

**KNOWLEDGE CREATION & TRANSFER PROCESS WITHIN  
THAI FRACHISED COMPANY**



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Siwakorn Benjaranjarunun

## **KNOWLEDGE CREATION & TRANSFER PROCESS WITHIN THAI FRANCHISED COMPANY**

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M.M. (INNOVATION IN MANAGEMENT)

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### **ABSTRACT**

Knowledge management is one of the important topics for many organizations. There are few main processes of knowledge management and the two most important processes are knowledge creation and knowledge transfer. The purpose of this research is to analyze knowledge creation and transfer process within Thai franchised company, Black Canyon (Thailand) Co., Ltd. is the case example for the analysis. We gather information by interviewing two management of the company. Furthermore, we use 7-11 to benchmarking with Black Canyon and resulting with how US based company has constructed much more structured knowledge creation and transfer process within organization. The information helps Thai organizations to realize of how important is for knowledge creation and transfer within organization and be able to improve those processes.

**KEY WORDS:** Knowledge Creation / Knowledge Transfer / Franchise

25 pages

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## CHAPTER I

### INTRODUCTION

Current competitive market has given pressure to many new small and medium enterprises or SMEs as they are new to the business and still learning how to advance in business. These entrepreneurs may try to build their own brands and design their own system and standard. According to the fierce market condition, the success with sustainability is not easy to new established company. However, there are some SMEs that build their own brands from scratch and become successful in the market such as Tao Kao Noi, Daddy dough, Black Canyon etc. These brands are originated in Thailand which all starting from scratch and now expanding their business continuously.

Build up own brand is one way to start the business; however, there is another way to do business. Acquiring another firm's successful business model and trademark which is call franchising. Franchising is a business model which can be described as a pooling of resources and capabilities. The franchisor contributes the know-how and experience while franchisees contribute supplementary capital investment, sweat equity, and additional local market knowledge. It is a comprehensive business relationship, not just a buyer-seller relationship. There is considerable interdependence between the franchisor and the franchisee throughout the entire relationship. As this business model emphasizes on the know-how and knowledge which are consider as the main assets for franchising business.

Knowledge of franchise business can be well-proven system that franchisor has been doing in the market and have proven that this system works well with current market condition and be able to generate profit to the company. Furthermore, it can be written formula or receipt of products that franchisor created and have been tested with existing consumers. These examples are the knowledge that franchisee wish to know and learn how to do them. Therefore, they are willing to pay some fees which include both franchise fee and royalty fee to franchisor. Franchisee

fee is considered as a cost of joining franchise which franchisee will receive the brand, logo, training and ongoing advice from franchisor while royalty fee is the fee that franchisee must pay to franchisor monthly, it usually calculated as a percentage of gross or net sales in order to offset administrative and support function from franchisor.

The relationship between franchisor and franchisee is very important for this type of business, as they share the same pool of knowledge which franchisor has created and to provide proper business process to franchisee.

There are many Thai franchise business owners from various industries but if we talk about franchise business, most people will first think about food and beverage industry. It is because majority of franchise is in this sector. There are many F&B franchisor which successfully operate their business in the market.

This paper will be analyzing the process of knowledge creation and knowledge transfer of one of the successful company which has expanded their franchise right within Thailand and across the countries, mostly in South East Asia and Middle East for more than 50 branches overseas and over 250 branches in Thailand, Black Canyon Co., Ltd. established 1993 to operate a food service business offering specialty coffee drinks and Thai/International food dishes, and targeting mid-market consumer segment; though own-operated and then franchised retail outlets in key consumer traffic locations such as department store, shopping complex, petrol station etc.

Furthermore, the paper will look at knowledge creation and knowledge transfer process of the largest franchised chain in Thailand which is 7-11 and compare them with Black Canyon Coffee. 7-11 operates by CP ALL Public Company Limited. The CP group is the largest group of companies in Thailand. Currently they have more than 7,000 branches of 7-11 in Thailand and they are expanding rapidly.

The process of creation and transfer of knowledge within franchised organization is very crucial as it is the main asset for franchisor that obtained and be able to attract prospects who would like to do business but do not want to start from the very beginning. This paper will identify the key success factors that drive 7-11 towards success and compare with Thai franchised company which is Black Canyon Co., Ltd.

The paper also provides recommendation for Black Canyon regarding to 7-11 practices, in order to improve their internal process and be able to create and transfer knowledge within their organization more effectively and efficiency.





## **CHAPTER II**

### **LITERATURE REVIEW**

Knowledge Management is not a new topic; it exists for hundreds of years. Owners of family businesses have passed their skill, knowledge and wisdom to their children. The topic has taken seriously in 1990s among chief executives as the industrialized economic had shifted from natural resources to intellectual assets.

In an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge. When markets shift, technologies proliferate, competitors multiply, and products become obsolete almost overnight, successful companies are those that consistently create new knowledge, disseminate it widely throughout the organization, and quickly embody it in new technologies and products (Nonaka, 2007)

Knowledge Management is one of the topics that many organizations interested and look into this topic seriously, it is essentially about getting the right knowledge to the right person at the right time. This in itself may not seem so complex, but it implies a strong tie to corporate strategy, understanding of where and in what forms knowledge exists, creating processes that span organizational functions, and ensuring that initiatives are accepted and supported by organizational members (Frost, 2010).

#### **2.1 Knowledge Management Process**

There are two very different knowledge management strategies which are Codification and Personalization (Hansen, Nohria and Tierney 1999). Codification strategy is the strategy that centers on the computer, carefully codified and stored in databases, where it can be accessed and used easily by anyone in the company. In the other hand, Personalization strategy is the strategy that knowledge is closely tied to the person who developed it and is shared mainly through direct person-to-person

contacts. The chief purpose of computers at such companies is to help people communicate knowledge, not to store it (Hansen, Nohria and Tierney 1999). The two strategies is applied based on the way the company serves its customers, the economic factors and the staffs they hire. Implementing wrong strategy or trying to use both at the same time can quickly undermine a business.

A company's knowledge management strategy should reflect its competitive strategy: how it creates value for customers, how that value supports an economic model, and how the company's people deliver on the value and the economics (Hansen, Nohria and Tierney 1999). Regarding to the Hansen's case example about the use of Codification for Ernst & Young company and Personalization for Mckinsey company has given the clearer insight of how to analyze the Knowledge Management strategy in Thai franchise business.

Furthermore, Knowledge Management involves distinct but interdependent processes of knowledge creation, knowledge transfer, knowledge storage and retrieval and knowledge application. At any point in time, an organization and its members can be involved in multiple knowledge management process chains. As such, knowledge management is not a monolithic but a dynamic and continuous organizational phenomenon. Furthermore, the complexity, resource requirements, and underlying tools and approaches of knowledge management processes vary based on type, scope, and characteristics of knowledge management processes. (Alavi, 2001).

First process of knowledge management is knowledge creation. Before creating any knowledge, first we have to identify what knowledge we have or "Knowing what you know" then we can create knowledge of innovation by "creating and converting" those knowledge.

There are two kinds of knowledge which are Explicit and Tacit knowledge. Explicit knowledge can be expressed in words and numbers and shared in the form of data, scientific formula, specifications, manuals etc. While Tacit knowledge is highly personal and hard to formalize, making it difficult to communicate or share with others (Racthani, 2013)

The distinction between tacit and explicit knowledge suggests four basic patterns for creating knowledge in any organization or known as SECI model.

- Socialization (Tacit to Tacit): experience among people in face to face meetings.
- Externalization (Tacit to Explicit): articulation among people through dialog
- Combination (Explicit to Explicit): combine discrete piece of explicit knowledge into new whole.
- Internalization (Explicit to Tacit): taking explicit knowledge and deducing new ideas

(Racthani, 2013)

Understanding knowledge creation as a process of making tacit knowledge explicit a matter of metaphors, analogies, and models has direct implications for how a company designs its organization and defines managerial roles and responsibilities within it. This is the “how” of the knowledge-creating company, the structures and practices that translate a company’s vision into innovative technologies and products. The essence of innovation is to re-create the world according to a particular vision or ideal. To create new knowledge means quite literally to re-create the company and everyone in it in a nonstop process of personal and organizational self-renewal (Nonaka, 2007).

Second process of knowledge management is knowledge transfer. Knowledge and information transfer across organizations and throughout the world have become very important to companies. Company competing based not only what an organization makes or the services it provides but also on what it knows and how it innovates (McDonough, Zack, Lin and Berdrow 2008). There are three alignment that need to be considered regarding to knowledge transfer which are product/market, knowledge and innovation because if companies devise strategy by thinking only about the positioning of product or service, they will be missing a huge opportunity.

Another theory that can provide better understanding of how companies should focus on three alignments is Buckman’s Laboratories theory. Buckman Laboratories International Inc., a Memphis, Tennessee-based manufacturer of specialty chemicals operating in over 90 countries, provides an example of a company that has been able to do this successfully. The theory has gone through three major strategic transition phases with a specific strategic position dominating in each phase.

Phase 1: A focus on product/market, this beginning phase Buckman focusing on manufacture the most effective products and sell them at competitive price. This phase is successful when there is no competitor that could produce better quality products than them.

Phase 2: A focus on knowledge, this phase is when Buckman's product leadership position becoming less effective causes from market competitive where their key products became commoditized, prices were forced down and margins began to shrink. Buckman response by shifting its strategic focus from a product-oriented position to a knowledge-based position. They began to shift from selling products alone to selling value-added services based on showing customers how to make effective use of its products.

Phase 3: A focus on innovation, Third phase began while second phase was still reactive, represented a proactive strategic move to claim and control a unique and highly defensible competitive position based on what Buckman calls "continuous innovation" which aimed at providing measurable, cost-effective improvements in output and quality for customers by delivering new customer-specific services and products (McDonough, Zack, Lin and Berdrow 2008).

Buckman's Laboratories of transition is similarly to revolution of franchise business pattern which I'll be discussing later on.

Third process for knowledge management is knowledge storage and retrieval. Knowledge storage involves obtaining the knowledge from organization members and/or external sources, coding and indexing the knowledge for later retrieval, and capturing it (Alavi and Leidner 2001). Knowledge storage and retrieval has involves a lot with technology, as it can be enhanced by using IT as the enabler to store and to retrieve information easier. There are three categories of IT which are function IT, network it and enterprise IT. Each types serve different degree of needs within the organization. However, there are three steps to manage IT.

Step 1: IT Selection, this step is finding the best fit IT solutions that serve the need of organization and deliver the organizational capabilities the company desire.

Step 2: IT Adoption, lead adoption efforts that result in the creation of complements for those technologies. In the other word, is that the process of trying to involve people into the process or how to buy people in.

Step 3: IT exploitation, after we involve people into the process then we have to shape the exploitation of IT by ensuring that technologies, capabilities, and complements stay aligned.

Last process of knowledge management is knowledge application. This process is quite straight forward of how we use the knowledge. However, before we can use the knowledge then we have to make sure that the knowledge is high-quality and applicable to use. Thus the filtering or validating of knowledge is needed by efficiently filtering out low-quality contributions.

Referring to the question about creating and transferring knowledge within Thai franchise company. There are many articles that discuss about franchise business and how they management their knowledge or know-how and share them to business partner or franchisees.

## **2.2 Franchise Business**

Franchising is a method of doing business by which the franchisee is granted the right to engage in the business of offering, selling or distributing goods or services under a marketing plan or system prescribed in substantial part by a franchisor and which is substantially associated with the franchisor's trademark, name, logo or advertising (Boroian and Callaway, 1987).

There are four key components that need to be in place in order to make a franchise exist which are

1. Contractual agreement of two parties

Franchisor offers the right to be used and franchisee required to pay interest.

2. Trade or service mark

Franchise is brand-driven strategy and brand is the most valuable asset

3. Products or services

Delivery of core quality and standard

#### 4. Business format or system

Supports and controls from expertise of franchisor

There are two main types of franchises in recent market condition which are “Product Franchising” and “Business Format Franchising”. The main difference between these two types is the knowledge to use system. Similarly to Buckman’s Laboratories of strategic transition that mentioned about a focus on product in first phase and a focus on knowledge in the second phase would provide the same strategic thinking of how franchising business has developed from the past by using knowledge management as main driver.

Thai franchising business pattern came to Thailand 30 years ago and has been growing rapidly over the past few years. The market value for franchise business in Thailand is about 168 billion baht in year 2013 which has increased about 10% from year 2012, this reflecting the market opportunity of franchise business in Thailand.

The paper is discussed about the process of knowledge sharing between franchisor and franchisee in Thailand. There is knowledge in the company which consider as valuable asset for the organization. There are two types of knowledge that I have mentioned earlier which are Explicit and Tacit knowledge. For franchise perspective these knowledge can be business process, system, operation manual or know how etc. The main idea for franchising is that franchisee wants these knowledge and be able to do business the same way that franchisee is doing in current market.

There are many successful franchisors in the world from various industries. For example, McDonald (fast food), Starbucks (coffee), Holiday Inn (budgeted hotel) etc. Most of the famous franchise brands are originated from United State of America. However, there are also successful brand from the US that Thai company acquires the franchise right and sell sub-franchise contract in Thailand. Most of the people would have been to their shops before as they have more than 7,000 branches nationwide. 7-11 which is a convenience store business, acquiring the right by CP-ALL Public Company Limited. Two success systems were selected as guideline in order to improve and develop its own system. People are one key success

factor in franchisee business particularly the representative of the franchisor, who as an agent of the company reflects the company's image (Walsh, 2011).

7-11 focuses on people as a main engine that drives their business to success. However, people need to be trained and provide knowledge to improve their skills and ability to perform their job well. There are both explicit and tacit knowledge in the organization. For example of explicit knowledge, franchise manual, it is the tool of doing franchise business which can reduce some confusion in operating the business. For Tacit knowledge, would be experience or technique from senior employee which new comer can acquire this knowledge from them. 7-11 promotes education and training to develop highly qualified staff. Human resource development is provided through the bilateral education system or learning from both coursework and real-life experience, which was developed in cooperation with the office of the Vocational Education Commission. This eventually led to the establishment of Panyapiwat Techno Business School to provide vocational education and presently offer Bachelor's and Master's degree program (Walsh, 2011).

The company realized that franchising business can run by always creating new knowledge and creating effective staff to serve the customers effectively. It reflects the continuous improvement process within the organization and therefore, they can deliver these knowledge to their business partner or franchisees.

The key successful for franchising in Thailand and other countries is the franchisor must be a supportive of knowledge, training, operating, and study and analyze the market well.

### **CHAPTER III**

## **RESEARCH METHODOLOGY**

The methodology for this report is qualitative research method which is the most suitable for this paper and the reason that qualitative research is chosen rather than quantitative research because this method can answer to understanding meanings, beliefs and experience, which are better understood through qualitative data. And quantitative data, it must be remembered, are also collected in accordance with certain research vehicles and underlying research questions. Even the production of numbers is guided by the kinds of questions asked of the subjects, so is essentially subjective, although it appears less so than qualitative research data. This is carried out when we wish to understand meanings, look at, describe and understand experience, ideas, beliefs and values, intangibles such as these. For example, an area of study that would benefit from qualitative research would be that of students' learning styles and approaches to study, which are described and understood subjectively by students (Wisker, 2007).

Furthermore, under the qualitative analysis, this paper is using interview method to collect useful information for my research as interviews enable face to face discussion with human subjects. My questions for the interviewees will be open ended questions as it could elicit an almost endless number of responses. This would provide a very good idea of the variety of ideas and feelings people have, it would enable them to think and talk for longer and so show their feelings and views more fully. However, the time limit that being conducted for each interviewee is one hour. The content of the interview will be about background, working experience and ideas about knowledge creation and transfer within the organization by emphasizing on franchise perspective.



### 3.1 Case Study: Black Canyon Coffee

Black Canyon Co., Ltd. established 1993 to operate a food service business offering specialty coffee drinks and Thai/International food dishes, and targeting mid-market consumer segment; though own-operated and then franchised retail outlets in key consumer traffic locations such as department store, shopping complex, petrol station etc.

There are two interviewees that has been conducted the interview which are

1. Mrs. Chintana Chiadamrong, Domestic Franchise Development Director
2. Ms. Withara Chitnarapong, International Franchise Development Manager

These two persons are heads for both domestic and international franchise business for Black Canyon (Thailand) Co., Ltd. Therefore, the knowledge and information that have been collected is useful for this paper.

Mrs. Chintana Chiadamrong is working for Black Canyon since the first day of establishment as she used to work for Mr. Pravit Chitnarapong (CEO) since he was doing IT company, meaning that she is working for Black Canyon for twenty years now. Even though, she has no direct education background in business but she has been the key engine for Black Canyon grows until 250 branches in this year 2013. This represents the experience and ability which cannot get in classroom but rather in real working life. She is responsible for both franchise development and business development for the company. She does site observation, acquisition and analyze the possibility of opening the shop domestically.

Next interviewee is Ms. Withara Chitnarapong, she has been working for Black Canyon for five years as International Business Development Manager. Her education background is graduated the Bachelor of Business Administration from Chulalongkorn University (International program), Thailand and Master of Science in Global Entrepreneurship from Babson College, USA. She is the new generation of management team for Black Canyon that helps improving internal system and synthesizing between existing system and the new system for the company. Khun Chintana has great experience and Khun Withara has great knowledge.

Furthermore, there are three main questions for each interviewee by focusing on knowledge creation and knowledge transfer process. The first question, will be asking about the existing process for both knowledge creation and knowledge transfer in the company and if there is any then concrete examples will be given so that the current activities of Black Canyon will be compared with 7-11. Second question is asking about the feeling of current processes, whether the current processes is satisfy or need to be adjust from interviewee's perspective. Thus, that leads to last question of recommendation to the current processes.



## CHAPTER IV

### DATA ANALYSIS

#### 4.1 Findings

Data Analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and recap, and evaluate data (Shamoo and Resnik, 2003), while data analysis in qualitative research can include statistical procedures, many times analysis becomes an ongoing iterative process where data is continuously collected and analyzed almost simultaneously. Indeed, researchers generally analyze for patterns in observations through the entire data collection phase (Savenye & Robinson, 2004).

Data have collected through one hour interview on both interviewees, Mrs. Chintana and Ms. Withara which consist of three main questions which are;

##### Interview questions

1. Do you have knowledge creation/ transfer process in the organization? Can you provide example for each process?
2. How do you feel about the current process?
3. What do you think can be improved from current process?

Black Canyon has established for already 20 years. Since the coffee business in Thailand was not as popular as today, when people was talking about coffee, they would had perception about western drink and that's why Black Canyon shops have decorated in Western style by using old cowboy as symbol for the brand in the beginning years. The initial knowledge we did receive mostly from trial and error as we are originated from IT Company and had no knowledge about coffee at all. The beginning of Black Canyon was that Mr. Pravit (CEO) was interested in coffee and acknowledged the growth of coffee business in Thailand. Black Canyon Coffee was the first few coffee house chain in Thailand serving coffee to Thai consumers. The first Black Canyon branch was at Central Ramintra and we have grown slowly in the

first 10 years. However, BCY has also created knowledge by learning from experienced employees. For example, when branch chef has worked for a period of time then they tend to have some techniques or tricks to share with the company then we can send junior chef to learn from experienced chefs and gain some knowledge from them.

Furthermore, sometime the new knowledge can be created from operation staffs. For example, there was a barista from Suwannaphum Airport branch, this branch has the highest sale among all branches in Thailand and all the staffs at this branch have to work fast in order to serve the numerous numbers of customers effectively. This barista shared blending coffee beans techniques that save few seconds of preparing time to her supervisor, saving only few seconds per serve could generate great impact to the branch as they serve almost thousand cups per day. Later on the shop's supervisor share this technique to the F&B manager at head quarter. Finally, the company accepted the method of shortening preparation time and be able to serve customers faster by adding this technique to operation manual and apply it to all branches.

The examples that mentioned earlier are internal knowledge creation and transfer for the head quarter; however, BCY also share knowledge for the franchisees as well. Franchising is the business model that franchisor provide trademark and business system or know-how to buyer or franchisee. Similarly, people who buy Black Canyon's franchise, besides the brand itself, they also expect the system that helps them do the business successfully. Initial knowledge sharing from Black Canyon to franchisee would be the knowledge about site location ability. For example, when Black Canyon considers selling franchise right to prospects, first thing they do is to analyze the possibility of opening the shop at the proposed location. BCY shares knowledge about the factors that have to consider when inspecting site or location because we need the prospect to show some intention for doing business and let them do initial work and propose us the detail about locations. After they are certain about the location then give the prospect the approval to be the Black Canyon's franchisee. Next step is to set up initial meeting which will take the whole day at the headquarter; this meeting will be explaining about overall information and knowledge for doing the business. Every department's representative will present all the detail that franchisee

need to know. For example, IT department explains about all the IT system that franchisee need to use and how these IT system works, such as POS system which franchisee need to key in every sales transaction and the system will help to analyze sale's trend and thus, it can improve the products and also reduce waste by order just enough raw material to use in the shop.

Further information about international franchise knowledge creation and transfer, there are five steps as below;

Step 1: Send franchise prospectus

Transfer the basic franchise knowledge to prospects to understand the process and requirements of franchise business.

Step 2: Complete market assessment and P&L study

Learning and sharing knowledge with domestic franchise team give benefits to international franchise team in analyzing the P&L study, as there are more numbers of local store openings which provide good sources of information. For example of the P&L study, even the percentage of operating expenses such as cost of good, rent, labor are various from countries to countries, local figures are still good benchmark for doing the feasibility study of a new business set up in other countries.

Step 3: Site inspection

During the site inspection in foreign countries, knowledge sharing between franchisor and prospect create mutual learning of different market situations in different countries. For example, good sites for Black Canyon concept in Thailand are mostly located in shopping malls or gas stations with rest areas; however, it is an opposite case in other developing countries like Laos, Myanmar, and Vietnam where there are limited development of shopping malls, stand-alone sites located on the main streets are always the best locations of all. In addition, we also collect other useful information of the local people such as their local meals, favorite food tastes and general lifestyle.

Step 4: Sign agreement

Step 5: Opening

Once the franchise agreement has been signed, franchisee is required to send their key staffs to attend 45 days local training in Thailand before the store

opening. There are many knowledge and experience transfer to staffs during the training both via classroom lecture with documents and on-the-job training at the actual stores. Before store opening, detailed operation manuals will be given to the franchisee, and they can be used as tools to re-train existing staffs or train new staffs.

#### Step 6: Follow up visit

Franchisor regularly visits international stores to refresh knowledge or update new developments to the staffs as well as check the quality of operations standard. In return, franchisor also gets new ideas from the development of local franchisees such as nice shop design in Indonesia, Central kitchen development in Malaysia, etc.

Black Canyon has been developing knowledge creation in the past few years. BCY has been focusing on developing human's ability both in management and operational level. For example, BCY regularly hire consultants and let them join the management meeting so they will know everything about the company and mostly these consultants have plenty of experiences in management field. However, these consultants need to sign non-disclosure agreement before joining the company. Consultants usually help guiding each department to work effectively in order to achieve the KPI. For example, consultant introduced Market Mapping method for business development department to use to analyze which area they should focus when finding new location to open the shops. Market Mapping is the tool to analyze location of competitor's shop comparing with the BCY's shops thus, BCY can scope down the area that the competitors locate but BCY has not, this can help site finding team to work more effectively.

Furthermore, the current knowledge transfer processes both internally and to franchisee need continuous improvement as the knowledge has always created, thus knowledge transfer process needs to be emphasized. Knowledge transfer process between BCY and franchisees, sometimes still face difficulty. For example, BCY's training department arranges training schedule for each operation position such as Manager, Barista, Service and Chef regularly. Company owned branches have no problems attending the training; however franchised branches usually reluctant to send their staffs to attend the training course because they would have less worker to work

for the shop, thus these branches would have missed new knowledge or technique and led into under standard service quality.

Regarding to existing knowledge creation and transfer processes, BCY has been generating a lot of tacit knowledge based on trial and error for the past decades. However, these knowledge are very hard to transfer because it sticks with individual persons. Therefore, when a person quit the company then the knowledge goes with that particular person so that causes knowledge lost within organization. The company should transfer the tacit knowledge into explicit knowledge in order to store the knowledge and be able to transfer the knowledge easily. For example, when experienced staff who has worked in the branch for many years. He or she would have a lot of knowledge within him or her. Therefore, BCY should send facilitator or consultant to collect the knowledge and transfer them into explicit knowledge such as operation manual etc.

Furthermore, due to problem that occurred from not sending branch staff for training at BCY HQ from franchisee because the reason of insufficient staff to work in the shop. BCY should solve this problem by sending trainers to do “on the site training”. Instead of asking branch staffs to come, BCY rather send trainers to train branch staff at their shops. The branch staffs can work for franchisee and also can attend the training at the same time. This can reduce the difficulty between transferring knowledge between BCY and franchisees.

## **4.2 Discussion**

Based on data collection from both Mrs. Chintana and Ms. Withara can be identified that Black Canyon has started the business from scratch and develop their knowledge from trial and error in beginning years. However, when business grows, BCY has focus more on knowledge creation by hiring consultants for management training and also set regular training course for operation level or branch staff.

Socialization		Externalization	
<i>7-11</i>	<i>BCY</i>	<i>7-11</i>	<i>BCY</i>
Learning from experienced staffs at branch	Learning from experienced staffs at branch	The president award project	Acknowledge new operation technique into operation manual
Internalization		Combination	
<i>7-11</i>	<i>BCY</i>	<i>7-11</i>	<i>BCY</i>
Vocational education (Panyapiwat Techno school)	-Learning from operation manual to use at branch -Franchise prospectus to prospect	-	-

**Figure 1: Knowledge creation activities in 7-11 and Black Canyon**

Based on article about Success Factors of 7-11 in Thailand by Thanee Ngaochay, 2010 has mentioned about the successful story about franchise business of 7-11 which is acquired the right by CP ALL Public Company Limited. The article has shared the information about knowledge creation process of 7-11 in Thailand as shown in figure 1

As can see from the figure 1, both companies have activities that create knowledge based on three out of four different approaches regarding to SECI model by Ikujiro Nonaka. Socialization is sharing tacit knowledge through face-to-face communication or shared experience, for 7-11 and Black Canyon both have the same activity of socializing between experienced branch staff and new branch staff, knowledge can be created from learning on the site through face-to-face. For externalization approach, in this approach, tacit knowledge is converted to understandable and interpretable form, so it can be also used by others. For 7-11's



example, they set up a project called president award project whereby all operational staffs at branches can propose ideas of new product that will be sold at 7-11. The selected ideas will be awarded by the company. Thus, many operation level staffs offer their ideas to the company and 7-11 screen creative and applicable ideas to their database for further improvement. This project transfer tacit knowledge within the person into explicit knowledge within database. Similarly, BCY has also transfer tacit knowledge into explicit by recording new techniques that obtain from operation staff into the operation manual as mentioned in data analysis part. Furthermore, both 7-11 and BCY created knowledge from explicit knowledge into tacit knowledge or internalization process, 7-11 understands the important success factor of company which is human resource therefore, they promote education and training to develop high qualified staff by establishing Panyapiwat Techno Business School. Staffs can obtain knowledge from class or textbook and absorb them into their own tacit knowledge and use them at workplace. However, BCY also has activities that create knowledge by internalizing explicit knowledge into tacit knowledge such as acquiring knowledge from operation manual, BCY distributes operation manual to all branches so branches staffs can read it and follow instruction effectively.

Regarding to the findings, can see that 7-11 has focused heavily on human resource development as they established Panyapiwat Techno Business School which mainly focusing on providing education and knowledge to employees while Black Canyon has less structured knowledge creation techniques comparing with US's franchised company of 7-11. However, Black Canyon has also started to concern about human resource factor by starting to hire consultants and provide training course for top management at the initial phase.

### **4.3 Recommendation**

Regarding to SECI model under knowledge creation, 7-11 and Black Canyon both have activities that create knowledge. However, 7-11 has more structured creation process comparing with Black Canyon. This reflects the improvement needed for Thai organization, if want to complete with international brands. Black Canyon

should focus more on creating knowledge by arranging more structured training course for their staffs. For example, hiring outsource that provide training service to branch's staff regularly in order to provide consistency service quality. Nevertheless, both 7-11 and BCY have not mentioned about combining explicit knowledge to explicit knowledge or combination under SECI model therefore, the recommendation would be creating activities under this approach for both companies. For example, top management may combine reports from directors, make conclusion and recommendation to management team in order to make further improvement.



## **CHAPTER V**

### **CONCLUSION**

Knowledge management is a set of relatively new organizational activities that are aimed at improving knowledge, knowledge-related practices, organizational behaviors and decisions and organizational performance. KM focuses on knowledge processes – knowledge creation, acquisition, refinement, storage, transfer, sharing and utilization. These processes support organizational processes involving innovation, individual learning, collective learning and collaborative decision-making. The intermediate outcomes of KM are improved organizational behaviors, decisions, products, services, processes and relationships that enable organization to improve its overall performance (King, 2009).

Regarding to emphasize on knowledge creation and transfer within Thai franchised company, Black Canyon (Thailand) Co., Ltd. has activities that create and transfer knowledge in organization; however these activities are not well structured as most of the knowledge has been creating by itself. Regarding to SECI model from Nonaka, Black Canyon has most activities that create knowledge from Socialization, Externalization and Internalization. However, comparing with US based franchised company, 7-11, also has activities that create and transfer knowledge but the content of each activity is much more structured than Black Canyon's. The ability to create knowledge and transfer within organization of Black Canyon has been improving overtime as they create and transfer knowledge mostly through tacit knowledge, however they have realized they difficulty of transferring by using this type of knowledge and therefore, they have created more explicit knowledge, in order to create and transfer them easily.

Benchmarking with best practice has given clearer insight for Thai organizations to improve themselves. Top companies in the world have made trial and error before, however, the other companies may learn and study from their mistakes in order to prevent them and understand the factors helps them create successful and effective knowledge. Furthermore, this research can reflect the needed improvement

for Black Canyon and other small and medium size companies that want to be competitive in the market.

The continuous improvement within organization is important for organization to maintain competitive advantage. Similarly, knowledge within organization is also an important factor that needs continuously improvement. There are several ways to create and improve knowledge, organizations should construct proper structure for knowledge creation and transfer them within organization efficiently because these knowledge will help organizations to compete in both domestic and international arena effectively and sustainability.

There are few limitations that occurred during the research, mainly was the number of case example that being conducted. The paper has analyzed only one case example and therefore, it should gather more information from other company. However, Knowledge Management has becoming to be more important to organization. There are many industries that may provide different story about Knowledge Creation and Knowledge Sharing. Therefore, the future research should be conducted by using different business industry.

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