the routine is not the only reason for this process, but the relative lack of expertise in the recipients of the routine and the incompleteness of replication means may also lead to a re-implementation cycle. Regarding distributing practices, they were not observed. Possibly, the separation of exceptions can only be done at the franchisor level, and there is no interest from this party to do so, as this could deviate from its 'copy exactly' intent. Moreover, distributing practices may not be as important for simple routines like the ones studied here.

## 6.4 Final Considerations on the Discussion

The evidence collected during the empirical study presented here, along with the theoretical framework that has driven this research, has been integrated and put through iterations revising, extending and improving an explanation on how knowledge is transferred for and through the replication of routines, and how changes affect this process. As part of this theory, a process model has been outlined, which can help researchers and practitioners to identify barriers, enablers, to either explore further understanding about this important phenomenon or to actively improve organisational capabilities.

## 7 CONCLUSION

The objective of the present thesis was to improve the understanding of how knowledge is transferred for and through the replication of routines in franchise systems. Organisational routines are treated here as critical units to understand how organisations such as franchise systems evolve.

The explanation presented in the last chapter used the concept of routines replication from the Generalised Darwinism framework proposed by Hodgson and Knudsen (2010) as its theoretical foundation, and the ACT theory proposed by Anderson (1993). The Generalised Darwinism framework places routines at the centre of Organisational Evolution and provides robust definitions for their quality as replicators that store knowledge, thereby driving coordinated actions that constitute organisational behaviour and performance. The ACT theory, on the other hand, is a line of research from cognitive psychology that provides a sensible explanation of how skills are learned.

Even though the intent to gain further understanding about routine replication using cognitive psychology emerged independently from the initial search for literature that could explain how humans learn “how to do things”, the suggestion that this should be pursued was also later discovered in the seminal paper by Cohen and Bacdayan, “Organisational routines are stored as procedural memory: Evidence from a laboratory study” (1994). This created further confidence that it could be a productive approach to adopt.

The theoretical foundations selected were able to frame the research and provide initial premises, but a detailed account of this phenomenon required empirical investigation. The choice to perform such an investigation in a franchise system was based on the clear role that it plays in the growth of this type of organisation, and the commitment to replication that is inherent in its business model. Those characteristics help to isolate many other influences that routine formation has in other types of organisations, which can choose to partially replicate, redesign, or repurpose routines. This benefit of the study on a franchise system was noted in the empirical study, as the focus of the franchise unit team seemed to be to replicate from the routine template representation, most of the time.

Naturally, the first contribution of the present thesis to understanding the process of knowledge transfer for and through the replication of routines in a franchise system was to provide a comprehensible explanation of how the knowledge transfer process for and through the replication of routines works. Although it is limited to franchise systems and can benefit from further larger studies across multiple cases, the proposed theory is a valuable starting point.

The theory outlined the stages of routine replication: routine template, knowledge transfer, and replicated routine. For each stage, it tracked the flows of tacit and explicit knowledge transfer, from person to person, from person to artefact, from artefact to artefact through copy, and from artefact back to person. The theory also identified key roles of people who participate in the replication process, and types of artefacts according to their use. Finally, it explains how micro-processes for compilation and embedding occur. As such, the proposed theory advances knowledge in an area in which little research has previously been available.

Besides the explanation of how the studied process works, a few insights merit highlighting, as they are more distinctive contributions to the routines' literature, paving the way for future research opportunities, as well as bringing new insights to franchise systems professionals, which can change the way that they approach franchisee support. These will be covered in detail in the following paragraphs and begin with four key lessons: firstly, the importance of directions to the routine template for knowledge transfer, secondly the critical role of intermediaries for routines replication, thirdly the nature of routines compilation as it recapitulates the compilation of habits, and finally covering how learning habits of thought can favour or oppose the adoption of new habits. The chapter is then concluded with lessons for franchisors that derive from the research, a brief discussion on the relevance of the study to strategic management research, and final considerations.

### 7.1.1 Directions to the Routine Template are Important to Knowledge Transfer

In franchise systems, direct knowledge transfer from existing franchise units to new franchise units is rarely available. Therefore, participants need to learn from routine

templates that are stored in a distributed manner, across franchisor staff and replication artefacts. In this sense, learning through participants relies on the directions that they receive from franchisor staff, intermediaries, or other participants, who instruct them on where to look for such knowledge. Obviously, the knowledge that is actually transferred comes only from what has, in fact, been accessed. In the empirical study presented here, different participants received different directions, varying in the documents that they read, the people to whom they talked with, the video lessons that they watched, and the training sessions that they attended. Eventual gaps were then created by incomplete instructions and these had to be closed with knowledge supplemented by previous experience, analogies, or trial and error. This changes the exact knowledge that was compiled and embedded, consequently changing the replicated routine compared with the existing routine.

Routine templates are loosely covered in the organisational routines literature, and the above conclusion can contribute to the understanding of their nature.

#### *Prescriptive Implications for the Franchise System Practitioners*

As previously stated, franchise systems presuppose the replication of a business model and of the routines that compose it. In this context, providing standardised and planned directions that indicate one clear path to obtain the knowledge to be transferred can create a single depiction of the routine template and, more importantly, improve the similarity between replicated and template routines. Consistently, franchisor staff and intermediaries need to be educated to provide the same directions to participants.

#### *Opportunities for Future Research*

This research has raised the importance of directions to the routine template for the replication of routines. However, this presents opportunities for further investigation, such as the identification of possible causes of the variation in directions; possible solutions to standardise directions that have been implemented by franchise systems, which can be drawn from theory or designed; and an assessment of the level of inconsistency in directions provision, and the consequent impact on performance.

### 7.1.2 Intermediaries Have Critical Roles for the Replication of Routines

The second point to be highlighted is the recognition of the critical role that intermediaries play in the process of routines replication. The first aspect of their role is exclusive to intermediaries that are managers and act as agents in routine compilation, setting goals, and conducting feedback mechanisms. In this sense, routines replication depends on the effective performance of those intermediaries in distilling routine goals into task goals that can be assigned to individual participants; and on giving feedback that can reinforce the adherence to the routine as stated in the template. The second aspect is that intermediaries, being either managers or experts, are providers of direction to participants in the routine template representation. As described previously, the rigour in providing clear, standardised, and complete directions can improve the quality of knowledge transfer and, thus, routine replication.

The role of intermediaries is also underplayed in the routine literature, and the current study supports a protagonist position that can be further explored.

#### *Prescriptive Implications for the Franchise System Practitioners*

The importance of intermediaries to the replication of franchise models raised in this thesis suggests that franchise systems could benefit from rethinking their organisational structures, both from a franchisor and franchisee standpoint, in order to better deploy routine replication. This can be achieved in the selection and description of roles, and by formally incorporating the knowledge to better support compilation and embedding it into the intermediaries' training.

#### *Opportunities for Future Research*

More research is needed to establish how the different behaviour of managers and experts can provide better results in compiling and embedding routines. Substantial research has been

dedicated to goal-setting (Locke and Lathan, 1990, 2002, 2006), but the study of goal-setting for the compilation of habits and routines has been quite limited. Notable exceptions are the work of Wood and Neal (2006) and Dollimore (2016), but those focus more on individual habits. When goal-setting is placed as part of the routine compilation, other aspects connecting task sub-goals and cues in the sequencing of actions performed by multiple participants can add more complexity and require further consideration.

### 7.1.3 The Compilation of Routines Recapitulates the Compilation of Habits

The current work also suggests that in the same way that routines are analogous to habits (where the former operate at group-level, while the latter operates at an individual-level), routine compilation seems to reproduce habits compilation to some extent. In this way, routine goals are divided into individual habits and sub-goals to be made into habits, in the same way that habit goals are broken into tasks and subgoals, to then be compiled into production rules. When a routine is deconstructed by setting subgoals that connect with cues from one habit to the next, triggering sequences that lead to the achievement of routine goal, its integrity is preserved while being safely stored, using a combination of pre-existing procedural knowledge in the participants as its foundation, as well as new knowledge that gives the desired purpose to habits. Anderson (1993b) described the compilation of habits in a similar manner, arguing that this reusability of procedural knowledge (in the form of pre-existing production rules), allowed for learning new habits with less effort and, therefore, less need for storage capacity in our minds. Routines also benefit from pre-existing habits fuelled by functional specialisation, as teachers understand how to articulate the parts of a lesson, and sales representatives know how approach prospective clients. In addition, both types of employee know how to use computers. The caveat in that reusability is that pre-existing habits can lead to unwanted behaviour and are rooted in such a way that prevents new routines from being learned, according to routine templates.

The particular view of routines compilation presented here, suggests some micro-foundational origins and associate it with the own compilation of habits. This may provoke



some criticism, as routines live in the collective level and only gains sense through the interactions of individuals. It is important to note that although the underlying cognitive processes of the individuals are recognized also as drivers of habituation and routinisation, embeddedness of routines is still created by the shaping forces of interactions, goal-setting, and reinforcement mechanisms, at the group-level. In this sense, micro-foundational aspects are not from group dynamics when it comes to embedding routines. In this way, it is considered a multilevel process.

#### *Prescriptive Implications for Franchise System Practitioners*

The similarity between routines compilation and habits compilation suggests that in the same way that the capacity of individuals to learn new skills (or habits) depends on their basic education, the ability of a team to learn new routines can depend on their professional and academic backgrounds. The implications for franchise system professionals only reinforce the common-sense concern of hiring a good team. Nonetheless, a more careful assessment of relevant competencies can be valuable.

#### *Opportunities for Future Research*

The similarity between routines compilation and habits compilation raises questions regarding the level of similarity of those processes, and how other aspects of routine compilation can also be understood by tracing parallels with habits compilation. One example is to investigate if the transfer of knowledge between different routines occurs in a manner that is comparable to the transfer of production rules between skills.

### **7.1.4 Learning-related Habits of Thought Can Work in Favour and Against the Adoption of New Routines**

Another contribution from the research is the identification of habits of thought that work in favour and against the adoption of new habits during replication, such as ‘commercial routines are all the same’ versus the ‘becoming a Yáziqi sales representative’. Those habits of thought appear to regulate the level of effort and focus that is given to learning new routines. It suggests that the transfer of knowledge of new routines is not the only issue to be considered, but there is also a need to care about promoting an adequate attitude, and the underlying habits of thought towards learning. Those dispositions may have origins in our remote past, such as in reliance on experts (see Henrich 2017 and section 6.1.2.1), or they may be formed more recently in organisational evolution, like in the franchisor prioritisation of means to transfer explicit knowledge over means for tacit knowledge transfer (see section 5.1.1.2 for examples).

The organisational learning literature has referred to those barriers to learning (Argyris 1993), but a more comprehensive account of its impact on routines replication has not been written.

One of the merits of the theory proposed here is that it helps to identify habits of thought by mapping the interactions of participants and thus support a more thorough treatment of replication.

#### *Prescriptive Implications for Franchise System Practitioners*

This is one of the most impactful contributions that the present thesis can bring to the franchising practice, since new habits of thought, like ‘becoming a Yáziqi salesperson’ can be promoted in organisations to motivate the adoption of new routines. It is common to notice frustration in organisations, in the same manner as that expressed by the Campo Grande unit General Manager, at the overall lack of willingness to learn new routines. Thus, the promotion of ‘positive’ habits of thought that could work as goals for learning could have a marked impact on organisations.

### *Opportunities for Future Research*

The above finding is possibly one of the more fertile for future research. The study of the possibilities of creating and changing habits of thought to improve routine adherence is a vast topic, especially when including the identification of recurring patterns in discourse and how it impacts the rate of successful replication, or even of intended innovation.

#### 7.1.5 Lessons for Franchisors

This research has studied one of the largest franchise systems in Brazil. Yázigi, with its 420 units, has been able to expand across 180 cities, replicating routines. Even so, there seems to be a lack of commitment to routine replication and an insufficient understanding of the elements that are involved in knowledge transfer. This may be the case for many of the existing franchise systems.

Franchisors must realise that their main role is not only to promote the franchise brand but also to nurture the routines that comprise their business model. They are ultimately replication machines, which need to excel at knowledge transfer.

Franchisors are also the guardians of innovation and should be able to separate desired changes from unwanted changes. Innovation should be part of an entrepreneurial spirit that should benefit the whole system.

The solution for the franchisor is again on routines, but not the ones to be replicated in franchisees, but routines **for** replication. Franchisor routines need to be established to ensure consistency and clarity in template franchisee routines representation, standardization of declarative knowledge for communication, tacit knowledge transfer, and performance of intermediaries as enablers of replication. Those routines are usually taken for granted in franchisors, but developing them into unique capabilities could be the key to the evolutionary success of the system, adapting to a challenging environment.

### 7.1.6 On the Relevance of this Study for the Strategic Management Research

As discussed in the thesis introduction, the study of routines is intertwined with the study of capabilities. Scholars from the Resource-Based View (RBV) school of strategic management have been increasingly interested in routine as a unit of analysis to understand a firm's competitive advantage. In the last two decades, a movement by two leading scholars in the field, Teppo Felin and Nicolai Foss (Felin & Foss 2005; Foss et al. 2012) have asked for studies in the 'micro-foundations' of competitive advantage. This movement has tried to promote more research in the psychological and economic foundations of individual behaviour to explain organisational level dynamics. As explained by Hodgson (2012) this can be misleading if research tries to reduce explanations to individuals. The explanation needs to focus on the role of relations and interaction, and on structure as well, and that studying routines is a possible solution. Winter (2013) appears to have invested in reconciling some of the claims of micro-foundations search, and still concludes that explanation goes through the understanding of routines.

The research undertaken in this thesis has shown how cognitive mechanisms can only bring meaning to organisational phenomena through their exercise in interactions and relations between entities and elements of routines. Nonetheless, it has provided details that allow further exploration by RBV researchers of how routines can become unique in competitive terms, and how it can fuel firm growth. Examples of this can be named, such as the uniqueness of high-performance teaching methods based on routines, which can accelerate language learning, or into the business development capabilities of commercial partnership routines.

#### ***Other Opportunities for Future Research***

The present study investigated the transfer of knowledge for and through the replication of routines in franchise systems. Moreover, it focused on a single case-study with three routines as individual cases. The first recommendation for future research is, naturally, the expansion of empirical examination to other franchise systems, organisational forms,

industries, and geographies. Such an expansion, if followed in comparison, could advance theories, and allow for broader generalisation.

The framing of routine templates is another topic that merits more research and could have significant practical value to the franchising industry. This thesis has begun to delineate important routines template factors as it has explored the encryption of declarative knowledge, and how the different means of communication impact knowledge transfer differently.

A third opportunity is to attempt to refine the measurability of similarities between routine templates and replicated routines, which could create further possibilities in relating replication to organisational performance.

There may be other opportunities that the reader can identify while reading this thesis, and the author hopes that it is seen as a valuable contribution beyond franchise systems to related strategic management fields.

### 7.1.7 Final Considerations

The explanation provided on the knowledge transfer for and through the replication of routines also contributes to the field of franchising, by bringing an integrated theoretical approach to the study of franchisee training and business model expansion through replication. As many opportunities for improvement were observed in one of the largest franchise systems in Brazil, we can assume that this is a common and valuable gap to be explored elsewhere.

Organisational studies and strategic management theory can also benefit from the findings discussed in the present research, as the underlying interaction-based elements of routines were investigated, providing promising insights for the study of capabilities, company growth, and sustainable competitive advantage.

Finally, the present study contributes to the development of the Generalised Darwinism framework by illustrating its explanatory capacity, in this case, for how organisational routines are retained over time through replication, and offering insights on drivers of variation. It also reinforces the view of routines as dispositions illustrating and enhancing the value of the routines concept for organisational scholars and management studies and in so doing improving understanding of causal relations that explain the dynamics of routines. Thus, its findings endorse the premises of GD.

The contribution made here in terms of theory is thus a small step but one that is in the right direction towards the promising broader application of Generalised Darwinism in management sciences.

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## APPENDIX 1 - SCHEDULE OF INTERVIEWS

Date	Interviewee	Objective
06/07/2016	General Manager	Meeting to map the franchise unit routines
13/06/2016	General Manager	Face to face interview on the franchise unit setup, initial learning, and CCP routine
13/06/2016	Academic Supervisor 1	Face to face interview interview on academic routines learning
13/06/2016	Sales Supervisor 1	Face to face interview Interview on sales routines learning
09/11/2016	Sales Supervisor 2	Face to face interview on sales routines learning, CNS routine template representation and replicated routine
17/11/2016	Sales representative 1	Face to face interview on sales routines learning, CNS routine template representation and replicated routine
17/11/2016	Academic Supervisor 1	Face to face interview on academic routines learning, ALN routine template representation and replicated routine
05/12/2016	Teacher 1	Face to face interview on academic routines learning, ALN routine template representation and replicated routine
05/12/2016	Teacher 2	Face to face interview on academic routines learning, ALN routine template representation and replicated routine
05/12/2016	Sales representative 2	Face to face interview on sales routines learning, CNS routine template representation and replicated routine
07/12/2016	Franchise Business Coordinator	Telephone interview to on CNS routine template representation and knowledge transfer and on the CCP routine
08/12/2016	Regional Academic Coordinator	Telephone interview to on ALN routine template representation and knowledge transfer
13/12/2016	Sales Supervisor 2	Interview to go through some questions based on observation and other interviews for the commercial routines: CNS and CCP
13/12/2016	Academic Supervisor 1	Interview to go through some questions based on observation and other interviews for the ALN routine.
13/12/2016	General Manager	Interview to go through some questions based on observation and other interviews for the three routines: ALN, CNS and CCP

## APPENDIX 2 - SCHEDULE OF OBSERVATION SESSIONS

Date	Session	Objective
18/11/2016	1 <sup>st</sup> Observation CNS routine	Observation of the sales area activities
	1 <sup>st</sup> Observation ALN routine	Observation of a Class review meeting between the Academic Supervisor and Teacher 1
22/11/2016	2 <sup>nd</sup> Observation CNS routine	Observation of the meeting between the General Manager and Sales Supervisor 2
	2 <sup>nd</sup> Observation ALN routine	Observation of a classroom lesson Teacher 1
24/11/2016	3 <sup>rd</sup> Observation CNS routine	Observation of the sales area activities
	3 <sup>rd</sup> Observation ALN routine	Observation of the Feedback Meeting with the Academic Supervisor 1 and Teacher 1
05/12/2016	4 <sup>th</sup> Observation CNS routine	Observation of the sales area activities
	4 <sup>th</sup> Observation ALN routine	Observation of a classroom lesson Teacher 2
12/12/2016	5 <sup>th</sup> Observation CNS routine	Observation of the sales area activities
13/12/2016	5 <sup>th</sup> Observation ALN routine	Observation of the Feedback Meeting with the Academic Supervisor 1 and Teacher 2
11/01/2017	Visit to the Recreio Unit of Yázigi	Observation of the sales area activities
17/01/2017	Visit to the Cabo Frio Unit of Yázigi	Observation of a classroom lesson

## APPENDIX 3 – PARTICIPANT INFORMATION SHEET AND CONSENT FORM

### Participant Information Sheet

#### **FORM EC6: PARTICIPANT INFORMATION SHEET**

##### **Title of Research**

**Replication of Organizational Routines in Franchise Systems**

##### **Introduction**

You are being invited to take part in a research study. Before you decide whether to do so, it is important that you understand the research that is being done and what your involvement will include. Please take the time to read the following information carefully and discuss it with others if you wish. Do not hesitate to ask us anything that is not clear or for any further information you would like to help you make your decision. Please do take your time to decide whether or not you wish to take part. Thank you for reading this.

##### **What is the purpose of this study?**

The purpose of the study is to gain understanding of the processes involved in the replication of business routines between entities that participate in franchise organisations. To obtain such understanding, the proposed work intends to undertake field research involving individuals who franchise, manage, perform, or in other ways possess the knowledge of how these routines are structured, and more importantly how they are transmitted to other entities.

##### **Do I have to take part?**

It is completely up to you whether or not you decide to take part in this study. If you do decide to take part you will be given this information sheet to keep. Agreeing to join the study does not mean that you have to complete it. You are free to withdraw at any stage without giving a reason. A decision to withdraw at any time, or a decision not to take part at all, will not affect any treatment/care that you may receive (should this be relevant).

##### **How long will my part in the study take?**

If you decide to take part in this study, you will be involved in it for *two months in 2014 and two months in 2015, in a few interviews to be scheduled according to your agenda.*

##### **What will happen to me if I take part?**

The first thing to happen will be *to schedule an interview.*

##### **What are the possible disadvantages, risks or side effects of taking part?**

*There are no foreseen disadvantages, risks or side effects.*

##### **What are the possible benefits of taking part?**

*The study will contribute with management research, providing more understanding on how routines are replicated in organizations. This will allow business practitioners to develop ways of improving this process and consequently enhance the performance of their businesses. In addition, the study will help you reflect and conclude on the importance of the replication of business process, here called routines, to your business. This should support the continuous improvement of your business.*

*In addition, the study will help you reflect and conclude on the importance of the replication of business process, here called routines, to your business. This should support the continuous improvement of your business.*

**How will my taking part in this study be kept confidential?**

*Both your name and the name of your firm or the Franchise Organisation will not be disclosed. All notes will be taken under codified references.*

**What will happen to the results of the research study?**

*The results of the study will be part of a doctoral thesis.*

**Who has reviewed this study?**

*This research has been reviewed by my supervisors:  
Prof. Geoffrey Hodgson, Professor of Economics and the University of Hertfordshire  
Dr. Denise Dallimore, Senior Lecturer at the University of Hertfordshire*

**Who can I contact if I have any questions?**

If you would like further information or would like to discuss any details personally, please get in touch with me, in writing, by phone or by email:

*Elmo C. Gomes Jr.  
[e.cavalcante-gomes-junior@herts.ac.uk](mailto:e.cavalcante-gomes-junior@herts.ac.uk)  
Tel.: +1 301 547-5987*

**Although we hope it is not the case, if you have any complaints or concerns about any aspect of the way you have been approached or treated during the course of this study, please write to the University Secretary and Registrar.**

**Thank you very much for reading this information and giving consideration to taking part in this study.**

Consent Form (respondent personal information omitted, see ethical considerations in section 3.4.7)

UNIVERSITY OF HERTFORDSHIRE  
ETHICS COMMITTEE FOR STUDIES INVOLVING THE USE OF HUMAN PARTICIPANTS  
(‘ETHICS COMMITTEE’)

FORM EC3  
CONSENT FORM FOR STUDIES INVOLVING HUMAN PARTICIPANTS

I, the undersigned [please give your name here, in BLOCK CAPITALS]

of [please give contact details here, sufficient to enable the investigator to get in touch with you, such as a postal or email address]

hereby freely agree to take part in the study entitled

**Replication of Organizational Routines in Franchise Systems**

(UH Protocol number CBUS/PG/UH/00650)

1 I confirm that I have been given a Participant Information Sheet (a copy of which is attached to this form) giving particulars of the study, including its aim(s), methods and design, the names and contact details of key people and, as appropriate, the risks and potential benefits, how the information collected will be stored and for how long, and any plans for follow-up studies that might involve further approaches to participants. I have also been informed of how my personal information on this form will be stored and for how long. I have been given details of my involvement in the study. I have been told that in the event of any significant change to the aim(s) or design of the study I will be informed, and asked to renew my consent to participate in it.

2 I have been assured that I may withdraw from the study at any time without disadvantage or having to give a reason.

3 In giving my consent to participate in this study, I understand that voice, video or photo-recording will take place and I have been informed of how/whether this recording will be transmitted/displayed.

4 I have been told how information relating to me (data obtained in the course of the study, and data provided by me about myself) will be handled: how it will be kept secure, who will have access to it, and how it will or may be used.

5 I understand that my participation in this study may reveal findings that could indicate that I might require medical advice. In that event, I will be informed and advised to consult my GP. If, during the study, evidence comes to light that I may have a pre-existing medical condition that may put others at risk, I understand that the University will refer me to the appropriate authorities and that I will not be allowed to take any further part in the study.

6 I understand that if there is any revelation of unlawful activity or any indication of non-medical circumstances that would or has put others at risk, the University may refer the matter to the appropriate authorities.

7 I have been told that I may at some time in the future be contacted again in connection with this or another study.

Signature of participant..... Date 17/11/2015

Signature of (principal) investigator..... Date 17/11/2015

Name of (principal) investigator [in BLOCK CAPITALS please]

E/n = Gomez

Form EC3 – 1 January 2016