

APPLYING INTERNET VIDEOS TO IMPROVE SERVICES

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WIP paper

Abstract - This case study investigates the use of videos on the Internet by a Brazilian industry that produces customized furniture (franchisor). The videos were used to train franchised stores on technical and marketing topics. A total of 24 major franchisees of the company (50% of total franchisees) were interviewed on multiple case studies. The findings suggest that the videos did not stimulate the creation and sharing of new knowledge among the stores (even among non-competing dealers who are geographically distant). However, these videos significantly increased the sharing and generation of knowledge within individual stores. This sharing took place in informal meetings focused on analysis of the videos. The managers reported that these meetings led to the implementation of many changes within the individual stores. Franchisor reported having earned significant gains with the release of the videos. After the program was implemented, franchisees' sales increased and operational training costs declined, but video producing costs were higher than the printed books that the franchisor used to release. Customer ratings revealed a significant improvement in the services provided by the franchisees.

Keywords: franchising, videos on the internet, knowledge sharing, knowledge transfer

INTRODUCTION

Knowledge management involves the creation, retention, storage, organization, sharing and reuse of knowledge. Several authors stress the importance of knowledge management to improve company performance. Videos released on the Internet constitute important resources for the dissemination of knowledge at low cost.

This case study investigates the use of videos on the Internet by a Brazilian franchisor that produces customized furniture. The videos were used to train a network of franchised stores. Kitchen furniture from this franchisor can cost up to \$200,000. We interviewed managers of 24 major franchisees of the company (50% of total franchisees). To improve the performance of its network services, the franchisor creates and distributes training videos about technical and marketing topics. The production of training videos cost the company \$600,000 last year.

KNOWLEDGE MANAGEMENT

Benefits

Organizational learning does significantly effect both proactive market orientation and strategic proactiveness (Hughes et. al, 2008). In some cases, knowledge transfer was positively related to firm innovation capability (Roy et. al, 2004; Tamer Cavusgil et. al, 2003). Employees' knowledge on customers and competitors can help firms to enhance its ability to meet customer needs (Melancon, 2010). Social capital influences selling center performance through facilitating knowledge transfer and absorption within and across the selling center (Yang et. al, 2011).

Real et. al (2006) identified that IT acts as an enabler of the organizational learning process and influences on the development of technological distinctive competencies, thus inducing a better business performance. Knowledge reusability through IT or knowledge sharing through informal discussions among employees contributed to higher performance than strategies that emphasized both (Choi and Jong, 2010).

Transfer and sharing

Managing knowledge in industrial markets has become an increasingly important task in the last 10 years. Among other emerging topics, Lancioni and Chandran (2009) list knowledge management and franchise systems. Managing relationships with stakeholders in the network enhances the sharing of knowledge (Christopher and Gaudenzi, 2009). Company experience enhances knowledge transfer, yet contributes little to knowledge cross-fertilization activities (Liu and Hart, 2011). However, only distributor's economic satisfaction directly promotes market knowledge transfer with manufacturers (Liu et. al, 2010).

Du Plessis (2005; 2008) investigated the barriers identified in knowledge management implementations in organizations globally today and how these barriers have been managed. Effectiveness of knowledge sharing in group-based work depends on whether the latter supports culturally preferred communication forms (Michailova and Sidorova, 2011). Organizational culture types influence tacit knowledge sharing behavior and that such influences may be positive or negative depending on the culture type (Suppiah and Sandhu, 2011). Demonstrations of expert power by the leaders has a positive influence on the extent of knowledge acquisition and dissemination practices among knowledge workers, while legitimate power is found to impede knowledge acquisition practices (Jayasingam, 2010). The most fruitful route to innovation in consulting firms is informal knowledge sharing (Taminiau, 2009). Paswan and Wittmann (2009) examined knowledge management in a franchising. The authors explained types of knowledge, discussed the differences between traditional and network franchise organizations and developed a framework for knowledge management in franchise systems.

Madhavaram and McDonald (2010) described the knowledge grafting process and developed a knowledge grafting based conceptual framework in the context of sales management. Hirunyawipada et. al (2010) proposed a conceptual framework that stipulates that the factors at the team level (goal congruence, task cohesion, interpersonal cohesion, and transformational leadership) and the qualification of team members (common knowledge, functional expertise, and their positions in the network) influence the effectiveness of tacit-to-collective knowledge transformation.

Four key determinants of knowledge sharing using Web 2.0 technologies were identified by Paroutis and Saleh (2009) in a large multinational company, namely: History, outcome expectations, perceived organizational or management support and trust. Chen and Hung (2010) identified that norms of reciprocity, interpersonal trust, knowledge sharing self-efficacy, and perceived relative advantage affect knowledge sharing behaviors in professional virtual communities. The knowledge contributing and collecting behaviors were positively related to knowledge utilization. According to Chang and Chuang (2011), altruism, identification, reciprocity, and shared language had a significant and positive effect on knowledge sharing in a virtual community. Reputation, social interaction, and trust had positive effects on the quality, but not the quantity, of shared knowledge. Participant involvement had a moderating effect on the relationship of altruism and the quantity of shared knowledge.

THE RESEARCH

Method

This study investigated “how knowledge transfer based on internet videos can generate results for franchisor and its franchisees?” A multiple exploratory case study was performed. According to Yin (2009), case study method permits the investigation of a phenomenon within a real contemporaneous context, through an in-depth analysis of one or more objects of analysis, which allows a broad and detailed knowledge about the studied phenomenon. This research is of an applied nature, since it aims at the solution of problems in the industry.

The first part of the investigation consisted in applying a protocol of research on the franchisor. One Director and two sales managers were interviewed. After that, another protocol was applied to 24 franchisees’ managers. Both protocols were based on the constructs extracted from the theory. Each interview was recorded and lasted for approximately one hour. Documents and file records were also collected.

Data analysis

At first, each researcher summarized their findings in each interview that they performed. Afterwards, interviewers who took part in the same interview compared their summaries of that interview, so as to avoid a possible bias of the interviewer's personal opinion at the moment of analyzing the findings. A report with the description of the consensus among the interviewers in each one of the questions asked was written and, afterwards, handed in to the interviewees for validation. The approved synthesis was then classified by construct and profile of respondents, revealing regular patterns within each company's profile (longitudinal analysis of the cases). Codifications and additional analysis guided by the constructs that were investigated allowed the comparison between franchisees.

A new cross-check was done between the franchisor's findings and the result of the franchisees' cross-checking (cross-case analysis).

FINDINGS AND ANALYSIS

Knowledge sharing

Regarding knowledge sharing, the findings of the interviews showed differences between the actions and the discourse in 20 of the 24 franchisees interviewed. On the one hand, the franchisees expressed their desire to have forums where they can discuss the contents of the available videos and other common themes with their peers. On the other hand, the franchisor claimed that franchisees do not use the forums provided for the exchange of experiences among franchisees. The file data showed that only 20% of the forums provided by the franchisor for the exchange of perceptions about the displayed videos were effectively used by the franchisees. Fifteen of the 24 franchisees interviewed suggested that a lack of knowledge sharing is the result of competition among the franchisees. This concern seems to have influenced the type of contributions made by the franchisees in the forums provided by the franchisor. An analysis of franchisee contributions in the franchisee forums showed that 40% of all posts were about general themes, 15% questioned the evaluations, 40% requested information, and only 5% discussed initiatives for knowledge sharing among the network members. These findings indicate a reduced sharing of knowledge, even among

geographically distant franchisees who are not direct competitors. This poor sharing of knowledge refutes the proposition 5 and 6 regarding the knowledge sharing among franchisees (Paswan and Wittmann, 2009). The propositions in focus are: P5 - *In a network franchise system, information technology will enhance the exchange of explicit knowledge and information between franchisor and franchisee, and among franchisees*; and P6 - *In a network franchise system, information technology will enhance the exchange of tacit knowledge between franchisors and franchisees, and among franchisees*. The literature presents some elements that may negatively affect the knowledge sharing: lack of trust (Panteli and Sockalingam, 2005; Chen and Hung, 2010), lack of reciprocity (Chen and Hung, 2010; Chang and Chuang, 2011), cultural aspects (Suppiah and Sandhu, 2011; Michailova and Sidorova, 2011; Barachini, 2009), lack of altruism or identification among franchisees (Chang and Chuang, 2011), fear of being misunderstood (Atkins et al. 2006; Taewon and Amine, 2007) and lack of common objectives (Chow and Chan, 2008; Cheng, 2010).

In contrast, the forums created for the exchange of experiences between the franchisor and the franchisees after the videos had been broadcast were accessed by 100% of the franchisees. The records of these forums showed an intense exchange of knowledge between the franchisees and the franchisor (always in the one-to-one mode). These forums addressed problems in the software for furniture design and different operating procedures. This findings support the proposition 5 and 6 regarding the knowledge sharing among franchisor and franchisees (Paswan and Wittmann, 2009). The propositions in focus are: P5 - *In a network franchise system, information technology will enhance the exchange of explicit knowledge and information between franchisor and franchisee, and among franchisees*; and P6 - *In a network franchise system, information technology will enhance the exchange of tacit knowledge between franchisors and franchisees, and among franchisees*. It is worth noting that some elements that may have restricted the exchange of knowledge between franchisees may not be present in the franchisor-franchisees relationship. This absence may have led to the effective exchange of knowledge in the forums between the franchisor and the franchisees. These reasons should be investigated in future studies.

However, internal knowledge sharing (among employees of the same franchisee) proved to be fruitful. According to 21 of the 24 franchisees interviewed, training using videos triggered discussions among the professionals in their stores. Many of these discussions resulted in the implementation of improvements in the franchised stores (Argote and Ingram,

2000; Paswan and Wittmann, 2009). Findings also suggest that these discussions generated within a franchise increase the franchise's organizational capacity to solve problems through better use of the knowledge of the franchise's own members. The propensity of the employees to share tacit knowledge with fellow shop employees was positively influenced by the training efforts and the transmission of knowledge by the franchisor (Hsu, 2006).

Interest in the themes conveyed in the videos led 21 of the 24 franchisees to organize weekly meetings with their teams. At these meetings, the lessons learned from the video training and the possible improvements that could be implemented are discussed. The findings suggest that the online learning made possible by using the videos contributes to building an internal culture of knowledge sharing and the implementation of improvements (Real, 2006). This finding supports the proposition 8 of Paswan and Wittmann (2009), which states: *Knowledge transfer is positively related to innovation and competitive advantage*. The evidence also indicates that the transformation of tacit knowledge into collective knowledge is correlated with the agreement of goals, task cohesion, and the expansion of knowledge among the team (procedures, discussions, exchange of ideas), as stated by Hirunyawipada et. al (2010).

Franchisor Evaluation

Despite the problems in knowledge sharing, the franchisor's representatives stated that video streaming over the internet and the tests of the knowledge assimilation conveyed were important inducers for the identification and implementation of several improvements (both in the franchisor and the franchisees). The respondents acknowledged that spreading knowledge through videos increases the prestige and the appraisal of the brand by the franchisees (Gupta, et. al, 2010). This sort of gain mitigates the risks of damage to the brand reposted by Christopher and Gaudenzi (2009). Dissemination of knowledge also contributed to improving the trade performance of the franchisees. The sale reports from documents provided by the franchisor showed an increase in franchisee sales of 20.3% in 2010 and 13.6% in 2011(supports P8 – Paswan and Wittmann, 2009). These findings are similar to those presented by López-Nicolás and Meroño-Cerdán (2011), who state that the knowledge management influences the organizational performance. The findings reinforce the benefits of a knowledge sharing program supported by IT (Real et al., 2006); and present approaches to

stimulate the entrepreneurship in organizations (Li et. al, 2009). Franchisor respondents also highlighted that the videos and discussion forums have improved the relationship (Andersson et al., 2007) and communication between the franchisor and the franchisees. According to the franchisor, the improved relationship was the major gain in adopting the training program under analysis.

The comparison between the in-person and online training costs of the franchisees showed that the franchisor saved 80% with the online option. These savings were derived from the reduced costs for instructors, lodging, meals, tickets, etc. However, the production costs for the online training videos were 250% higher than the costs incurred in the production of the printed materials that were commonly used in classroom training. It should be noted that the possibility of reusing the videos will allow the franchisor to gain a return on investment in the future. The franchisor estimates that the return may occur in a maximum of 3.5 years. The franchisor's discourse also emphasized that currently, the franchisor is focused on extending participation in the network and not on the financial results from online training activities. This statement reinforces the major gain reported by the franchisor on the previous paragraph.

The analysis of the contexts before and after the implementation of training showed a significant increase in the amount of knowledge disseminated to the franchisees. The document analysis revealed an increase in the number of training hours per franchisee (from 80 to 276 hours/year). The increase in training hours per franchisee resulted in an increased volume of knowledge transferred. Analysis of the content reports by the franchisor showed that training videos allow a 245% increase in the volume of technical and market knowledge disseminated to the franchisees (when compared with in-person training). This finding support P5 and P6 regarding information exchange (Paswan and Wittmann, 2009). The data regarding the number of trained franchisees are also worth mentioning. Only 66% of the franchisees were trained each year with the in-person format, whereas 100% of the franchisees are trained with the online format. The average assimilation by the best franchisees of the knowledge passed on by using online videos was greater than 97%. These file data suggest that training in a virtual environment contributes to better dissemination, retention, and use of knowledge. This finding reinforces other stated by Real et. al. (2006).

Franchisee Evaluation

The broadcasted videos led to improvement projects in 21 of the 24 franchisees interviewed. These projects resulted in gains in ergonomic design improvement, store decoration, the aesthetic composition of the furniture designed, and the store management. Although the videos were developed only for internal training purposes, one of the stores reported a sale in the amount of US \$150,000.00 after a sales woman showed a video to the customer. Audit data from the franchisor indicate that quality indicators, assertiveness, and meeting customer expectations increased 30% in the franchisees after adoption of the project (López-Nicolás and Meroño-Cerdán, 2011; Real et. al, 2006).

The file data suggest a possible relationship between franchisee profitability and employee performance in knowledge tests performed by the franchisor. In fact, employees from the more profitable stores scored higher than 97% on the tests, while employees from the less profitable stores scored less than 80%.

The results of the knowledge evaluation tests administered to the employees appear to have been used to guide the human resources policy of the franchisees. The file data indicate that the more profitable franchisees proportionally fired a higher number of employees than less profitable franchisees after implementation of the online training (a 3:1 ratio). The profile analysis of the laid-off employees in both organizations revealed that those employees had performed poorly in the online knowledge assimilation tests.

FINAL CONSIDERATIONS

Training of the franchisee chain through the streaming of training videos, followed by evaluation tests to assess the assimilated knowledge and the use of discussion forums between franchisors and franchisees proved to be capable of increasing the prestige of the brand among the franchisees. The training also improved the operating and commercial performance of the franchisor and its franchisees. The videos enabled the franchisor to increase the amount of knowledge disseminated to its partners. The evaluation tests resulted in greater assimilation by retailer employees (average assimilation was 97%). A possible relationship exists between

franchisee profitability and employee performance in the evaluation tests proposed by the franchisor. The employees from the more profitable franchisees scored higher than 97% on the tests, while the average for the employees from the less profitable franchisees scored less than 80% (results based on test reports provided by the franchisor).

The use of virtual tools may reduce operating costs (in the studied case, up to 80%) but may also increase the production costs of the material released to the chain stores (in this case, up to 245%). As demonstrated, the other results received by the franchisor are more important than the financial return on the investment.

Companies that are interested in using online videos to train their network of partners should be aware that the partners increase knowledge sharing with the company but add little in terms of the induction of knowledge sharing among the franchisees. Nevertheless, the videos are responsible for a significant increase in knowledge sharing among the employees of the same franchisee.

Limitations and further research

This study has several limitations. First it deals with a relatively new subject, and all findings come from a relationship between a franchisor and its franchisees. Collecting data from multiple companies and franchisees could potentially deepen our insights on the topic.

Second, cultural and regional considerations may have influenced the results.

The analysis of findings suggests issues to be investigated in future studies: How can knowledge sharing be encouraged among independent stores in a network of franchisees?

What are the best practices for interaction between franchisor advisors and independent stores? What content should be addressed in a training video for the sellers of products with high added value?

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