Australian Real Estate Agency Design: Strategies for the Franchising Business Model

A thesis submitted in fulfilment of the requirements for the degree of DOCTOR OF PHILOSOPHY (Ph.D.)

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May 2016
Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Linda Katarina Chartres

24 May 2016
ACKNOWLEDGMENTS

I would like to extend a huge thank you to my supervisors, Assoc. Prof. David Higgins and Prof. Ron Wakefield, who have been instrumental in guiding me on my journey and keeping me on the singular path. Their sound advice, constructive criticism, and good humour have been invaluable.

Additionally I am indebted to all my study participants for their willingness to share information – without them this research would not have taken flight.

Lastly but certainly not least, a big thank you to my long suffering husband John for his patience and support and my faithful pooches Charlotte and Harry for always being on hand with unconditional love.
As a significant contributor to the modern Australian economy, the residential real estate agency industry contributes approximately A$9.9 billion in revenue and A$4.2 billion in wages thus underpinning the Australian residential real estate employment (IBISWorld 2015a). In addition, as a perpetually evolving and valuable investment asset class, residential real estate is regarded as a repository of wealth for millions of Australian households.

The need to service the growing demand for residential real estate as well as to achieve sustainability in the competitive agency environment, are regarded as the predominant drivers of the real estate market. As such the residential real estate market is highly conducive to an affiliation of independent real estate organisations with franchised organisations as franchised organisations are able to offer a myriad of benefits such as economies of scale (IBISWorld 2014, 2015b). Conversely and for this reason, franchising as a business format has been popular among a diverse range of industry sectors within the Australian economy.

Franchising within the real estate industry remains an under-researched field in Australia. Instead much of the research within the real estate franchising field conducted to date focuses on the intrinsic benefits of franchising with the researchers generally electing to use a pragmatic lens to explain the franchising phenomenon. As such the findings emanate from a specific perspective and concern relatively practical issues such as “encroachment, location and franchise fee policies, or more theoretical discourse on transaction cost analysis, ownership direction etc.” (Price 2000, pp. 52).

It is predominantly for this reason that this study’s focus is principally linked to researching the basis of franchising strategy beyond its practical layer. In doing so, the study is directed towards an analysis of operational strategy adopted by different real estate agency business models, franchised and non-franchised, found in operation throughout Australia. As such this research exposes prevalent key themes and factors underpinning the strategic choice of business modelling within the Australian residential real estate agency industry.

Additionally undertaking this study serves to add to a limited body of literature by investigating how many non-franchised real estate organisations gain competitive advantage through development of innovative business modelling in relation to positioning within the marketplace. The organisations adopting the innovative business modelling are thus seen as challenging the traditional franchise business model by way of posing the question whether
the traditional franchise model has a boundless future as well as whether the franchising business model can be argued to be boundary-less.

In order to best represent this study, a pragmatic lens focused on organisational strategy augmented by a mixed design methodology is implemented. Study data is collected sequentially commencing with quantitative analysis and expanded upon by qualitative analysis. In the quantitative data collection, a survey instrument outlining a series of open-ended and ranked questions based on the information gathered from the literature review is used to obtain the necessary data. Initially the readability and relevance of the survey questions is tested via conducting a pilot study on a few carefully selected experienced real estate professionals to ensure that the questions are easily read and understood, and the interest of the audience is sufficiently captured and maintained. Survey responses are gathered and analysed using several techniques. In the first instance a descriptive analysis is applied to highlight any outliers in operational structure and strategy exhibited by franchised and non-franchised respondents. This is followed by exploratory factor analysis adopting the Spearman’s coefficient and one-way analysis of variance to ascertain whether a presence of a relationship exists in operational strategy between franchised and non-franchised respondent organisations. In addition, the exploratory factor analysis is applied to determine the impact, if any, of life-cycle stage of an organisation and size of organisation on the operational strategy adopted by franchised and non-franchised organisations.

Thus nascent trends gained from the survey data are investigated in greater depth through employing a case study approach where emphasis is on analysing several real estate business models identified through real estate literature. Case study analysis therefore forms phase two of the data collection process which includes semi-structured interviews of a smaller sample of market participants as identified through phase one. The issuing conceptual narrative based on the individual responses provided by the representatives of organisations selected as study participants leads into the final stage of the research design scheme where the emergent strands of qualitative data are amalgamated with the quantitative data to conceptualise a new real estate franchise business model.

The findings show that whilst there are significant similarities in operational strategy adopted by franchised and non-franchised organisations found in operation throughout Australia, factors such as the size of the organisation as well as stage in a life-cycle are shown to contribute to the formation and adoption of a specific strategy aimed to achieve competitive
advantage in the market place. To this end, franchise and cooperative organisations are found to focus predominantly on a specific resource strategy which allows for them to achieve growth through building their network of franchisees. Contrarily non-franchised organisations being generally smaller in size show a proclivity towards a strategy which is focused more on resource combination adapted to achieve a positive cash flow. As such non-franchised organisations fail to benefit from continuous capital injections provided by the franchisees; instead these organisations rely on successfully combining innovative and technological resources to achieve and sustain competitive advantage. This differing approach to strategy highlights the need for a franchise business model to embrace the concept of outbound open innovation in addition to inbound open innovation on the basis that significant gains can be achieved by outsourcing many of the organisational functions.

The findings also show that combining value capture with a greater emphasis on value creation can significantly increase organisational competitive advantage. Thus developing a strategy geared towards capturing the benefits of the consumer side where the focus is moved away from changing the transactional nature of real estate to creation of a real estate experience for the consumer is shown to be a product of innovative practices which appear to be lacking in the franchise business model. Correspondingly as the study shows that the franchises are more adept at embracing change at the franchisor level, allowing for operational flexibility at the franchisor and franchisee levels is equally shown to be beneficial especially when it comes to resourcing innovative ideas and practices for organisational adaption.

Furthermore the onset of technological and innovative advances in combination with increased online presence has enabled non-franchised organisations to compete alongside franchised organisations. Hence by embracing differing resource strategies at the operational as well as ownership level, non-franchised organisations are able to gain competitive advantage over franchised organisations by way of using flexibility over standardisation and uniformity. It is this development which has spotlighted the burgeoning need to address the anomalies in the franchise business modelling. The scope of the findings thus establishes the need for the reassessment of the franchise business model to ensure its future sustainability.

To this end it is posited that combining organisational resources enriched with innovative practices and technological applications is essential in formation of strategy. The study thus aims to fill this research gap by proposing a new business modelling framework which can be
adopted by real estate franchises to assist with future sustainability of the franchise model. Undertaking examination of a cross-section of different types of real estate business models found in operation across Australia and critically assessing the relationship between franchised and non-franchised organisations adds to the body of literature in real estate and franchising fields. Additionally adopting a research perspective which essentially moves away from exploring the notion of “why franchise” from the franchisor and franchisee perspective to applying concepts derived from the strategic management field enables the study to capture the concept of “why franchise” from an operational vantage point.
# Australian Real Estate Agency Design: Strategies for the Franchising Business Model

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CHAPTER 1: INTRODUCTION
1.0 Introduction

Real estate is succinctly described as a “multifaceted, multidimensional, and substantial segment of the economy” (Roulac 1996, pp. 323) as well as “an important, if not the most important, storage of wealth in the economy” (Crowe et al. 2013, pp. 6). Thus as a significant backbone of the modern economy it is responsible for contributing approximately A$9.9 billion in revenue and A$4.2 billion in wages thus providing a significant contribution towards Australian employment (IBISWorld 2015a). Moreover it is suggested that many households in Australia have a propensity to hold wealth in property as property owners with or without mortgage as opposed to equities (Headey et al. 2004).

As a service industry it encompasses many sectors including residential real estate, commercial and industrial real estate to name a few. Organisations within the real estate industry engage in various functions aimed at supporting its transactional nature which revolves around buyers and sellers. Whilst all sector participants provide a contribution towards the real estate transaction process, it is largely the sale and purchase of a home which can be regarded as the “single-most-important, and most expensive, household transaction for an individual, or a family” (Dunlap et al. 1988 pp. 177). Thus from the industry’s perspective, the residential real estate market is well positioned as a subject of study in a service-based context.

As an industry affected by the ever-changing economic conditions and a high market competition component, real estate agency is conducive to the entrepreneurship potential. Similarly, franchising is one of the most popular business strategies adopted by entrepreneurs globally (Quinn 1998). It is described simply as a method which allows for expansion of a business and the distribution of goods and/or services through a contractual arrangement. In business format franchising, which is applicable to the services based industries such as real estate, the method is augmented to include business systems as well as trademark and brand.

Real estate is a service driven sector; generally composed of small to medium enterprises, reliant on geographic dispersion to capture their respective market share and expand their local presence, and with relatively low entry barriers, it provides a strong springboard for entrepreneurship. As such franchising is widely adopted by the industry and there are 3,500 enterprises with 20,000 establishments reported to be operating within Australia with the highest percentage of these situated on the eastern seaboard (IBISWorld 2012).
Franchising’s fit with a services based industry such as real estate can be attributed to two important factors. Firstly, franchising encourages emphasis on provision of “diverging scales of operation between the production of goods and services and development of a business goodwill attached to it” (Anderson et al. 1998, Caves & Murphy 1976). This concept is expandable to the real estate industry which is structured on the basis of a high concentration of independently owned and mostly locally operated companies (Flint-Hartle 2005, 2007; Flint-Hartle & de Bruin 2010). Secondly, the successful introduction of franchising in the real estate industry is largely due to the inherent value placed on relationships, trust, and commitment factors (Lee 1999, Wright & Grace 2011). To this effect it is suggested that as real estate professionals strive to build strong and enduring relationships with their customers, so franchising is most importantly based on valuing the strength and effectiveness of the franchisor and franchisee relationship.

Franchising as a business strategy has been widely recognised and accepted in Australia since its conception in the 1970’s with the introduction of predominantly fast food retail outlets such as KFC, Pizza Hut, and McDonalds based on its ability to provide those with entrepreneurial tendencies with a lucrative vehicle to capitalise on the marriage potential between innovation and profit making (Franchise Council of Australia 2012, Wright & McAuley 2011). Its major drawcard lies in the inherent ability to offer those with entrepreneurial tendencies to run their businesses from two differing perspectives thus confirming the intangible link between entrepreneurship and franchising.

Franchisors are defined as corporate entrepreneurs based on their focus on establishment and development of nationwide systems in order to create a brand and an image which franchisees can utilise in order to focus on developing and providing a service to their local market and its participants as individual entrepreneurs (Shane & Hoy 1996, Flint-Hartle & de Bruin 2008, 2010). The format offers a myriad of benefits to key stakeholders including access and use of the brand name and image in the chosen market as well as ability to benefit from assistance provided by the franchisor in marketing and training by utilising the economies of scale approach from the franchisee’s perspective (Flint-Hartle & de Bruin 2010). Conversely benefits such as successful mitigation of business and financial risks emanating from not having to directly raise necessary capital to expand and grow the franchise and ability to attract managerial resources are listed as the key benefits for the franchisor (Caves & Murphy 1976, Lee 1999).
As a commercially viable business format in general, franchising boasts impressive statistics. Whilst the retail sector is dominating franchising with a reported 27 per cent of franchisors, 16 per cent of administration and support services have adopted the franchise model (Frazer et al. 2012). Frazer et al. (2012) state that the Australian franchising sector has experienced strong growth up to some time prior to 2012 reflected in the 15 per cent average annual net growth of franchise systems. The main contraction in this growth was predominantly due to the global financial crisis (GFC) between 2008 and 2010 when business in Australia commonly reported losses. Following the GFC, franchising entered the recovery phase where the growth shifted back into the net growth mode evident prior to the onset of the GFC. The most recent report compiled by Frazer et al. (2014) states that in the period between 2012 and 2014 the franchise sector continued to experience steady growth in franchise units despite the lethargic Australian economic growth affected by a decline in the mining sector, weakened labour force, and budget cuts.

Additionally Frazer et al. (2014) state that there are currently 1,160 business format franchisors operating within the broader franchising sector with this figure including business models which offer multiple concepts under a single brand or trade name. By comparison, the figure of 1,160 represents a decline of 1.7 per cent from the reported figure of 1,180 in 2012 in the number of business format franchisors. However Frazer et al. (2014) state that the decline in business format franchisors is regarded as a positive development overall on the basis that as there were inordinately high levels of franchisors per capita in Australia running franchise systems which were not considered to be commercially viable. In addition they report that it is their belief that a decreased number of franchisors signals a greater consolidation of franchises which will ultimately result in lower numbers of franchisors and a higher number of franchise units. Frazer et al. (2014) thus estimates that there are currently some 70,000 franchised units and 9,000 company owned units producing a total of 79,000 units operating within the business format system, signalling an increase of 8.2 per cent in the period of 2012 to 2014.

The total sales turnover of business format franchise units is estimated as A$144 billion in 2014 reflecting an increase of 1.1 per cent gained on the 2012 survey (Frazer et al. 2012, Frazer et al. 2014). In comparison, the statistics generated by IBISWorld (2014) on the real estate agency and real estate agency franchises industries state that real estate agency franchises generate higher overall revenue with A$5.7 billion compared to $4.2 billion
recorded for independently owned real estate agencies. This suggests the popularity of the franchise system within the real estate agency services in terms of revenue making.

It is somewhat surprising then that franchising phenomenon remains an under-researched field in Australia. As a business format which has attracted much popularity from diverse industry sectors within the Australian economy, the lack of research is extraordinary. Studies conducted to date within Australia have focused on broad areas of franchise sector growth attributes, motivation behind strategies for international expansion, service quality, survival rates, fee structure, regulatory framework, and general structure (McAuley & Wright 2011). On the other hand, areas such as operational strategy, technology and innovation and resource acquisition are absent from research despite the impressive pool of entrepreneurial real estate organisations populating the Australian real estate industry.

1.1 State of the Market – Real Estate Agency and Real Estate Agency Franchises
Concurrent with the real estate agency industry, real estate agency franchises industry exhibits equally impressive statistics contributing A$5.7 billion in revenue and A$2.7 billion in wages from the reported A$9.9 billion of real estate agency industry (IBISWorld 2015a, 2015b). As a significant contributor of wages and profit within the real estate agency sector as shown in Table 1, providing an accurate overview of the prevailing market conditions affecting the industry becomes a necessity. To this effect market factors such as industry performance and outlook, competitive landscape, operating conditions, legislation impacting on the industry, sources of income, competition, and franchise affiliation are described with a specific objective to explicitly demonstrate how the residential real estate agency and real estate franchise agency sectors are positioned within the Australian business landscape. It is envisaged this valuable information will inform the wider real estate agency industry on the Australian real estate landscape thus leading to greater understanding of the forces at play in relation to the real estate agency and real estate agency franchises industry.

Table 1 provides a summary of real estate agency and real estate agency franchises sector as reported in the current report produced by IBISWorld Australia, a reputable industry market research company held in high esteem by the real estate industry.
Table 1 - Summary of Real Estate Agency and Real Estate Agency Franchises Overview

<table>
<thead>
<tr>
<th>Market Factors</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$9.9bn</td>
<td>$5.7bn</td>
</tr>
<tr>
<td>Annual Growth 2010-2015</td>
<td>1.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Annual Growth 2015-2020</td>
<td>3.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Profit</td>
<td>$1.2bn</td>
<td>$430.8m</td>
</tr>
<tr>
<td>Wages</td>
<td>$4.2bn</td>
<td>$2.7bn</td>
</tr>
<tr>
<td>No of Businesses</td>
<td>39,280</td>
<td>4,049</td>
</tr>
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</table>

<table>
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<tr>
<th>Key External Drivers</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Mortgage affordability, number of housing transfers, residential housing loan rates, residential housing prices</td>
<td>Number of housing transfers, residential property yields, residential housing prices, commercial building occupancy rates, mortgage affordability</td>
</tr>
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<thead>
<tr>
<th>Life Cycle Stage</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>Mature</td>
<td>Mature</td>
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<thead>
<tr>
<th>Products &amp; Services</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Property sales, property management, property leasing, property valuations, fiduciary and escrow consulting, miscellaneous consultancy fees</td>
<td>Residential sales, residential leasing and management, non-residential sales, leasing and management, consulting fees, property valuations, conveyancing work</td>
</tr>
</tbody>
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<tr>
<th>Demand Determinants</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tr>
<td></td>
<td>Level and value of property sales and leasing activity, levels of home ownership, levels of housing rents</td>
<td>Level and value of property sales and leasing activity, levels of home ownership, levels of housing rents</td>
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</table>

<table>
<thead>
<tr>
<th>Major Markets</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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</thead>
<tbody>
<tr>
<td>Household owner-occupiers 48.3%</td>
<td>Investors 35.6%</td>
<td>Household owner-occupiers 54.6%</td>
</tr>
<tr>
<td>Commercial Businesses 16.1%</td>
<td></td>
<td>Commercial Businesses 10.9%</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Business Locations</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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</thead>
<tbody>
<tr>
<td>NSW 36.2%</td>
<td></td>
<td>NSW 36.2%</td>
</tr>
<tr>
<td>QLD 26.5%</td>
<td></td>
<td>QLD 26.5%</td>
</tr>
<tr>
<td>VIC 20.0%</td>
<td></td>
<td>VIC 20.0%</td>
</tr>
<tr>
<td>WA 8.8%</td>
<td></td>
<td>WA 8.8%</td>
</tr>
<tr>
<td>SA 5.4%</td>
<td></td>
<td>SA 5.4%</td>
</tr>
<tr>
<td>ACT 1.5%</td>
<td></td>
<td>ACT 1.5%</td>
</tr>
<tr>
<td>TAS 1.1%</td>
<td></td>
<td>TAS 1.1%</td>
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<tr>
<td>NT 0.5%</td>
<td></td>
<td>NT 0.5%</td>
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<thead>
<tr>
<th>Market Share Concentration</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td>LOW</td>
<td></td>
<td>LOW</td>
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<table>
<thead>
<tr>
<th>Key Success Factors</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>Aggressive marketing/franchising, having contacts within key markets, access to highly skilled workforce, management of portfolio, market research &amp; understanding, proximity to key markets</td>
<td>Key contact markets, effective portfolio management, location, marketing &amp; promotion</td>
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<tr>
<th>Cost Structure Benchmarks</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>Profit, wages, marketing, rent, franchise fees, other costs such as IT/Training/HR/administration</td>
<td>Profit, wages, purchases, and other costs such as advertising &amp; marketing</td>
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<thead>
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<th>Basis of Competition</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>Competition is HIGH and trend is INCREASING</td>
<td>Competition is HIGH and trend is INCREASING</td>
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<thead>
<tr>
<th>Barriers to Entry</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>LOW &amp; the trend is INCREASING</td>
<td>LOW &amp; the trend is INCREASING</td>
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<table>
<thead>
<tr>
<th>Industry Globalisation</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>LOW &amp; the trend is INCREASING</td>
<td>LOW &amp; the trend is STEADY</td>
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<thead>
<tr>
<th>Capital Intensity</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tr>
<td></td>
<td>LOW</td>
<td>LOW</td>
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<th>Technology Change</th>
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<td></td>
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<td>MEDIUM</td>
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<thead>
<tr>
<th>Revenue Volatility</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>LOW</td>
<td>MEDIUM</td>
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<tr>
<th>Regulation &amp; Policy</th>
<th>Real Estate Agency</th>
<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>HEAVY &amp; the trend is STEADY</td>
<td>HEAVY &amp; the trend is INCREASING</td>
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<thead>
<tr>
<th>Industry Assistance</th>
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<th>Real Estate Agency Franchises</th>
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<tbody>
<tr>
<td></td>
<td>LOW &amp; the trend is DECREASING</td>
<td>LOW &amp; the trend is STEADY</td>
</tr>
</tbody>
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Source: Compiled from IBISWorld Industry Reports (2015) - Real Estate Services L6720 and Real Estate Agency Franchises OD4203

As illustrated in Table 1, real estate agency industry has seen an increase in revenue over the period 2010 to 2015 by 1.2 per cent p.a., which is said to be attributed largely to key factors
identified as increasing activity in the residential market, muted activity in the commercial real estate market, amplifying pressure on the agent’s commission rates, and the rising importance of property management revenue stream on the total revenue stream. Additionally, low interest rates over the period of 5 years from 2010 to 2015 and numerous government incentives such as First Home Owner Grant and First Home Owner Boost are suggested to have contributed to the revenue growth by boosting the demand for residential real estate (IBISWorld 2015a).

Moreover, the growth in revenue can also be attributed to the after effects of the Global Financial Crisis (GFC) in the period 2008 to 2009 which substantially reduced the demand for real estate, especially in the residential sector. In the years since the GFC, as economic conditions have been slowly improving and the country’s debt levels reaching manageable proportions, the Reserve Bank of Australia (RBA) has kept the interest rates low so as to reignite the consumer sentiment and confidence and thus induce market activity (IBISWorld 2015a).

Since 2009-2010 IBISWorld (2015a) reports that the residential market has seen the return of demand for residential property and the investor market due to the easier access to capital and low interest rates. Additionally, the report states that real estate agencies have collaborated with financial service organisations and turned the focus to self-managed superfunds in their quest for domestic investors. As a result of this strategy, an increase of over 30 per cent is recorded in real estate investment in the period of 2009-2010 to 2015. In stating this, the report predicts that the residential market will continue to remain strong with an increase in the number of housing transfers positively affecting the demand for real estate services over the period of 2015 to 2020. Simultaneously, the housing prices are projected to rise at an annualised 4.1 per cent over the same period. This in turn augurs a higher industry revenue growth over the same period on the basis that the real estate agents are remunerated via commissions as a percentage of the property value.

Conversely, IBISWorld (2015a) further goes on to explain that the commercial property market has been driven to a large extent by the foreign investment. To this effect, the Australian property market is seen as a safe growth area, exhibiting relative market stability with strong GDP growth and proximity to emerging markets thus conducive to enticing more foreign as well as local investment. In addition, the report further discloses that the real estate
agency industry continues to face pressure from robust industry competition, pressuring real estate agents to lower their commission rates in order to secure business.

Thus IBISWorld (2015a) forecasts that the industry will continue to experience solid revenue growth at an annualised rate of 3.1 per cent over the next four years through to 2020 to reach A$11.5 billion. Additionally the report forecasts that the Chinese economy will play a big part in driving the Australian market through bringing earnings from exports and foreign investment. To this end the residential market is expected to continue to grow over the next four years through to 2020 mainly due to low interest rates and the general improvement in areas such as employment conditions, incomes, and recovering resource industries from unexpected events such as floods. Likewise commercial market is forecast to assist in the industry growth industrial and office markets due to China-based commodity boom.

IBISWorld (2015a) further expounds that overall real estate agency profit margins will benefit from the relatively strong consumer sentiment however this will be countered by digitisation of real estate services which are suggested to undermine the industry’s services. The report thus suggests that whilst real estate practitioners are on the whole becoming more proactive in the use of new technology, this remains an area requiring serious attention. To this effect the report states that the reliance on online portals such as realestate.com.au owned by REA Group is resulting in negative consequences for the real estate industry including weakening the agent relevance in the real estate transaction by enabling the public to access property data previously only available to agents such as previous sales transactions, increasing agent subscription fees for the use of portals, and freely using the data provided by the agent for their own monetary benefit. Thus the report states that the real estate agents will have to become increasingly mindful of the imposing threats posed by the online property portals which are becoming firmly entrenched as real estate agencies front windows moving forward.

IBISWorld (2015b) reports that the real estate agency franchises operating concurrently with the real estate agency services have encountered performance difficulties in line with the broader real estate services industry. Thus the report suggests that the substantial rise in residential housing transfers and foreign interest in Australian property has contributed largely towards the real estate agency franchise’s revenue. As such the IBISWorld report states that real estate agency franchise’s revenue is expected to rise at annualised 1.8 per cent to reach A$5.7billion in 2015. However, on a negative note, increased competition from
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independent real estate agency operators and the growing demand for and reliance on web platforms such as realestate.com.au has weakened the operating profit margins for real estate agency franchises whereby the online portals have enabled property owners to access sales evidence previously only available to the agents to value their own property and thus place pressure on the agent’s ability to charge full commission rate for the sale of the property. The report thus reports that many franchises have turned their focus to consolidation and acquisitions through service and geographic location diversification in order to widen their market share.

Furthermore it is reported that both real estate agency and real estate agency franchises economic contribution is rising at the complementary rate to the Australian economy rendering both industries to be in the mature stage of its life cycle (IBISWorld 2015a, 2015b). As a fundamentally demand driven industry, the reports state that real estate agency industry’s activity is said to be affected by economic activity, access to capital and interest rates. To this end the fundamental demand is instead affected by factors such as household formation, population growth and levels of home ownership. The steady growth in economic contribution is thus mostly ascribed to a highly competitive environment whereby real estate agency operators are overall driven to seek efficiencies.

Additionally whilst most real estate agency services have remained relatively the same over a long period of time, IBISWorld (2015b) reports that outsourcing of corporate real estate activities such as financial analysis, leasing, property management, acquisition and development, as well as disposition (Ali 2007) is adopted by many real estate agency operators thus enabling the real estate agency operators to operate within a niche market. In the same manner a growing trend towards outsourcing of professional real estate services such as marketing, management, valuation, and provision of professional advice in relation to investment, use or development of real estate (D’Arcy 2003) signals a focus shift of operational resources to core capabilities. In a broader context still, the users of real estate such as government agencies and various other related organisations now also subscribe to outsourcing their real estate activities with an aim to reduce operating costs, limit their overexposure to financial and operational risks brought on by extending beyond core capabilities, and thus improve overall efficiencies.

In comparison real estate agency franchises are challenged by the rise of the independent real estate agencies as the ability to have presence on online web portals is now readily available
for use to both franchises and independents. Thus where the franchises traditionally held the monopoly in the advertising space due to their sheer network size and economic scales of operation, it is the web platforms which are now regarded as the main players in the market. Having created an online system which provides a vehicle for a property to be marketed to the wider population, the discrepancy between franchises and independent operators has significantly shrunk as the independent agencies are able to list their properties alongside the franchises.

Additionally some web platforms such as realestate.com.au have also enabled the consumer to list, advertise and value their property directly and thus cutting out the real estate agent. This development has signalled a significant shift in how the real estate franchises view their profit margins. Furthermore these challenges have steered the franchises towards a consolidation path with other franchises. IBISWorld (2015b) suggests that this consolidation of franchises will ultimately result in greater economies of scale across the franchise network and thus stimulating the profit potential. Similarly many franchises such as Ray White as well as many independent agencies are diversifying mostly by means of mergers and acquisitions into other related markets such as finance, serviced apartment management, owners’ corporation management and legal conveyancing with an objective to widen their contact base through expanding the market share and thus increase their overall revenue stream.

1.1.1 Competitive Landscape
On a macro level, IBISWorld (2015a) describes the Australian real estate competitive landscape as having a relatively low market share concentration based on the estimation that the largest four business operators only account for less than 20 per cent of industry revenue. Real estate agencies in general are said to benefit greatly from aggressive marketing and/or franchising, management of a portfolio to maintain a continuous revenue stream, establishing and maintaining contacts within key identified markets, undertaking continuous and extensive market research aimed at understanding the market forces and accordingly planning operational strategy, recruiting outstanding managerial talent as well as having proximity to key markets such as their customer base. In addition real estate agency franchises are described to further benefit from establishing in key geographic locations which are in proximity to their intended customer base (IBISWorld 2015b).

Reports collated by Real Estate Business (REB), an acclaimed website for delivering news and information for Australian residential real estate industry, highlight the most common
business models adopted by the real estate organisations currently present within the industry. Franchised group includes franchises and cooperative agency networks whereupon the latter are considered as franchised in terms of Australian franchise legislation. The main difference between these two types of networks exists in the contract which binds them; franchises are bound by franchise contracts where the parties to the contract are referred to as franchisors and franchisees. Cooperative networks, on the other hand, are bound by a licence agreement and the parties to the agreement are referred to as a licensor and a licensee. In addition a cooperative business arrangement is composed of licensees which are all independently owned and operated real estate agencies unified by a specific service provided by the licensor, for example technology and marketing. Instead a franchise arrangement is more stringent in its composition as all franchisees are bound to be fully immersed in the brand and systems provided by the franchisor.

Non-franchised group consists of independent agency networks, boutique networks, and joint venture networks. The main difference between these organisational networks lies in the ownership distribution. Independent agency networks comprise of numerous independent real estate organisations or independents as they are commonly known within the Australian real estate industry sector and these agencies are fully owned by either one or more individual owner/operators. Each one of these independent organisations are united under the brand of the corporate entity which allows for uniformity within the network through adopting a business modelling structure based on, for example, sharing effective business support systems which enable each organisation within the network to improve their growth of market share, profit performance, and team performance. Simultaneously each independent real estate organisation operates under its own brand thus allowing for each organisation to maintain its independence in the market place.

On the other hand boutique agency networks are essentially a large independent real estate organisation. They are owned by a single owner/operator and each unit under their ownership is run by appointed manager/s. These generally have a high number of multiple units across one state or several. Moreover joint venture networks operationally and structurally mimic boutique networks however the difference between the two business models is found in the percentage of ownership of the main owner/operator. In this business modelling scenario, the main owner/operator owns at least 51 per cent share in each unit, with the remainder of the shares individually owned by the co-owner/operator of each unit.
It is important to note that whilst franchising as a business format is indeed considered and defined as a hybrid business model in its traditional format largely due to its unique structure involving “symbiotic and legally differentiated economic forms” (Lee 1999), this definition of “hybrid” cannot and should not be confused with the inference of “hybrid” organisations in the context of this thesis.

The “hybrid” organisations analysed herein include the independent-backed groups which are based on the extrapolation on the co-operative organisational model purposefully developed to allow for the organisation to glean benefits associated with the standard franchised model without having to pay the franchise fees. Instead, these organisations have relied on placing the emphasis on subjective values such as commitment rather than objective compliance as is the case with a traditional franchised model as well as full accountability based on the uniqueness of each situation.

For the purpose of this thesis, agencies choosing to adopt a “boutique” approach are also included in this “hybrid” type of a business model. In this instance the focus is placed on establishment of a limited number of “super” offices rather than a large number of small offices which are geographically spread and aimed at achieving market saturation, providing a benefit of “rapid fire decision making”, and generally are designed to have a high reliance on a process-based business model.

Furthermore IBISWorld (2015a) further reports that globalisation is not estimated as having a high impact on the Australian competitive landscape due to low level of foreign ownership in local residential real estate however this is estimated to increase due to commercial real estate sector being subject to large commercial organisations being sold to overseas interests. Additionally adding to the competitive pool, some overseas real estate franchises such as RE/Max have entered the Australian market.

Since the advent of GFC, many smaller agencies have been incorporated into franchises in order to reduce the overhead costs and assist with training and marketing expenses. This has kept the competition in the industry at a high level internally through deregulation of fees as is the case in Victoria, Tasmania, Northern Territory, New South Wales and South Australia (with Western Australia currently in the process of deregulating fees) and deregulation of sales commissions in all states.


1.1.2 Operating Conditions

Operating conditions in the real estate market are largely affected by technology and systems, revenue volatility factor, and regulation and policy according to IBISWorld (2015a). As the technological change has been a constant in the evolution of the real estate organisations, most real estate agency operators have positively embraced the changes which have mostly come about as a result of technological advances. This is particularly evident in relation to web presence as the research conducted by ABS (2012) shows that more than 90 per cent of real estate agencies had a web presence, with 98 per cent of franchised agencies expected to be present on the web.

The industry interaction with online portals is strong with both franchised and non-franchised agents readily using the web portals for online listings. Additionally use of computer software for all operational aspects is widely embraced as these contribute heavily to reduce labour intensive tasks associated with accounting and property management services in particular. Thus it is suggested that changes in the real estate agency industry are occurring predominantly on the levels of office automation, introduction and use of telecommunications products such as smart phones and tablets, as well as internet presence.

Real estate agency franchises are similarly transgressing the market through the same trajectory (IBISWorld 2015b). The report states that in comparison to real estate agency industry the real estate agency franchises exhibit a higher level of technology change which is mostly attributed to the size of the franchised organisations and the difficulty involved in implementing the change across the network. On the other hand the non-franchised organisations have a tendency to be mostly smaller networks or single offices thus they are more favourably placed to implement the change faster. Without the encumbrances presented by many layers of management, franchisees refusing to change and complying with standardisation and uniformity across the franchise network, non-franchised organisations are operationally more nimble and thus able to take advantage of opportunities created in the market place.

Likewise real estate agency franchises industry is exhibiting a higher level of revenue volatility in comparison to real estate agency industry. It is proposed that a higher level of revenue volatility suggests a greater industry risk (IBISWorld 2015b). As franchises face greater risk in making poor investment decisions due to the large size of their networks, their exposure to facing either underutilised or over-utilised capacity due to a change in demand is
highlighted. Real estate agency industry on the other hand is reported to exhibit a relatively low level of revenue volatility predominantly due to steadying effects of rental portfolios on revenue (IBISWorld 2015a).

1.1.3 Legislative and Regulatory Requirements

The real estate industry is heavily regulated by state and territory governments through licensing requirements and the conduct of estate agents. At the Federal level the real estate agency and real estate agency franchises industries are regulated by Australian Consumer and Competition Commission (ACCC) as well as the Franchise Code of Conduct (The Code) in the case of real estate agency franchises.

The push towards regulation in franchising started to take shape in Australia in the 1970’s with the adoption of a concept of a multi layered system of governance providing the structural foundation for the regulation. This has led to the inception of the Franchising Code of Australia (The Code) which has been responsible for regulating franchising in Australia since 1998. The Code forms the statute component of the regulation with the courts and market and contract providing the quasi-public and private layers of governance regulation respectively. Research conducted on the evaluation of the Code centres on the view that regulation lacks public consequence and that it is predominantly viewed as undesirable (Spencer 2007, Ward 2007).

The introduction of the code has led to the findings that its effects had negative impacts particularly on franchisee satisfaction levels post-entry into the franchise network (Hing 1996). Furthermore, the Code has been found to propose some limitations geared towards the scope of its application. For instance Lim & Frazer (2002) suggest that the “one size fits all” model across the broad range of industries is somewhat restrictive in that what is possible to achieve in a retail sector will vary considerably to what can be achieved in the real estate services sector least of all the application of real estate legislation, for example:

i) Estate Agent’s Act 1958,

ii) The Estate Agent’s Code of Conduct, and


Source: Real Estate Institute of Australia (2012)
In noting the “one size fits all” model it is not without its beneficial characteristics. Additional to applicability to all sectors, it is further proposed by Lim & Frazer (2002) that the Code provides limitations in the form of is ambiguity, cost, time and consumption.

It is evident from Spencer (2007) research that since the inception of the Code there has been numerous recommendations made to review the code. In 1994 the Guardini Report recommended numerous measures be taken to improve the conscionable conduct provisions of the voluntary code such as introduce random audits of disclosure documents, provision of the key information by the franchisor, and establishment of an independent disciplinary committee to name only a few.

In 2006, according to Ward (2007), another review of the Code has been actioned on the disclosure provisions of the Code. The recommendations made to the Government consisted of implementation of a mandatory process of franchisor registration and annual lodgement of its most recent disclosure document as well as implementation of the “acting in good faith” between the franchisor and franchisee, and modifying the right of the franchisor to unilaterally end the contract amongst others. In 2010 another reform was proposed which sought to encourage greater disclosure and transparency (IBISWorld 2012).

The Code was finally revised in November 2014 after passing through the Senate and House of Representatives with the new Code becoming law as at 1st January 2015. The new Code provides for an update to the Disclosure Document which now expressly requires franchisors to elaborate on the manner in which the proceeds gained from online sales is accounted for as well as for greater transparency with marketing funds (DC Strategy 2014a). To this effect the new provisions in the Disclosure Document now require for the holding funds to be held in a separate bank account, types of expenses to be disclosed when allocated to the fund and the franchisees to be given an option to vote for an annual audit.

Furthermore the “acting in good faith” has been altered to a more ambiguous “acting within the meaning of the unwritten law” from time to time where the Courts are now given the full jurisdiction for resolution of the meaning. Lastly the new Code now prohibits franchisors to impose their costs regarding dispute resolution to franchisees with the dispute resolution to be policed in the state of franchisee origin for their convenience.

In addition to the latest changes to the Code IBISWorld (2012) discloses that over the five years since 2010 educational and licensing requirements have been reassessed by State
governments in order to relax some of the requirements in areas such as property management, commercial property sales and business sales. These were systematically opposed by State real estate institutes to date.

Overall there appears to be a discrepancy between State and Federal regulations which is said to cause complications for organisations with interstate presence. As such IBISWorld (2012) reveals that property services, under which franchise industry falls, will be included in the National Licensing System.

1.1.4 Income Sources

Statistics gathered and compiled by ABS (2004) outline the sources of income produced by real estate agencies. Revenue generated by real estate sales commissions is listed as the major source of revenue for the agencies generating 73 per cent of total income. Delving deeper, the statistics reveal that the most common type of sale of property in Australia is sale by private treaty accounting for 78 per cent of all income from property sales commissions. On the other hand sales revenue generated from auctions only comprises 19 per cent of the total. Revenue generated by property management commissions accounts for 17 per cent of total income, where total comprises of commissions gained from residential property commissions, non-residential property commissions (commercial, retail, industrial, office, rural), and owners corporation fees.

ABS (2004) statistics report no distinct change between franchised and non-franchised agencies although there are some discrepancies recorded in the level of revenue yielded as a proportionate amount of total revenue for all sources. Figure 1 illustrates that the majority of income emanates from residential sales commissions, with franchised agencies producing a higher percentage of their total revenue at 65 per cent than non-franchised agencies at 56 per cent. Additionally non-franchised agencies overall produced higher percentage of revenue from property management commissions, sales commissions for non–residential properties and vacant land.
1.1.5 Competition

The Allen Consulting Group Report to the Estate Agents’ Commission (2008) advises that the degree of competition within the real estate industry including franchises is linked to the value of transaction. This notion is based on the pretext that there will be less competition in the market place competing for a lower value transaction. Despite this, it is suggested that the degree of competition will most likely depend on the complexity of the transaction rather than the dollar value.

With respect to commission, real estate agencies collect their fee from the vendor of the property listed for sale or landlord from the property listed for rent and/or lease. There is no such thing as set commission applicable to Australian real estate industry as it is fee-deregulated. In essence the amount is negotiable between the agency and the client. For sale of property, residential or non-residential, the commission payable to the agency can be either as a set fee or percentage of sales price in the instance property listed for sale.

There is a distinct lack of information available on the commission percentages charged by real estate agencies although sellmycastle.com.au website advises that the average selling commission charged by real estate agencies across Australia is 2.39 per cent (sellmycastle.com.au 2015). This will largely vary state to state and suburb to suburb depending on the demographics, population, property value, suburb growth potential, and general supply and demand. For example average commission in Malvern Victoria is
recorded as 1.89 per cent whilst average commission in Coogee NSW is 1.65 per cent, and Applecross Western Australia 2.4 per cent.

1.1.6 Franchise Affiliation
Baker & Chinloy (2014) state that due to the relatively small size of real estate organisations in context of the number of employees they employ and the size of the annual turnover, many independent organisations have a tendency to affiliate with franchised organisations in order to achieve competitive advantage. This theory is somewhat debatable at the present time as there is evidence in the Australian real estate market to suggest that franchises are undergoing strong competition from non-franchised organisations due to increased popularity of online platforms which has negatively influenced operating profit margins (IBISWorld 2012). Despite this, IBISWorld (2015b) reports that real estate franchises are expected to see better operating conditions over the next four years through to 2020 on the basis that the number of housing transfers is expected to continue to grow steadily aided by low interest rates. Additionally industry revenue is predicted to increase at an annualised rate of 2.2 per cent over the four years through 2020, to reach A$6.4 billion.

On the negative side of the equation, the report states that franchise industry profitability is expected to continue to slowly lessen over the next four years into 2020 primarily on the basis of increased competition from non-franchised organisations, empowered by the prevalence of online property selling and advertising platforms as they now enjoy the same level of exposure as franchised real estate organisations.

Furthermore the report describes the franchise industry to be in the mature stage of its life-cycle on the basis that its contribution to the economy is growing at a similar rate to the Australian economy (IBISWorld 2015b). This is in line with the life-cycle of real estate industry suggesting that the industry growth is closely aligned with the economic, social and demographic trends and the value added is estimated to increase at an annualised rate of 0.1 per cent (IBISWorld 2015a).
1.1.7 Risk Strategy

The real estate agency and real estate franchise agency industries are reported to have comparatively low barriers to entry due to low cost entry requirements (IBISWorld 2015a, 2015b). However this trend is on the increase primarily due to high intensity of competition from established brand names as well as the consumers. Additionally as the real estate organisations, franchised and non-franchised, have a high level of variable costs such as salaries, commissions and advertising expense, the opportunities to amass economies of scale through expansion are seen to be severely diminished. In the same manner the constant presence of volatility in property markets calls for maximum control and flexibility over organisational cost structures as a strategy for risk mitigation arising from market related forces.

Additionally franchised and non-franchised real estate organisations face operational uncertainty through short-lived, catastrophic events, which overshadow economic cycles and structural changes (Higgins 2015). These are described as being either of a natural origin such as an earthquake or a man-made event such as Global Financial Crisis (GFC) or recent floods affecting the northern part of Australia. To combat such catastrophic events, it is generally accepted that organisations now include a modern risk strategy framework specifically geared to contain an extensive risk minimisation and mitigation process. The role of such framework where the uncertainty can be leveraged by organisations having operational capabilities must be of such strength so as to withstand the effects of uncertain conditions and remain operationally stable.

Another potential risk area is defined as globalisation. Kogut (1985) states that in order to mitigate serious risks brought on by globalisation an organisation must focus on construction of operational flexibility which allows the organisation to realise the uncertainty over future changes in economic variables such as exchange rates. He further explains that an organisation can achieve flexibility by simply reducing the organisation’s dependence to core assets. For example a real estate organisation can be sustained during uncertain times by ensuring that its core assets such as managerial, financial, operational and structural capabilities are able to be aligned to the market conditions. Thus it is suggested that a real estate organisation geared for growth such as a franchise would benefit more from a flexible structure which allows for the shrinkage factor in order to be more profitable as demonstrated by Harcourts Australia in recent times.
Conversely the level of real estate franchise industry globalisation is estimated to be relatively low and trending steadily whilst the real estate industry as a whole is exhibiting an increasing trend overall (IBISWorld 2015a, 2015b). The reports go on to further explain that the low level of globalisation is predominantly due to an overall low level of foreign ownership in local residential real estate establishments and lack of significant investment in overseas based establishments by Australian industry. The increase in trend can be attributed to commercial real estate organisations due to their exposure to a significantly large level of foreign investment where there is global interest in commercial property market and transactions.

1.2 Aim & Significance
Most research in the franchising area to date has emanated from theories focussed on issues such as franchising as a distribution channel (Stanworth & Curran 1999). Whilst this approach to research lends substantial validity to franchising as a business format, it omits to provide an insight into the operational structure of a franchise. Firstly it lacks in furnishing the body of research with adequate investigation into the capacity of franchise business model to survive and continue to deliver solid financial returns. Secondly, it fails to consider the concept of franchising as having a potentially bounded future and, lastly, it neglects to consider the franchising business model as being potentially limited from a structurally operational perspective (Price 2000).

Much of the research conducted to date instead concentrates on the intrinsic benefits of franchising where franchising is portrayed in a favourable way and concern issues such as “encroachment, location and franchise fee policies, or more theoretical discourse on transaction cost analysis, ownership direction etc.” (Price 2000, pp. 52). In addition Price (2000) proposes that analysing franchising through such issues is an effective way to capture the intrinsic financial benefits provided by the franchise system thus suggesting that the core of franchising is essentially embedded in wealth creation and maximisation.

However it is the researcher’s belief that purely adopting such limited research approach without addressing more structurally pertinent issues such as influence of market fluctuations on the business modelling, the effect of competitive dynamics exhibited by the real estate organisations in the market place as well as the ramifications of technological advances and innovative practices on the real estate industry fails to present industry stakeholders with a well-rounded overview of the benefits presented by adopting a franchising business model.
Thus it is largely for this reason that this study’s focus is on uncovering the basis of franchising strategy by widening the research angle beyond studying intrinsic benefits offered by the franchising concept. In doing so, the study is directed towards an analysis of various franchised and non-franchised real estate business models found in operation across Australia by focusing purely on operational resource capabilities exhibited by franchised and non-franchised real estate organisations. To this effect the quandary regarding the concept of franchising as having a “boundless” future and the franchise business model as being boundary-less within the context of the Australian real estate industry sector lead to analysis of several distinctly separate yet closely interlinked research questions emanating from extensive literature review sourced initially from the franchising field and augmented by the literature from related strategic management and technology fields.

The research questions are designed to analyse the franchising concept and franchising model within the context of the wider industry influence by targeting areas of significance stemming from the operational context of a real estate organisation. To this effect the research focuses on the role resources play in operational strategy adopted by the franchised and non-franchised real estate organisations.

i. Is there a similarity in resource strategy adopted by franchised and non-franchised real estate organisations?

ii. How does organisational life-cycle and size of the organisation impact upon resource strategy adopted by franchised and non-franchised real estate organisations?

iii. What role do innovation and technology play in organisational resource strategy?

iv. Is the emergence of innovative business models within the Australian real estate industry proof that the traditional franchise business model is limited?

In the first instance the research aims to ascertain whether franchised and non-franchised organisations adopt similar resource strategy. This is further augmented by investigating the effect organisational size and life-cycle have on resource strategy. Additionally the research aims to address how franchised and non-franchised real estate organisations inhibit and/or support innovation and technology in their resource strategy as well as how these organisations deal with the effect of innovation and technology on business productivity and capability (Iansiti & Levien 2002). Furthermore the research intends to uncover the reasons behind why there is a growing trend towards innovative business modelling within the real estate industry as well as how these innovative business models impact on the franchise
model by examining resource strategies adopted by franchised and non-franchised business models. Thus it is anticipated that this research will expose prevalent key themes and factors underpinning the strategic choice of business modelling adopted by various franchised and non-franchised organisations within the Australian real estate industry sector with a view to conceptualise new business modelling framework which can be applied to assist the sustainability of the franchise business model.

1.3 Research Design
The study is aimed at exploring the business modelling strategies adopted by Australian franchised and non-franchised real estate organisations from an operational perspective. In order to achieve this objective, extensive information gained from two distinct data collection sources in a sequential manner, where the second builds on the findings of the first is analysed. The first strand of data collection serves to establish a relationship between franchised and non-franchised real estate organisations by highlighting similarities and differences exhibited by each in structure and operational strategies. The second strand of data collection builds on the first and probes deeper beyond the outer layer to provide information which may prove significant for real estate agency franchises by conceptualising a new business modelling framework which can be successfully incorporated into the existing bank of real estate franchising knowledge. Figure 2 explains the research framework adopted for this study.

Figure 2 – Research Framework

The research framework commences with an overview of the Australian real estate market. Background of the real estate agency and real estate agency franchising operations within the Australian real estate sector is succinctly summarised in industry reports provided by IBISWorld and Real Estate Business (REB), the information from which is used to lay the foundation for identification of the key organisational business models operating within the industry as well as serve as a bank of knowledge about each industry’s key external drivers,

This initial stage in the design framework sets the scene for the first phase of data collection where the researcher develops the survey outlining a series of close-ended and semi open-ended questions based on the information gathered from the literature review. Initially the readability and relevance of the survey questions is tested via conducting a pilot study on four selected experienced real estate professionals to ensure that the questions are easily read and understood, and the interest of the readers is sufficiently captured and maintained. Survey responses are essential to the research as they not only cement areas of importance as revealed through previous research but more importantly, establish a relationship between franchised and non-franchised organisations through highlighting similarities as well as differences in operational dynamics.

As this research sits within mixed method of analysis, in order to satisfy the differing quantitative and qualitative aspects, the study is orientated towards a statistical analysis (quantitative) gained from survey findings in the first instance followed by analysis of several organisational case studies (qualitative) derived from identified organisational structures within the Australian real estate market. Adoption of a case study design builds on the narrative by shifting the focus horizontally to include the individual representative of the respondent organisation as well as the issues associated with the organisation chosen to understand the issue. Additionally it involves the adoption of an analytical approach to research used to build a contextual and in-depth understanding of the case being studied whilst relying on multiple data sources (Yin 2003).

The following stage in the research framework consolidates the findings gained from both phases of data collection in which each set of findings are integrated into one explanatory framework (Green 2003). This approach is significant to this study as it allows for the use of the findings from each stage of data collection to contribute in their own right to the overall scope of the study. The survey is essentially the precursor to the case studies and informs the community of the generality within the real estate industry. Conversely case studies used in phase two of data collection are built on the findings of the survey with the express intent to formulate a new business modelling framework through “allowing multiple accounts to stand alongside each other to reflect polyvocality” (Moran & Butler 2001 cf. Moran-Ellis at al. 2006, pp. 55) thus entering the final stage of research framework. Additionally adopting this
approach where sequential analysis is followed by a synthesis of both analyses enables each dataset to reflect a distinct field of inquiry whilst highlighting the existence of any similarities and differences between the datasets.

As real estate agency and real estate franchise agency industries combined incorporate a vast number of non-franchised and franchised enterprises, it is important to mention that this study is bound by certain limitations. In the first instance the analysis and investigation of business modelling strategies is restricted to main business models found in operation across Australia as identified in literature gained from the real estate industry research. In addition the vast majority of real estate agency and real estate agency franchise enterprises are small to medium enterprises (SME’s) employing up to 200 employees as defined by ABS (Australian Small Business Statistics 2011). As such the organisations are generally run by operators with a background in the real estate industry, with the vast majority of the operators emanating from sales positions.

To this effect the operators are generally very hands-on in business management as well as in the sales process in some instances. Fundamentally this poses some pertinent issues for conducting a research of this magnitude. Initially the operators lack the time to dedicate to contributing to the research and secondly, many of the very small enterprises operate without a defined strategy in place which generally means that many of real estate agencies in particular are very reactive in their approach to strategy and business planning and modelling. Additionally many of the operators are set in their operating routines without the set guidelines imposed upon them by best practice and as such do not see the benefits this type of research can offer to the industry.

1.4 Contribution to Knowledge

The rationale behind this study is based on the pretext that franchising provides real estate agency industry stakeholders with an attractive business operating system which has been proven to work successfully within other industry sectors. Thus it can be said that attractiveness and popularity of franchising predominantly stems from its versatile format which enables entrepreneurs (franchisors) to expand and develop their burgeoning businesses. Similarly for the franchisees the franchising format provides a greater incentive than being a direct employee due to the existence of a direct stake in the business (Franchise Council of Australia 2012, Gauzente 2002).
Thus research focus on franchise structure is only starting to come to the fore in the last few years. This suggests a development of an awareness of franchising strategy as a more complex business format which is able to move beyond its traditional boundaries of operational strategy. Indeed it is established by Price (2000) that there are only a handful of real estate studies that lean towards examination of operational strategy within franchising. Most studies instead are focussed on analysing franchising from a practical perspective which inherently fails to present an in-depth account of franchising as a potentially successful business format on an operational basis.

In addition Price (2000) proposes that much of the extant franchising literature has generally failed to adequately assess whether “franchising delivers as much as it promises in terms of economic performance and financial returns (Price 2000, pp.44). Specifically Price explains that emphasis is placed on the “success rhetoric” of the franchising and its cultural embedding borne out of lack of government and regulatory body intervention as well as to a somewhat lesser extent, a consistent failure to consider whether the belief that franchising is both “boundary-less and has a boundless future” does in fact stand.

Furthermore Price (2000) states that adoption of relatively inappropriate methodologies to examine the dynamics of franchising such as non-linear product life-cycle technique (Easingwood et al. 1983) has substantially led to supporting the “success rhetoric” associated with franchising at the expense of resolution of ethical issues. Price (2000) points out two specific applications of inappropriate methodologies to support his argument; the first is related to the ownership redirection which purports to evaluate the degree to which franchisee units are being brought back by the franchisor (Oxenfeldt & Kelly 1969) which fails to adopt appropriate modelling and testing of the interaction between franchisee and franchisor owned units. The second relates to explanation as to why organisations choose to franchise and the franchisees choose to invest into a franchise. Here the extant literature fails to examine the franchising “diffusion curve” which may shed light on where barriers to adoption of the system may lie and if comments about “illiberality of competitive conditions and prospect of excessive returns” can be made without breaching business ethics (Donaldson 1985, Porter 1985).

Thus the design of this study is directed towards divulging the operational business modelling strategies adopted by both franchised and non-franchised Australian real estate industry organisations. It is envisaged that this paring back of strategic modelling will bring to light a
better understanding of what lies at the heart of operational structure so that the emergence of alternate business models within the Australian market can be explained. The researcher therefore aims to provide a significant contribution to knowledge by addressing the following key areas:

i) Undertaking examination of a cross-section of different types of business models adopted by real estate organisations and found within the Australian real estate industry sector. Specifically the placement of focus is on the operational strategy adopted by each organisational form thus critically assessing the relationship between franchised and non-franchised real estate organisations. It is envisaged that adopting this focal direction will not only address the anomalies in the traditional franchise model but also provide an overview of what Australian real estate organisations regard as an accurate indication of operational strategy.

ii) Adopting a research perspective which essentially moves away from exploring the notion of “why franchise” from the franchisor and franchisee perspective due to the existence of relatively heavy coverage of practical issues relating to franchisor and franchisee in extant literature. Furthermore there is an abundance of research in existence which describes the benefits of franchising which is solely designed to assist franchising with marketing their products and services more effectively and efficiently. Instead the perspective of the research emphasises the organisational reality augmented by concepts gained from strategic management and technology fields which the researcher hopes will capture the concept of “why franchise” from the organisational vantage point.

iii) Proposing a new business modelling framework aimed at assisting franchises to continue to survive, deliver financial returns, and effectively compete with non-franchised real estate organisations within the real estate industry network, based on examination of the propensity of non-franchised organisations to compete in the market place in essentially the same manner as the franchised organisations. The study therefore spotlights resource strategy exhibited by franchised and non-franchised real estate organisations as opposed to relying on investigating practical issues such as “encroachment, location and franchise fee policies, transaction-cost analysis and ownership redirection” (Price 2000, pp. 52).

iv) Adding to the relatively limited body of literature on franchising in the Australian real estate industry sector by analysing the management of operational strategy within the
real estate franchised and non-franchised organisations by examining different business models found in operation throughout Australia, and specifically, how these organisations capture and create value. This examination stems from Price’s suggestion that academic lack of contribution in existing literature ensues from “failure by the researchers to address the operational dynamics within the franchise which is a critical factor in determining the success or failure of a franchise” (Price 2000, pp. 56). This study extrapolates on this suggestion by explicitly zooming in on identifying tangible factors affecting the structural foundation of a franchise.

1.5 Research Structure
As the study is focussed on the Australian real estate agency and real estate agency franchises industry sector, a detailed description of the state of play in the Australian real estate market is provided to enhance the literature review. Background of the franchising operations within the Australian real estate sector is succinctly summarised through industry reports compiled by IBISWorld which provide key information about the real estate and real estate franchising industry outlook and identifies each industry’s key external drivers, current market performance, and competitive landscape (IBISWorld Report 2012, 2014, 2015a, 2015b).

An in-depth literature review ensues aimed at providing a detailed overview of past research in the franchising field augmented by research from fields of strategic management and technology. The rationale behind inclusion of research from strategic management and technology fields is two-fold; in the first instance there is a significant lack of research in the real estate franchising field stemming from the operational perspective, and secondly, the researcher believes that many concepts researched in strategic management and technology fields can be successfully transferred to the real estate agency practice.

To this effect the extensive review of the literature opens with an introductory preamble about history of franchising within Australia. Explanation of franchising concept follows by outlining pertinent information regarding the interconnectedness of relationships within the real estate franchise relationship model (the foundations behind franchise structure, the effect of life cycle on growth and performance, and the synergistic connection between franchising and entrepreneurship.

Theoretical context chronicling reasons as to why organisations choose to franchise are explored next by analysing mainstream theories applicable to franchising as well as the newly emerging theories emanating from relatively under-researched areas of franchise initiation
and financial performance. This sets the tone for investigating franchise strategy at the organisational level by initially examining established areas of significance associated with the franchising phenomenon such as efficiency and corporate entrepreneurship and competitive advantage. Concepts acquired from strategic management and technology fields with potential transference to real estate franchising such as value capture and value creation, change management strategy, and open strategy and open innovation are explored.

The literature review concludes with a rundown of challenges faced by the franchises. Specifically issues such as expectations posed by each party on the other and ignorance of franchisee’s needs are investigated to determine the impact on the franchisor-franchisee relationship. Additionally benefits and drawbacks of the internet and social media to real estate agency and real estate agency franchises are considered.

In order to best represent this study, the researcher employs a mixed design methodology. Study data is collected sequentially commencing with quantitative analysis and expanded upon by qualitative analysis. In the first phase of data collection the researcher develops a survey outlining a series of open-ended and ranked questions based on the information gathered from the literature review. Initially the readability and relevance of the survey is tested via conducting a pilot study on a few carefully selected experienced real estate professionals to ensure that the survey content is easily read and understood, and the interest of the audience is sufficiently captured and maintained.

Responses gained from the survey are gathered and analysed using several techniques. In the first instance a descriptive analysis is applied to highlight any outliers in operational structure and strategy exhibited by franchised and non-franchised respondents. This is followed by exploratory factor analysis which serves a dual purpose; initially Spearman’s correlation analysis is used to ascertain the existence of a relationship between franchised and non-franchised respondents in operational strategy followed by application of one-way analysis of variance (ANOVA) to determine the impact, if any, stage in organisational life-cycle and size of organisation have on the operational strategy adopted by franchised and non-franchised respondents.

Whilst the survey is intended to provide a general overview of the Australian real estate organisations, its inclusion is essential to the research for three reasons. Firstly the survey responses add to the body of research by contributing vital information about the Australian real estate industry. Secondly, the survey is a corroborative instrument whereby past research
is either confirmed or unconfirmed within the Australian industry context. Lastly, it serves to identify new strands of information such as key areas of significance which are crucial for laying the foundation for the next phase of data collection.

Thus emerging trends from the survey are investigated in greater depth through employing a case study approach where focus is on analysing several real estate business models identified through real estate literature. Adoption of a case study design builds on the narrative by shifting the focus horizontally to include the individual as well as the issues associated with the individual chosen to understand the issue. Additionally it involves the adoption of an analytical approach to research used to build a contextual and in-depth understanding of the case being studied whilst relying on multiple data sources (Yin 2003).

Case study analysis therefore forms phase two of the data collection process which includes semi-structured interviews of a smaller sample of a larger pool of market participants as identified through phase one and, combined with a conceptual narrative based on the individual responses provided by the representatives of organisations selected as study participants, leads into the final stage of the design framework where the feedback received from the interview participants is carefully analysed and reviewed.

The semi-structured interview technique is used predominantly from the prevailing thought that the study participants are allowed to respond in a thoughtful and earnest way and on their own terms rather than be subjected to having to narrow their responses by choosing between pre-established choice categories of questions. Whilst survey data is essential in a general sense, it is the data obtained from the semi-structured interviews that provides the key to discovering the more specific information.

Data is collected via audio recording, transcribed and analysed by using Nvivo program. By employing this type of analysis the content of the transcribed interviews can be effectively disseminated through carefully selected codes which essentially represent key emergent themes. In order to achieve both content and construct validity, the focus is on paying careful and close attention to meaning and process which leads to the realisation of producing the desired effect of counterbalancing the reliability of the data collected (Ragin 1987).

The findings from the case studies are fundamental to the principle of this study which is to propose new framework for business modelling. Thus a detailed discussion on the findings is presented with a spotlight on emerging strands of information such as standardisation vs
flexibility, technology vs innovation, resource acquisition and response to change with a view to expose missing elements from the business model equation currently employed by the franchises.

The study concludes with offering an insight into the operational strategy within the Australian real estate organisational viewpoint and proposes solutions for the challenged franchised business model by way of conceptualising new modelling strategies for adoption by the franchise business model. Finally alternative directions are outlined as potential avenues for future research. In particular the researcher believes that the question of data ownership within the real estate industry should be investigated in detail as this area clearly emerges as a potential hazard the industry. Also the concept of absorptive capacity of real estate organisations begs exploration on the basis that the industry relies on acquisition and accumulation of resources yet little is known about the integration of new resources with organisations’ established resources and little less still, the organisation’s capacity to competently deal with newly acquired resources.
CHAPTER 2: LITERATURE REVIEW
2.0 Introduction

Real estate agency franchising is a relatively under-researched field in Australia. The vast majority of Australian real estate franchising research conducted to date has focused on analysis of issues concerned with legislation, franchise structure, franchisor-franchisee relationship, and intrinsic benefits of franchising. However, there is a lack of research emanating from the operational side of franchising. Thus, the objective of this chapter is to examine the significance of franchising within the real estate agency industry through analysis of conceptual framework appropriated from the existing body of franchising literature and augmented with application of transferrable concepts acquired from related fields of strategic management and technology by using a case study approach from the Australian real estate agency industry.

The chapter begins with a description of history of franchising in Australia from its conception in the late 60’s to present day by way of outlining the timeline of significant events. An explanation of franchising concept ensues by examining aspects such as real estate relationship franchise model, franchise structure, the impact of life cycle on the growth and performance, and entrepreneurship potential. Next, the theoretical frameworks spanning mainstream frameworks and those of greater theoretical diversity are expounded to elucidate why organisations choose to franchise.

The theoretical discourse paves the way for exploring the franchising strategy by focusing on the resource-based perspective. Concurrently, franchising strategy from the operational context is examined in detail by analysing the effect of organisational efficiency on corporate entrepreneurship and competitive advantage. Application of concepts such as value capture and value creation are critically assessed through the real estate lens to ascertain the value of the same in developing a successful operational strategy. Additionally, the suggestion of balancing traditional strategy with innovation is appraised together with the impact brought on by embracing open innovation principles and the speed of response to change. Lastly, challenges faced by the real estate franchises are analysed by examining the role of information technology, internet and social media, and recruitment and funding strategies on operational dynamics exhibited by the real estate agencies including franchises.
2.1 History of Franchising in Australia

Franchising was first introduced to Australia in late 1960’s with the advent of the KFC fast food chain which saw the emergence of the business form on a large scale. Prior to this franchising was little known and only evident in petroleum and motor vehicle industries (McKosker 1994). As the interest in franchising grew and the obvious benefits beckoned to many entrepreneurs, the business format increased in popularity and thus businesses under this format flourished throughout the 70’s and early 80’s. This intensified the competition and encouraged many independent small and medium businesses.

McAuley & Wright (2011) suggest that it was the absence of regulatory systems in place which contributed to the growth of franchising as well as a generally affluent population and the willingness of Australian people to embrace innovative strategies for business growth (Lim & Frazer 2001). As not all franchises prospered, the failures prompted questions as to how appropriate the business form is despite the fact that the studies conducted by Williams (1992) showed that the franchised business in general had greater survival rates than the independent company owned businesses. To this end Williams (1992) found that the survival rate of franchised organisations was 76.5 per cent as opposed to 33 percent of all small independent businesses in Australia from 1973 to 1990 with the franchised organisations generally becoming profitable 1.5 years earlier than the small independent businesses.

The media interest in the franchising failures brought on a need for the sector regulation and thus the Franchisors Association of Australia was formed in 1981. Due to expansion in membership by inclusion of franchisees, the association became the Franchise Association of Australia and New Zealand in 1993. Through subsequent growth of its membership and international affiliations, it became known as the Franchise Council of Australia in 1998 with the New Zealand arm forming its own Association for its members.

Similarly franchising in the real estate industry sector developed rapidly in early 1970’s. It was L. J. Hooker real estate company network which pioneered the franchising concept in Australia and to this day remains one of Australia’s largest franchised real estate company networks with 700 franchises across Australia and New Zealand and a growing network in Asia. In parallel, the regulation of the franchise sector brought on significant development in the legal framework. Table 2 summarises the timeline of significant events in Australian franchising legal framework.
### Table 2 - Timeline of Significant Events in Australian Franchising Regulation

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>The Trade Practices Act 1974 (Cth) (TPA) is enacted. The Trade Practices Commission (TPC) is created to administer the new TPA.</td>
</tr>
<tr>
<td>1976</td>
<td>The Swanson Committee makes note of franchising issues in its TPA review.</td>
</tr>
<tr>
<td>1979</td>
<td>The Blunt Committee recommends that the TPA include franchising-specific requirements.</td>
</tr>
<tr>
<td>1980</td>
<td>The Petroleum Retail Marketing Franchise Act 1980 (Cth) and Petroleum Retail Marketing Sites Act 1980 (Cth) are enacted to specifically regulate franchising in the retail petroleum industry.</td>
</tr>
<tr>
<td>1981</td>
<td>The Supreme Court of Western Australia rules in <em>Hamilton v Casnot Pty Ltd</em> (1981) 5 ACLR 278 that the public offer of franchise licences is subject to the requirements of prescribed interest securities offers. The Franchisors Association of Australia is formed.</td>
</tr>
<tr>
<td>1986</td>
<td>The securities regulator issues <em>Policy Statement 118</em> providing conditional exclusion from prescribed interests offer 1986 requirements. Two consultative drafts of a <em>Franchise Agreements Bill (Cth)</em> are released but eventually abandoned.</td>
</tr>
<tr>
<td>1987</td>
<td>Regulations are made under the companies and securities laws to specifically exclude franchise licences from the definition of prescribed interests, effectively deregulating the franchising sector.</td>
</tr>
<tr>
<td>1990</td>
<td>The Beddall Report recommends that franchising specific-legislation be reconsidered.</td>
</tr>
<tr>
<td>1991</td>
<td>The Franchising Task Force recommends the establishment of a voluntary code of practice along with a self-regulatory body to administer the code.</td>
</tr>
<tr>
<td>1993</td>
<td>The voluntary <em>Franchising Code of Practice</em>, administered by the <em>Franchising Code Administration Council</em> (FCAC), is created.</td>
</tr>
<tr>
<td>1994</td>
<td>The Gardini Report on the operation of the voluntary code finds that it has not improved conduct in the sector, partly because of low rates of participation. The Report recommends that either the <em>Franchising Code of Practice</em> should be made mandatory and co-regulatory, or franchising-specific legislation should be put in place.</td>
</tr>
<tr>
<td>1995</td>
<td>The Franchisors Association of Australia becomes the <em>Franchise Association of Australia and New Zealand</em> (FAANZ). The recommendations of the Gardini Report are rejected in favour of continued FCP support and broad small business reform. The TPC is merged with the Prices Surveillance Authority to form the <em>Australian Competition and Consumer Commission</em> (ACCC).</td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
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</table>
The *New Deal: Fair Deal* small business reform package is released, including industry code prescription under the *TPA*. |
| 1998 | The Government creates the *Franchising Policy Council* to consult and advise on code development and implementation.  
The *Franchising Code of Conduct* is prescribed as a mandatory code under the new Part IVB of the *TPA*.  
The FAANZ becomes the *Franchise Council of Australia*. |
| 1999 | Minor clarifying amendments to the *Franchising Code of Conduct* are made. |
| 2001 | Amendments to the disclosure requirements of the *Franchising Code of Conduct* are made.  
The *Franchising Policy Council* is extended for an additional two years. |
| 2003 | The *Franchising Policy Council* is disbanded; the *Franchising Consultative Panel* is formed. |
| 2006 | The *Petroleum Retail Marketing Franchise Act 1980 (Cth)* and *Petroleum Retail Marketing Sites Act 1980 (Cth)* are repealed and replaced by *Oilcode*, a prescribed mandatory code under Part IVB of the *TPA*.  
A further review of the *Franchising Code of Conduct*’s disclosure requirements is ordered. |
| 2009 | The then government tabled its response to the Commonwealth Parliamentary Joint Committee on Corporations and Financial Services (Joint Committee) franchising inquiry report.  
A Regulation Impact Statement (RIS) was prepared to inform the then government’s response to the Joint Committee’s franchising inquiry report.  
An expert panel was established to report on franchising and unconscionable conduct. The panel provided advice to the then government on some outstanding issues raised in the Joint Committee's franchising inquiry and the Senate Standing Committee on Economics inquiry report into the ‘The need, scope and content of a definition of unconscionable conduct for the purposes of Part IVA of the Trade Practices Act 1974’. |
| 2010 | The expert panel's report *Strengthening Statutory Unconscionable Conduct and the Franchising Code of Conduct* was released together with the former government’s response.  
The Joint Committee and expert panel were informed by submissions and evidence from small business stakeholders within the franchising, business and academic sectors. |
| 2013 | As part of its response to the Parliamentary Joint Committee report, the then Government committed to review the efficacy of the 2008 amendments to the Franchising Code and any 2010 amendments to the Franchising Code.  
In making this commitment, the then Government stated that a 2013 review ‘would allow for a review after an adequate number of contracts, established after the amendments were implemented, have run their course (and that) the franchising sector deserves some certainty and stability before instigating another review’. |
The new Franchising Code of Conduct commenced on 1 January 2015 and puts in place the franchising policy reforms outlined in the Government’s ‘Future of Franchising’ statement, which was released on 2 April 2014.

The Competition and Consumer Amendment (Industry Code - Penalties) Act 2014 also commenced on 1 January 2015 to work in conjunction with the new Franchising Code.

The reforms to the Franchising Code have introduced pecuniary penalties (up to $54,000) and allow the ACCC to issue infringement notices ($9,000 for a body corporate and $1,800 in any other case) for contravention of a civil penalty provision of that code.


2.2 Franchising Concept

2.2.1 Real Estate Franchise Relationship Model

Much of the franchising literature reviewed concedes that the real estate agency industry is well suited to the application of the franchising concept. Its’ practice and uptake within the industry is therefore widely encouraged (Anderson et al. 1998, Flint-Hartle 2005, Flint-Hartle & de Bruin 2008).

Essentially, the franchising concept provides the perfect foundation for collaboration between two differing points of perspective as arising from each party to the relationship. As succinctly stated by Shane & Hoy (1996, pp. 325) the connection between franchising and entrepreneurship is justified by the fact that franchising is “a unique form of entrepreneurship because it depends upon two entrepreneurs, the franchisor and the franchisee, to be successful”.

This effectively provides a platform for a collaboration of individual entrepreneurship (the franchisee) and corporate entrepreneurship (the franchisor) by combining their individual and distinct perspectives based on goals and objectives. Operating from a micro perspective the franchisee’s objective is to develop and service their local market by creating viable and long-term relationships with the market participants. The franchisor’s focus on the other hand is macro oriented as the franchisor looks to build a brand name in order to grow their presence, and in some instances nationally and internationally as well as an operating system for the use of the franchisees (Benjamin et al. 2006).

Likewise, it is therefore the presence of the entrepreneurial factor that is proposed to be at the core of the development and maintenance of a unified relationship between the franchisor and the franchisee. Furthermore entrepreneurship breeds wealth creation which is at the core of a
franchise system. It enables the focus to be directed towards fostering innovative business partnerships and formation of management teams which are essential for forming relationships (Flint-Hartle 2007, Spinelli et al. 2004). To illustrate this interconnectedness of different relationships within the real estate industry business network, the social as well as the entrepreneurial context of the relationship model structure by highlighting core aspects of activity from each participant as it exists within a business network must be taken into account as shown in Figure 3.

Figure 3: Real Estate Franchise Relationship Model

As the integral part of the real estate relationship model, the franchisor and the franchisee create relationships with different types of market participants through provision of real estate agency services such as buying, selling, marketing etc. Flint-Hartle & de Bruin (2008) suggest that the strong interconnected relationship such as the one displayed between the franchisor and the franchisee exists predominantly because of the provision of resources and knowledge as well as emotional support provided by the franchisor. Furthermore, Flint-Hartle & de Bruin (2008) in their study on the franchisee’s perspective highlighted the attraction to the franchisee as it provides the necessary support and resources to carry out their business activities without necessarily impinging on their ability to appeal to their local market to gain a competitive advantage over their competitors.

It is no surprise then that further literature review on the structure of franchising reveals that the franchising model is predominantly centred around the incorporation of intangible factors.
such as formation of a relationship, embracing open communication, and establishing trust and commitment in order to produce and maintain a successful and productive partnership capable of long term survival (Wright & Grace 2011, Nathan 2001).

Similarly Lee (1999) describes franchising as a “system of interdependent organisations” uniquely created to enable the provision of a service or product to the public by negotiating a sale. When the relationship is maximised, it enhances profits through increased revenue, increases the market share, and ensures the growth of the franchise. A franchise business system involves the participation of a franchisor and a franchisee. It is known that a franchise system constitutes an economic as well as a social system which enable the participants to work together and thus form symbiotic relationships (Strutton et al. 1995). Lee (1999) further states that the relationship between the parties to the franchise can be described as “mutually dependent” on one another’s objectives and performance indicators in order to achieve their respective goals. Justis & Judd (1989) add to this by identifying three distinct types of interdependence observed within a franchise system which they define as the business form, the legal form and the agreement form, each form carrying an ability to allow for and accommodate each party’s overall independence.

Furthermore Wright & Grace (2011) explain the concept of interdependence by stating that the participants, the franchisor and the franchisee, are bound together via a contractual agreement or a legally binding contract which specifies the rights and obligations of each party as well as the essential information such as start date, length of the contract, termination clauses, and periods of renewal. While the contract defines the limits placed upon both parties, the relationship between the parties is regarded as “near exclusive” (Lee, 1999). McIntyre et al. (1994) describes this near exclusivity by explaining that the relationship between the participants remains “distinctly separate yet is closely linked together to form a strategic alliance or partnership.

Lee (1999) and Justis & Judd (1989) further explain that the relationship between franchisor and the franchisee can be also conceptualised as having four phases:

i. Introduction;
ii. Growth;
iii. Maturity; and
iv. Decline
The introduction phase fosters the mutual interdependence and a shared motivation for success and profits. This phase is followed by growth, where the relationship between the franchisor and franchisees starts to grow and develop. If the relationship progresses without problems, where the occurrence of problems are usually associated with the franchisor not following through on the delivery of proper training and support, the parties enter the third phase which is known as the maturity phase (Justis & Judd 1989). The last phase of the relationship is described as the decline phase which can either lead to solidification of the relationship or the ending of the relationship.

Whilst the franchise system in existence in Australia will be further explained in the next subsection, franchise categorisation on the macro level can be loosely divided into two general categories;

i. Product trade-name franchising; and

ii. Business format franchising.

These two types vary from a functional and legal perspective in as much as the product trade-name franchisors sell their goods through franchised outlets and business format franchisors involves selling the opportunity for business ownership. Product trade name franchising tends to be applied predominantly to general retail whilst business format franchising is geared towards accommodating service type industries. In a business format franchising the franchisor develops the brand or the trade name, operating systems and manuals, and specified product or service which is acquired by a franchisee (Flint-Hartle 2007). The franchisee uses the brand name and reputation, the operating systems and service or product to establish their independent business within their chosen locality. This form of a business system allows the franchisee to utilise economies of scale, save cost, and share resources all in return for a specified fee. For example any service based industry such as legal services and real estate where the emphasis is on provision of service, business format franchising prevails. On the other hand, industries such as retailing, manufacturing and new car dealerships where the emphasis is on a product are classified as product-tradename franchises.

Despite the fact that franchising attracts complex legal and contractual obligations on the part of both the franchisor and the franchisee, franchising is considered as a “relatively simple business concept, at whose core is a method of marketing goods and services” (Mendelsohn & Bynoe 1995). The simplicity of the concept therefore lies within the business definition.
parameters however there are several factors associated with the concept which introduce elements of complexity. It is the presence of an “increasingly complex and dynamic business environment” which dictates that organisations “must change and effectively adapt” (Clarkin 2008). Additionally it is the lack of change initiation by the franchisees due to constraints placed upon them by their franchisor’s policies and procedures which affect the simplicity of the franchising (Barrow 1989). It is however the ownership changes which occur at either franchisor or franchisee level that pose the greatest risk to the survival of a franchise as they have the unwavering potential to adversely impact the whole franchise system (Clarkin 2008).

On a purely structural level, Castrogiovanni & Justis (1998) state that franchising organisations tend to differ from most other organisations in three essentially important aspects; geographic diversification and dispersal of franchised units to capture market share, operating system and brand replication across the franchised units to promote standardisation and uniformity, and provision of joint ownership to encourage the franchisee entrepreneurship potential.

Geographic diversification of franchised units is essential to a franchise network in order to be able to conduct business in local markets (Martin 1988). Being local carries immense advantages in the real estate industry especially through cultivation of knowledge of local market as well as access to a richly populated pool of local talent to operate and work within the franchised units. Flint-Hartle & de Bruin (2010) are in support of this notion and concur that there is evidence to suggest that local knowledge possessed by the franchisees encourages franchising activity. Furthermore the ability of real estate agency franchises to adopt geographic dispersal of franchised units presents the agencies with an opportunity to increase their competitive advantage. As such franchising is heralded to be a suitable strategy for business growth and expansion (Preble & Hoffman 1995).

Moreover it is identified that the presence of factors such as competition, portal nature of employees and sales people as well as organisational learning and the transference of the franchisor systems (Dana 2006) directly translates to development of specific organisational capabilities which are essential for generation of the competitive advantage which in turn is at the essence of real estate franchising (Flint-Hartle & de Bruin 2010). This is further elaborated on by Combs et al. (2004) who argue that the franchise organisations’ competitive advantage also stems from the brand reputation as well as operating systems, which serves to
enable franchise organisations to predict individual franchisees ownership and thus be in a position to control their competitive advantage. It is for this reason that the researchers make a proposition with a focus on the strength of a franchise stemming from having the ability to invest in the specific organisational capabilities which specifically aim to increase the franchise’s competitive advantage.

The replication of the “franchise offering” ie brand and operating systems is spread out across all franchised units (Castrogiovanni & Justis 1998). The consistency across the units ensures that each unit is operating efficiently through employment of economies of scale and reduced operating costs per franchisee.

As the franchise requires a franchisor and a franchisee, so are the ownership rights to the franchise offering shared thus forming a joint ownership. Flint-Hartle (2005) claims that “individuals who become involved in the interlinked business forms are partners in an entity bigger than ‘self’”. Furthermore it is the concept of interdependency between the individuals created by the interlinking which is the integral part of the franchised organisation, allowing for learning, developing and adding to the “skills and competencies of others” (Flint-Hartle 2005, pp 4).

2.2.2 Franchise Structure
Franchising is described as a “hybridised” business form. This is largely due to the format lending itself very well to being structured in many different ways and still be able to allow organisations to distribute their goods and/or services for profit whilst enjoying the benefits inherent within the franchising system modelling (Bodey et al. 2011). In essence Bodey et al. (2011) refers to the franchising structure stemming from either single unit or multiple unit arrangements and further describes the multi-unit franchising as multi-faceted on the basis that it enables four distinct types of organisational forms to be possible. These are defined as master franchising, area development franchising, area representative arrangements, and incremental franchising. Figure 4 explains the basic spread of the franchising structure.
It is the multi-unit franchising arrangement which offers franchisors the greatest potential for expansion and thus it is this arrangement which is most likely to encourage growth in franchising (Weaven & Frazer 2007). Multi-unit franchising refers to an organisational arrangement where the franchisees are allowed to own more than one unit under the same umbrella (Kaufmann & Dant 1996 cf. Bodey et al. 2011). In this arrangement the franchisor has developed confidence and trust in the franchisee’s credibility and performance to operate another unit and thus continue the growth. It is suggested that multi-unit franchising is beneficial to franchisees in as much as it allows for greater control over challenges encountered through single unit ownership by the franchisor (Kaufmann 1990). As such it enables reduction in monitoring costs (Bercovitz 2004) whilst simultaneously increasing the potential for over profitability through adoption of “scale of economies” (Garg et al. 2005), and increased potential in franchise assistance (Bradach 1995).

Weaven & Frazer (2003) states that there is an increasing trend within Australian franchise systems to encourage franchisees to adopt the multi-unit franchising. As such this type of an arrangement can now be seen in four primary organisational forms throughout the Australian franchise landscape. The most common way for a franchisee to acquire additional units is by incremental or sequential franchising (Weaven & Frazer 2003). The franchisee must prove themselves to the franchisor in terms of operational efficiency and profitability in order to become eligible to be granted permission to acquire another unit (Kaufmann & Dant 1996).
This type of franchising is virtually identical to master franchising (or sub-franchising) with the difference being that master franchisee (the franchisee which owns more than one unit) is granted the right to purchase additional units from the onset without the need to prove their capability to the franchisor (Kaufmann 1992).

Area development franchising is an off-shoot from master franchising however it differs from master franchising in that the master franchisee or area developer is able to own as well as operate additional units through engaging a manager to operate each individual unit (Kaufmann & Kim 1993, 1995) on their behalf. In stark contrast to both master franchising and area development franchising, area representative franchising provides an alternative form of multi-unit franchising strategy. The area representative is not granted the right to contract with the franchisees as is the case with both master franchising and area development franchising; instead their role is to oversee an assigned geographical territory on behalf of the franchisor and as such their responsibility extends to monitoring the franchisee behaviour and recruiting potential new franchisees (Weaven & Frazer 2004).

There are several expressly defined types of franchise business models in operation presently within Australia. In essence the types are categorised into two distinct categories of franchising; product franchising and business format franchising (Keller 2012). Generally speaking the types are defined according to the type of business operation and source of revenue and expenditure associated with a particular business operation and are defined in Franchising Council of Australia as outlined in Table 3.
Table 3 – Types of franchise business models

<table>
<thead>
<tr>
<th>PRODUCT-TRADE NAME</th>
<th>BUSINESS FORMAT</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer-Retailer</td>
<td>Retailer-Retailer</td>
<td>Where the retailer as franchisee sells the franchisor's product directly to the public. (eg. New motor vehicle dealerships).</td>
</tr>
<tr>
<td>Manufacturer-Wholesaler</td>
<td>Retailer-Retailer</td>
<td>Where the franchisee under license manufactures and distributes the franchisor's product (eg. soft drink bottling arrangements).</td>
</tr>
<tr>
<td>Wholesaler-Retailer</td>
<td>Retailer-Retailer</td>
<td>Where the retailer as franchisee purchases products for retail sale from a franchisor wholesaler (frequently a cooperative of the franchisee retailers who have formed a wholesaling company through which they are contractually obliged to purchase eg. hardware and automotive product stores).</td>
</tr>
</tbody>
</table>

Source: Franchise Council of Australia (2012)

Product franchising is commonly known as “trade name franchising” or “first generation franchising” and stems from business arrangements where suppliers (franchisors) made sales contracts with dealers (franchisees) to buy or sell a particular product or to trade under the suppliers’ (franchisor’s) trade name (Justis & Judd 2003). Here the relationship between the franchisor and the franchisee is relatively simple in its constitution; the franchisee signs a contract which grants them the right to sell the franchisor’s product in exchange for the payment of an ongoing fee. This particular type of franchising is suitable to only a few select industries such as automobile and truck dealerships, petrol service stations and soft drink bottlers as these industries are specifically equipped to trade in this particular manner, for example an automobile dealership as a franchisee is granted the right by the automobile manufacturer such as Toyota or Ford to sell its automobiles (Felstead 1993, Justis & Judd 2003). In product franchising the franchisor may provide some business support and preliminary training however they have minimal involvement with the day-to-day operations or financial performance of a franchisee except when it affects the trade name (Felstead 1991).

Businesses oriented towards a service industry fall into the business format category type and are commonly referred to as “service” franchises. “Service” franchises differ from the traditional product and trade name franchises by encompassing the use of a comprehensive
system for the conduct of a business. The system includes elements such as management, resource sharing, appearance and image, location, quality of goods, and business planning. It differs from the standard retail franchise by offering potential franchisees a lower point of entry via more economical start-up costs as well as providing operational realities through economies of scale and generally low personnel requirements for undertaking daily operations. This category of franchise model does require a lot more mobility than the retail franchise through the service orientation of the business (Franchise Council of Australia, 2012). Examples of businesses which fall under the category of a “service” franchise are any trade and handyman services, real estate agencies, travel agencies, accounting practices and similar.

The business format franchising approach is a popular business format within Australia. As such it is found in a services sector of the Australian economy. Its popularity within the real estate network stems from its ability to offer the real estate businesses with “a method of increasing their competitive advantage through growing a large network of independently owned real estate offices in geographically diverse locations” (Flint-Hartle 2005, pp. 6).

Traditionally a franchised network consists of a franchisor who establishes franchised outlets or units. Within the Australian real estate industry, franchised networks also include those which operate under the mantle of a recognised brand however are independently owned. These networks are referred to in the real estate industry as “co-operatives” (Flint-Hartle & de Bruin 2005). Thus co-operative agency networks are regarded as franchises in a legislative respect although they inherently differ in their structure, member fees and the extent of the provision of systems from a franchise. Indeed it is the strategic positioning of the ownership factor which plays a vast role in determining the “hybrid” potential within an already hybrid type of a business format such as franchising.

In addition to the ownership factor, real estate businesses also differ in their operational structure through factors such as entry requirements the franchisors offer to the potential franchisees as well as annual royalties or continuing fees payable to the franchisors to alleviate the cost of overheads and capital expenditures (Anderson et al. 1998). Frew & Jud (1986) explain in their study that the royalty arrangements which are based on revenue prevail as a suitable and functional arrangement of payment of ongoing annual fees on the basis that its presence incentivises the franchisee to motivate the franchisor to ensure that the franchise is continually quality controlled. In situations where there is a profit-sharing
arrangement involved, the franchisor has been shown to be less motivated to quality control the franchise and therefore is more likely to “under invest” in the resources required to sustain and enable a franchise to develop and grow. Additionally some research has been undertaken in the area concerning the use of flat fees in place of percentage-based fees; Frazer (1998) found in her study that the franchisors in Australia employ the use of flat continuing franchise fees as opposed to a more common arrangement based on the percentage-based fees as is commonly found in operation in other parts of the world such as the USA. Frazer (1998) thus suggests that the use of flat fees is more prevalent in Australia due to the franchise not having to provide as much ongoing support to its franchisees or conduct as much ongoing monitoring of its franchisee’s operations. Additionally franchises which use flat ongoing fees have a tendency to grow much faster factors as the cost of entry is inexpensive.

Unlike small organisations which are more readily concerned with primary resources such as managerial and financial and as such adopt a specific resource combination tactic in order to achieve the desired goal of a positive cash flow, a franchise operation on the other hand becomes a commercially viable venture when it has a growing number of franchisees under its umbrella. As each franchisee generally brings a certain amount of capital to the table, the franchisor has ready access to financial and managerial resources. Thus a franchise operation relies on adopting a resource strategy which is suited to growth of the network and is in turn dependent on positioning within industries and markets which are geared for growth (Brush & Chaganti 1999).

To this effect a franchise operation is generally a larger operation spanning a number of offices across geographically dispersed locations. As such its strategy is aimed at rearranging its resources so that it can benefit from adding new resources to the organisational bank as well as transforming its resources so that they can be reused in a different manner. Therefore extant literature concludes that whilst the resource strategy changes over stages of organizational growth, so do the management practices which are required for effective rearrangement of resources to ensure future organisational success (Miller & Friesen 1984, Kazanjian 1988).

It is argued that a franchise operation differs from most other organisations in three essentially important aspects; geographic diversification and dispersal of franchised units to capture market share, operating system and brand replication across the franchised units to
promote standardisation and uniformity, and provision of joint ownership to encourage the franchisee entrepreneurship potential (Castrogiovanni & Justis 1998). As such the notions of standardisation and uniformity are supported by the franchising business model due to positive factors such as achieving economies of scale through minimisation of costs (Kaufmann & Eroglu 1999), protection of the brand image (Falbe & Dandridge 1992, Michael 2002), and as a source of innovation within a network (Kaufmann & Eroglu 1999). 

Furthermore a franchise business model allows for the minimisation of costs for both franchisor and franchisee through employing economies of scale (Kaufmann & Eroglu 1999) which presents a strong argument for standardisation and uniformity. Additionally as presence of uniformity enables projection of a common image about the franchise network it thus becomes a powerful offering of a franchise to potential franchisees (Kaufmann & Dant 1999). Thus to ensure that the franchisees do not become uncooperative and opportunistic, the franchisor often uses resources at hand to keep up the ongoing monitoring of a franchisee (Kirby & Watson 1999) which it does via adopting many different methods not least of which are regular financial auditing, mystery shopping audits, and relentless pursuing of customer feedback as a source of ongoing organisational development (Bradach 1998). 

The reviewed literature shows that in a traditional franchise business model, the franchisor’s role is to accumulate an internal bank of resources. To achieve this task a franchised organisation tends to accumulate those resources it regards as necessary for development and implementation of custom made internal systems such as customer database software or a customer service system which differentiates the organisation from its competitors in the market place and thus enables the organisation to achieve competitive advantage. The operational philosophy hence focuses on organisational development from within. To this end sales agents for example are taught to do things ‘the franchise way’ rather than rely on their instinctive individual ability complemented by exposure to vast pool of external training methods as is the case for non-franchised organisations. Thus by adopting such a relatively insular operational outlook, a franchised organisation enhances the standardisation across its network and minimises the risk of a ‘rogue’ agent syndrome which it uses as a key benefit of being a part of the franchise. Adopting this strategy equips the franchised organisation with an ability to attract and retain potential franchisees and thus assist with rapid expansion of the franchise network.
Due to the size of the franchise organisation and the need for standardisation and uniformity across its network, it is an essential requirement of a franchise operation to place a significant emphasis on development and implementation of strategy at the operational level. Similarly a franchised organisation is well positioned to take advantage of identifying new knowledge pertinent to organisational innovation as it possesses a vast bank of internal related knowledge at the user level including knowledge regarding evolving business trends (Arbussa & Coenders 2007). For instance as a continuous producer of property data such as property sales and rental figures, it is a depository of an internal bank of knowledge. Combined with access to complementary property data from its numerous suppliers such as solicitors and conveyancers by way of vendor’s statement, land titles office and similar, it is well placed to utilise its developed and highly tuned set of capabilities to resource new knowledge which can be easily assimilated and transformed into new knowledge.

To this end a franchised organisation is inherently well placed to combine valuable resources with other resources into sets of functional policies and activities designed to differentiate its position in the market place as suggested by Collins & Montgomery (2008). For example a franchised organisation is likely to invest densely in marketing to create brand awareness which is vital not only for the general public knowledge and ending up on ‘shopping list’ but also to attract new franchisees and thus strengthen the brand. Similarly a franchised organisation is inclined to infuse resources into developing a custom made customer service system to attract and retain its clientele. Thus it can be established that a franchised organisation with its inherent ability to identify and acquire resources and transform them into organisational capabilities is indeed excellent at capturing value on a continuous basis.

Furthermore standardisation within a franchise network is also suggested to be a source of innovation within a franchise operation as the franchisors allow for the potential for the franchisees to try out new ideas at the franchisee level. Thus innovation is not just a source of competitive advantage for a franchise operation; it is also regarded as a constant in a franchise business model as suggested by Price (1997). To this effect in most franchise operations, a franchisor balances the standardisation and uniformity across its network with some flexibility at the franchisee level. For example as a standard practice, a franchisor will allow its franchisees flexibility in the choice of marketing strategy in the case of multiple franchised office ownership. Thus by offering the franchisee with multiple office arrangement flexibility in local marketing strategy and recruitment procedures, the franchisor is able to minimise the franchisees’ need for autonomy to an extent as inferred by Dant &
Gundlach (1999). Additionally, this approach also ensures that the benefits gained from standardising include profiting from the franchisee’s involvement at their end which is in the local market (Pardo-del-Val et al. 2014).

Hence Figure 47 illustrates the traditional real estate franchise operational model by segregating key areas outlined in reviewed literature on the franchising phenomenon.

Figure 47 – Traditional Real Estate Franchise Operational Model

2.2.3 Growth, Performance and Franchise Life Cycle
Floyd & Fenwick (1999) define small business development process in terms of stages commencing with establishment through to high market penetration. They make two significant claims; firstly they state that there is a similarity between small business growth to a franchise system as both experience common problems throughout their life cycle, and secondly, they claim that there is no such thing as a “one size fits all” when it comes to the number of stages involved. The variation in the number of stages largely depends on the model of the small business as well as the uncertainty of the growth process. Whilst some researchers claim that it is the size of the organisation which drives the structure (Steinmetz
1969, Scott & Bruce 1987), there are those who believe that the organisational growth occurs because of the organisational structure (Churchill & Lewis 1983), and then there are those who are convinced that the owner-managers’ self-identities are responsible for the growth of the organisation (Stanworth & Curran 1976, Tuck & Hamilton 1992).

There are several researchers who argue that franchising is in fact merely a stage of business development rather than a stable form of business organisation (Oxenfeldt & Kelly 1969; Lafontaine & Kaufmann 1994, Dant et al. 1992). They claim that the main driver for the franchising entrepreneurs stems from a significant lack of capital resources so once the franchise has grown to a certain size and is profitable, the push tends to be towards the franchisors to eventually fully own all franchise outlets as this boosts their profits and increases their control.

Oxenfeldt & Kelly (1969) further claim that both the franchisor and the franchisee pass through their own life-cycle. Similarly the industry also passes through its own cycle depending on the economic environment which can potentially have immense impact on the individual organisational life cycles. The franchisor and the franchisee life cycles are concurrent to a great extent however they can differ throughout normal stages of business life-cycle. Each follows a life-cycle pattern commencing at conception, followed by rapid growth, establishment in the market place, maturity, and eventually ending in a decline. Each stage throughout the life-cycle is affected by changes which can be largely attributed to ownership redirection and allocation of resources in case of the franchisor and independence and financial capabilities in the case of the franchisee.

Figure 5 illustrates the continuous franchising cycle developed by Floyd & Fenwick (1999) which emanates from the initial model proposed by Oxenfeldt & Kelly (1969).
Floyd & Fenwick (1999) present a slightly more refined life-cycle of franchise development by developing their model by focussing on the challenges faced by the franchisors during the different stages of development. To this extent they portray the life-cycle as a simplified four stage framework for analysis of franchise development which is adopted within this study.

The hatchling stage represents essentially the conception stage initially proposed by Oxenfeldt & Kelly. The entrepreneurial idea is born and the franchise development process begins with the decision to establish a business. Ideas are hatched and refined and the stage culminates with the formulation of a viable business concept. In the nestling stage, the budding franchisor embarks on business development by committing to franchising and examining the potential of “a conventional business configuration plus an allied franchise format” (Stanworth et al. 1997 cf. Floyd & Fenwick 1999 pp. 35). Additionally Stanworth et al. (1997) suggest that the franchisor should trial the business concept in an additional location as some concepts can be difficult to copy across all locations. The franchisor must possess a clear strategy on the ownership direction the franchise will take in the first instance as well as the operational direction which will determine the path of organisational growth. Floyd & Fenwick (1999) propose that there are many ways that the franchisor can do this. For example when deciding on the ownership direction, the franchisor can opt to develop the
franchise through acquisition or start-up of single unit franchisees. As the network grows and the established franchisees are able to prove their performance, the franchisor may elect to alter the growth by adopting a multiple unit strategy. This way the performing franchisees are rewarded by the franchisor by being offered the opportunity to acquire another franchise in the network. Additionally the franchisor must also decide as to how to grow the franchise network. There are many options available and most franchisors do not settle just for one; this decision will depend largely on the richness and availability of operational resources. Thus the challenge lies in aligning the entrepreneurial vision with market environment by careful planning, implementation, and review to develop a viable franchising format which will be attractive to potential franchisees.

In the fledgling stage the franchisor commences franchisee recruitment. The fledgling stage is often regarded as the most difficult hurdle in a budding franchise due to being fraught with many challenges and hurdles. The franchisor needs the franchisees as a source of capital to fund the franchise development and the franchisees need to know that the franchise brand is established. Hence this stage requires extensive persistence on the franchisor’s part as well as an attractive royalty structure in place so as to attract potential franchisees to join the network. Thus the challenge here is to produce a franchising concept which will be attractive to the potential franchisees and offer the greatest forum for profitability. Additionally the cost of franchise set up is generally prohibitive and many budding franchisors tend to make an error in underestimating the outlay required (Floyd & Fenwick 1999). As such the franchisors often undersell the concept and risk the failure of the franchise.

Whilst the nestling stage presents an array of challenges, the fledgling stage brings another set of challenges. The franchisor is faced not only with attracting more franchisees into the network for growth, but also actively sourcing suitable locations for new outlets, developing the corporate office, establishing an effective and working franchisor-franchisee relationship, thwarting opportunistic behaviour in franchisees, dealing with competitiveness in the market place and between the franchisees, and ensuring that the franchisees are effectively supported at all times. In essence it is in this stage of the franchise life that the franchisor begins to see prosperity and establishes a foundation for the future.

It is through maturity that the franchisor enters the final stage in the life-cycle referred to as beyond adulthood. It is in this stage that the franchise has bountiful access to resources to sustain its growth from its wide network of franchisees. Thus the franchisor is able to venture
into exploring other markets, nationally or internationally. It is for this reason and as shown by Flint-Hartle & de Bruin (2010) in their study on New Zealand franchises that many successful franchises tend to internationalise their operations and often very successfully as they have an overabundance of resources to research the new markets and assimilate their operations successfully.

Past literature shows that size of the organisation may pose several implications in terms of organisational growth, resource strategy and performance. Thus it is suggested that those organisations which are positioned at the end of the value chain regard combinations of resources to be far more significant than type of strategy (Brush & Chaganti 1999). To this end it is shown that resources such as managerial and organisational resources are in general related to a positive cash flow, whereas industry and market factors are shown to be affiliated with growth. As such those organisations with strategy which includes growth are better suited to industries and markets which are geared for growth. On the other hand, organisations seeking strong positive cash flows perform better when they are aligned with the correct combination of resources.

Furthermore the extant literature shows that some organisations suffer from limitations in choice of strategy predominantly through factors such as type of industry, size of organisation, and organisational age (Porter 1985, Wright et al. 1995), and thus may be less likely to develop and implement a strategy which serves to distinguish the organisation amongst its competitors. Porter (1985) proposes that as smaller organisations are less likely to be in the position to achieve significant economies of scale, they can be negatively impacted by lack of leadership and competitive advantage. As such these organisations are suggested to benefit from strategies which are focused on establishing a brand awareness within a niche market as entry barriers are shown to be lower (Wright et al. 1995). Additionally smaller organisations can often suffer from a lack of differentiation among consumers which can also impact negatively on their performance and thus sustainability in the market place and it is suggested that these negative impacts can be mitigated successfully if the organisations shift their focus to niche markets which are made up of geographic, consumer, or product segments (Carter et al. 1994).

As organisations grow in size, organisational resource strategy changes to accommodate new growth. Hence organisations shift the spotlight on rearranging their resources which they do by adopting a combination of approaches. In some instances new resources are added to the
organisational bank, and in others resources are transformed so that they can be reused in a different manner and some may become ineffective and thus expired as suggested by Penrose (1959). Therefore extant literature concludes that whilst the resource strategy changes over stages of organizational growth, so do the management practices which are required for effective rearrangement of resources to ensure future success (Miller and Friesen 1984, Kazanjian 1988).

Furthermore it is suggested that organisational size and age of the organisation may affect organization’s resources and performance (Aldrich & Auster 1986, Venkataraman & Low 1994). In the sense of stage in life-cycle, it is organisations in their infancy which are said to be negatively impacted by being a new kid on the block due to insufficiency of resources such as financial capital and expertise, internal systems, and external relationships with consumers (Stinchcombe 1965) thus these organisations can benefit greatly from increased formalization and systems (Churchill & Lewis 1983). On a positive side, infant organisations often benefit from a high innovation input from their founders which positively impacts their ability to achieve superior performance and make a profit however lack of operational resources can hinder their performance (Cooper and Dunkelberg 1986). Smaller organisations tend to be better placed equipped to deal with changes as they can adapt much faster to the changing market conditions due to their flexible nature which has the positive effect of enhancing performance.

2.2.4 Franchising and Entrepreneurship

Whilst franchising is reputed as mainly a retailing industry phenomenon (Kaufmann & Dant 1998), business format franchising is described as a suitable and fitting vehicle for entrepreneurship (Low & MacMillan 1988) as well as the “true locus of entrepreneurship (Kaufmann & Dant 1998, pp. 11). As such it is thus defined as “the pursuit of opportunity beyond resources under current control of the organisation” (Priem et al. 2012, pp. 352). As a multi-faceted phenomenon, its presence is felt across many different disciplines (Kaufmann & Dant 1998). Thus activities such as innovative marketing, introduction of new products and services, gaining competitive advantage, willingness to embrace changes, small business management, individualism, and organisational expansion all come under the umbrella of entrepreneurship (Low & MacMillan 1988, Stopford & Baden-Fuller 1994).

Research on franchising as entrepreneurship has been approached from several divergent angles. Some researchers have taken the path of explaining entrepreneurship in relation to the
role of the franchisor and to what extent the franchise system protects the franchisees (Shane 1996), whilst some have discussed the benefits to franchising from innovation, adaptation and entrepreneurial activity (Block & MacMillan 1993). Others have touched on differentiation between entrepreneurship and entrepreneurial orientation (Lumpkin & Dess 1996) and entrepreneurial strategies adopted by organisations (Carter et al. 1994). Building on this, more recent research conducted into franchising discusses the demand side of franchising (Priem et al. 2012), entrepreneurship and growth (Wright & Stigliani 2012) whilst Ketchen et al. (2008) theorise whether franchising is indeed symbiotic with the notion of entrepreneurship.

Literature reviewed on real estate franchising reveals that real estate industry is well suited to the application of the franchising concept as a form of business operation. Its practice and uptake within the industry is therefore widely encouraged (Flint-Hartle & de Bruin 2008; Anderson et al. 1998, Flint-Hartle 2005). Similarly Lee (1999) states that “franchising is unique among most other types of entrepreneurial activity in that it involves symbiotic and legally differentiated economic forms (pp. 2) whilst Combs et al. (2011) claim that the contractual agreement is in fact between two types of organisations “the franchisor who has recognised the opportunity and created a new venture to exploit it and a group of franchisees who see value in the opportunity and purchase the right to replicate the venture in new geographic markets” (pp. 413).

In essence, the concept provides an ideal foundation for collaboration between two differing points of perspective as arising from each key stakeholder and thus creates an interdependent relationship between the key stakeholders in order to deliver a successful entrepreneurship alliance. As stated by Shane & Hoy (1996, pp. 325) the connection between franchising and entrepreneurship is “justified by the fact that franchising research is about entrepreneurial cooperation between two different types of entrepreneurs, the franchisor and the franchisee”.

Franchising has been discussed in terms of entrepreneurial partnership by Baucus et al. (1996) and Kaufmann & Dant (1999) which effectively provides a platform for a collaboration of individual entrepreneurship (the franchisee) and corporate entrepreneurship (the franchisor) by combining their perspectives based on goals and objectives. Operating from a micro perspective, the franchisee’s objective is to develop and service their local market by creating viable and long-term relationships with the market participants. The franchisor’s focus on the other hand is macro oriented; the franchisor looks to build a brand
name based on reliability and success in order to grow their presence nationally, and in some instances internationally (Benjamin et al. 2006). It is therefore the presence of the entrepreneurial factor that is suggested as being at the core of the development and maintenance of a symbiotic relationship between the franchisor and the franchisee (Spinelli et al. 2004). Moreover entrepreneurship is said to breed wealth creation which is at the core of a franchise system as it enables the focus to be directed towards fostering innovative business partnerships and formation of management teams which are essential for forming relationships (Flint-Hartle 2007, Spinelli et al. 2004).

Entrepreneurship is generally a term which is substantially better suited to franchisors and as such most literature on franchising and entrepreneurship revolves around entrepreneurial activities of the franchisors. Franchisors are shown to be greater risk takers (Scafe 1995) and innovators (Filion 1998) with both of these traits regarded as perfect foils for entrepreneurship. Franchisors’ entrepreneurial ability extends to establishing a franchise, operational systems, and setting up franchisee operations (Hoy & Shane 1998) and as such entrepreneurship encases the notion of seizing an opportunity, assessing the market conditions, weaknesses and strengths, creating a system and developing the brand. The franchisees, on the other hand, are seen as the implementers of the franchising concept (Morgan 1997) without the potential for creativity and innovation (Clarkin 2002). Indeed this suggests that the extent of entrepreneurial activity exhibited by franchisees is ambiguous based on the notions of innovation and risk taking tendencies. Franchisees are however interested in wealth creation and by this virtue alone their involvement in a franchise is entrepreneurial. Pardo-del-Val et al. (2014) acknowledges the entrepreneurial streak and thus refers to franchisees as local entrepreneurs. They are the source of a very key ingredient in a franchise chain called local knowledge and expertise which is essential for maximising their performance and in doing so, maximising their profits as well as those of the franchisor.

Furthermore franchising provides franchisees with an ability to create opportunities for personal employment and wealth creation through becoming business owners. In real estate practice many sales agents get to a stage where they seek out opportunities for business ownership. They do not want to start out from a scratch from a risk perspective due to extremely high start-up costs, uncertainty in income stream, and lack of an established brand and systems as a support mechanism. Franchising offers the sales agents a relatively easy transition into business ownership where the risks of a new venture are substantially minimised. Path to business ownership is fraught by risk despite the cushioning effect
provided by the franchisor. Franchisees must use the brand and systems provided by the franchisor effectively in order to perform and be profitable entity within the network. Thus from a franchisee perspective, franchising not only provides a path to business ownership (Hoy et al. 2000) but also entrepreneurship.

2.3 Why Franchise: Theoretical Context

2.3.1 Evolution of Theoretical Frameworks

It is widely observed across body of literature on theoretical frameworks that successful resource rich franchise networks will ultimately become independent company-owned systems predominantly based on the hypothesis that the franchisors have opportunistic, power-hungry and materialistic tendencies (Oxenfeldt & Kelly 1968). Their contention depicts the franchisors as being purely driven towards ultimate ownership and highest profit margins and that the “availability of essential resources” such as access to capital ultimately leads the franchisors towards independent ownership. By adopting such a relatively narrow perspective on interlinking franchising and ownership, many researchers have since emerged with their varying and wider perspectives on this topic. Figure 6 illustrates the evolution of theoretical framework in franchising research.
Thus review of the significant body of literature on franchising shows the divergent angles of enquiry and leads to the emergence of two main theoretical frameworks now referred to as mainstream theories in application of analysis on why franchising is a viably commercial format to adopt - agency theory and resource constraints theory (Spinelli & Birley 1996, Gonzalez-Diaz & Solis-Rodriguez 2011, Flint-Hartle 2005, 2007, Flint-Hartle-de Bruin 2008, 2011). Whilst the foundations of these mainstream theories are widely accepted, recent inquiry into why organisations choose to franchise reveals that more diverse theory is required to explain this so as to render the traditional theories more useful when integrated with diverse theories and provide a richer understanding of franchising on the whole.

On its own, agency theory fails to address different choices and preferences of key real estate individuals within the franchised organisation and how environments impact different industry sectors. Flint-Hartle & de Bruin (2010) believe that this is where the upper echelon and institutional theories may have far broader implications within the real estate sector based on the assumed diversity of the industry.

The aim of this section is therefore to explore these mainstream theories applicable to franchising and expand deeper into the greater theoretical adversity by analysing the newly emerging theories emanating from relatively under-researched areas of franchise initiation.
and financial performance. The analysis will be further deepened by applying the theoretical perspectives to the real estate industry and in particular, real estate franchising industry (Flint-Hartle 2005, 2007, Flint-Hartle & de Bruin 2010).

It makes for an interesting observation that the research to date highlights the established framework of thought pointing towards identification of the origination of adverse theories from the agency theory which in essence represents a relaxation of a key assumption behind the agency theory. Combs et al. (2004) defines these adverse theories as upper echelons theory, resource-based theory and institutional theory. These emerging theories are shown to have direct application to the real estate industry (Flint-Hartle & de Bruin 2010) and in particular resource based view of the organisation. On the contrary, resource scarcity theory remains unexplored beyond the initial research at this juncture predominantly due to the prediction that the organisation reverts back to the company owned units not found to be supported (Combs et al. 2004, Lafontayne & Shaw 2005, Castrogiovanni et al. 2006).

2.3.1.1 Agency Theory
A relationship between the franchisor and the franchisee is referred to as the agency relationship and occurs whenever there is a delegation of authority from one party to the other. It is the divergent goals exhibited by each party which leads the franchisor to having to expend agency costs in order to ensure that the franchisees act in the best interest of the franchise. These lead to the emergence of agency problem defined as franchisee free-riding which potentially can have negative connotations on the organisational disposition to franchise and thus gain benefits accumulated by franchising (Gillis & Castrogiovanni 2010) as well as franchisor free-riding where the franchisor fails in adequately promoting the brand (Shane 1998).

Gillis & Castrogiovanni (2010, pp. 86) explain franchisee free-riding as “situations in which the franchisee offers lower quality products or services to customers because the outlet does not depend on repeat business”. Agency theory identifies three main solutions to franchisee free-riding; franchisors can increase of the monitoring costs which negates the benefits of franchising, accept the increased risk of free-riding although this increases the potential for the franchise to have its brand brought into disrepute, and lastly to franchise less either selectively or system-wide.

Initial research conducted by Rubin (1978) defined agency problems as vertical and horizontal. Whilst horizontal agency problem refers to the potential of “free-riding” of other
franchisees, vertical agency refers to a problem stemming from a conflict between the franchisor and the franchisee and proposes a solution which involves a trade-off between monitoring and incentive. Thus Rubin (1978) suggests that horizontal agency is widespread in industries such as general retail and food industries whilst the vertical agency is more prevalent in service industries such as real estate.

This proposition is supported by Flint-Hartle & de Bruin (2008) who explain that the agency theory emanates from the understanding that it is the concept of monitoring of standards in operation throughout the franchise units that lies at the core of real estate franchising based on their study of New Zealand real estate franchises. They base this explanation on Rubin’s contention which claims that if a franchised organisation is able to lower its monitoring obligations including the associated costs involved with this activity, the ability to achieve this is essentially paramount to the concept of franchising (Rubin 1978).

Rubin (1978) further argues that monitoring costs under company-owned are increased for three reasons. Firstly as the organisation expands through geographical dispersion the cost of monitoring becomes costly (Brickley & Dark 1987, Fladmoe-Lindquist & Jacque 1995, Combs & Ketchen 2003). Secondly when the managerial proficiency in the market knowledge rises in importance, franchisors find it increasingly difficult to monitor company-owned manager’s behaviour (Lafontaine 1992). Lastly the size of the unit affects the cost of monitoring on the basis that small units are more costly to monitor and scale of economies are more conducive to large units (Lafontaine 1992).

In support of the vertical agency argument, Rubin (1978) further goes on to explain that even though the lowered monitoring is conducive to franchising, it does pose the problem of significantly endangering the franchisor’s ability to control the behaviour and standards of its franchisees without having some type of a control mechanism built into the system. It is for this reason that Rubin arrives at the proposal which suggests that the best way to deal with this problem and thus mitigate any potential associated risks with it is to provide the franchisee with an incentive to remain efficient such as offering some type of a profit-share of the franchise.

This leaning towards the application of an incentive type remedy is also recognised by Bercovitz (2004) who claims that the agency theory “portrays franchising as an economising response to the incentive problems of internal organisation” (2004, pp. 39).
This rather simplistic view of efficiency of the franchisee being directly involved with the concept of franchising and monitoring of standards is supported by Caves & Murphy (1976) who elaborate further by claiming through their contextual analysis on franchise fees, royalties and returns, that the franchisor can achieve the efficiency of the franchisee through following a number of paths which can each correlate directly to the concept of incentive. This concept is illustrated in Figure 7 and explains the relationship between efficiency of the franchisee and incentive.

**Figure 7 – Agency Theory**

Their proposition involves the franchisor to require of the franchisee to purchase inputs relative to the franchisee’s potential surplus obtained by the primary inputs such as royalties on gross sales. Another possibility is that the franchisor can impose charges or fees for inputs which are considered to be variable to the franchisee’s surplus such as valuation fees or property management fees to create an incentive for the franchisee to be efficient in their operations. Finally, the franchisor can sub-divide the capital and current transactions undertaken with the franchisee, repackage them in different bundles and thus provide the franchisee with alternative opportunities for creating efficiency.

Application of agency theory to the context of real estate industry reveals a mixed perspective. Flint-Hartle (2005) informs in her dissertation based on the study conducted on the real estate franchise systems in New Zealand that the monitoring costs by and large are not found to be an issue predominantly due to the quality of the support systems in existence. Flint-Hartle argues that the monitoring is an assumed role of the franchisor where the cost becomes essentially usurped within the overall costs associated with building business
success. This further embeds the assumption that monitoring is a necessary key measure of ensuring ongoing brand quality. Monitoring as a cost effective option through geographic dispersion is a relevant theme for the New Zealand real estate practice as geographic dispersion is encouraged widely as a form of expansion to capture territories for maximum market saturation. Similarly evaluation of local markets is essential in order to effectively compete in unfamiliar markets as is the possession of specific knowledge which is a major factor in providing agents with credibility.

Moreover New Zealand franchises studied show the propensity to franchise more rather than less and franchises will only remain as company owned units for as long as it takes to institute a newly acquired unit into the franchise network or inaugurate a new manager into the franchised unit.

2.3.1.2 Resource-Scarcity Theory
As in the case of agency theory, it is proposed that the franchisee efficiency levels are also impacted by how available resources are allocated and used whereby intimating that misallocation and misuse represent the franchisee inefficiency levels. This leads towards the argument of resource scarcity which “depicts franchising as a means for overcoming capital and managerial constraints” (Bercovitz 2004, pp. 39) and “as a way to overcome constraints to growth that might include human, financial and intellectual capital in the form of management talent or trained management” (Flint-Hartle 2005, pp. 12). The resource scarcity argument is depicted in Figure 8.
Expanding further, Dant (1995) contended in his study that the main reason franchisors adopt franchising format is due to the ready access to capital provided by the franchisees which was subsequently also supported by findings reported by Gonzalez-Diaz & Solis-Rodrigues (2012) in their study on franchising serving in the capacity as a financial tool. The importance of obtaining capital necessary for the expansion of a franchise emanates from the proposition made by Oxenfeldt & Kelly (1969) that acquisition stems from adoption of a “life-cycle” model of franchising whereby access to capital from the franchisees adopts the greatest importance at the onset when it is utilised for the growth and expansion of the franchise.

Additional to the growth and expansion factor and expanding further on the initial proposition made by Oxenfeldt & Kelly (1969) and Caves & Murphy (1976) that capital and managerial abilities are scarce resources, it is suggested that franchising early on in the organisation’s life cycle enables the organisation to overcome resource constraints such as managerial expertise, local market knowledge as well as capital (Mahoney 2005, Thompson 1994). Gillis & Castrogiovanni (2010) build further on this and add that resource scarcity theory “provides a rationale for the decision to initiate franchising” (pp. 77). This is based on the three assumptions proposed by Oxenfeldt & Kelly (1969). Firstly scale of economies play an important part in in determining the survival of the network. Secondly as the source of capital is the franchisees thus franchising becomes cost-effective. Thirdly company-owned units are more profitable than franchises. It is the third assumption which is theorised to lead to a key presage of resource scarcity based on the argument that once the organisation...
reaches economies of scale and thus alleviates the resource constraints, the organisation will move towards company-ownership. Additionally as the organisation reaches optimum size and the markets become saturated, growth becomes less important and the organisations’ focus shifts to profitability which can be achieved by buying back the franchised units and concentrating on opening up only company-owned units.

This argument is not supported by Flint-Hartle (2005) based on her findings which shows a distinct lack of evidence in existence of this trend in the study of selected New Zealand real estate franchised networks. Instead her study reports findings of the organisations studied showing a propensity to expand overseas and introduce more franchisees into the system as they matured thus highlighting the continued focus on retaining the franchise business format. The study further highlights the organisations studied and showing support of this trend expanded by magnification of successful franchisees into multi-held units, and acquisition by merger and joint venture, with the emphasis on the delineation of the franchisor and the franchisee based on adoption of differing entrepreneurship perspectives where the franchisor concentrates on the business of franchising and the franchisee is in the business of running a real estate agency.

Thus as the franchise grows and sufficient capital is acquired, the franchisor is then able to regain larger units from the franchisees by way of collecting royalties which increase as the franchisees market saturation leads to a larger number of sales. The constraint of capital is noted by Rubin (1978) who states that despite the presence of “gross capital market imperfections” which are cited as the cause of the franchisors having to rely so heavily on acquisition of capital from the franchisees, there is another way the franchisors can reduce capital costs and thus limit their reliance on the franchisee’s capital. To this effect, he proposed that the franchisor issues shares to a portfolio of all its units or franchised offices and thus noting the relativity of implications involving incentivising franchisees explained earlier in this section showing direct link with the agency theory.

### 2.3.1.3 Upper Echelon Theory

Upper echelon theory is borne out of notion that business strategies, choices and decisions are a product of values and preferences of those in top management roles. Combs et al. (2004) states that upper echelon theory argues the point that key stakeholders rely on their personal characteristics such as personality and age as well as education and prior experiences to make decisions while Hambrick (2007) adds that decision involved in selecting business strategies
are a direct product of the values and preferences of those in top positions of power. It is this propensity to rely on top management that may be useful in explaining why one organisation chooses to initiate franchising and the other elects not to. The researchers argue that franchise initiation is negatively related to the age and socio-economic status of top management personnel. Instead it is the top management personnel’s experiences which have shown to rate positively by exhibiting a significant contribution to the organisation’s propensity to franchise and thus confirming that it is the predominance of experiences which shape the decision-making process. Thus it is suggested that organisations are a reflection of their top management teams and the organisational structure is determined by the nature of the industry (Carpenter et al. 2003). Figure 9 demonstrates the integration of agency considerations and resource scarcity considerations with personality/preferences of top management teams.

**Figure 9 – Upper Echelon Theory**

Research conducted into New Zealand real estate franchises reveals the applicability of this theory to real estate due to the entrepreneurial nature of franchisees and franchisors (Flint-Hartle 2007). Indeed the study illustrates how the preferences and personalities of top executive team and managerial discretion positively impacted the franchise. Additionally Flint-Hartle & de Bruin (2010) claim that since the industry is populated by aggressive marketers vying for market share, it follows that the key personnel at franchisor and franchisee levels are “instrumental in strategic decision making for building market share” (Flint-Hartle & de Bruin 2010, pp. 62). Despite this they propose that the upper echelon
theory merges with other notions of entrepreneurial cooperation such as team cooperation to enhance the system success.

2.3.1.4 Institutional Theory
The emergence of institutional theory is attributed to the exploration of the notion of social influence affecting organisational decision-making. As the organisations exist amid a social context defined by rules, values and norms, this appears to form a foundation from which economic behaviour stems from. It is said that institutional theory can predict conformity even when it exhibits inefficiency.

This is supported by Shane & Foo (1999) who show that essentially franchisors will carry on with franchising “as long as it suits the legitimacy of the institutional environment” whereby the legitimacy is defined in terms of age and size. This proposition further leads into the explanation that franchising will therefore flourish in countries where there are franchising regulations and laws in place as the presence of the institutional environment significantly lowers the franchisee risk. This notion becomes especially pertinent when it comes to termination of franchise contracts and resolution of conflict arising out of franchising activities being settled without litigation which in turn provides a safe environment for the franchisees and thus encourages more franchising (Coombs et al. 2004). Flint-Hartle (2007) dismisses this notion on the basis that as there is no legislation governing the franchise industry in New Zealand, there is no evidence of franchisors being negatively influenced away from franchising. Similarly in Australia despite the heavy regulation imposed on the franchise industry with the Franchise Code of Conduct (1998) franchising is not shown to be on the wane.

Additionally institutional theory assumes that organisations tend to imitate other organisations in the same industry which are highly visible and profitable on the basis that imitated practices become legitimised (Sherer & Lee 2002). Flint-Hartle claims that in the real estate industry, successful franchise strategies are imitated and thus “once franchising is an established strategy there is an expectation from within the institution to continue it into the future (2007, pp. 53). Figure 10 illustrates the simple equation between strategy imitation and regulation in relation to institutional theory perspective.
Figure 10 – Institutional Theory

Flint-Hartle & de Bruin (2010) further support the institutional theory context and explain that whilst this theory remains to date still relatively unexplored, it does exhibit the potential for transfer into the real estate industry on the basis that the real estate industry relies on acquisition of extended and wide geographic presence and selecting franchisees which are well-informed local property specialists. Whilst there is a suggestion that franchising is less likely to occur in industries such as real estate due to the reliance on possession of technical skill and local knowledge which are thought to undermine the value of the franchisor standardisation (Michael 1996), Flint-Hartle & de Bruin (2010) state that this is not the case with the real estate franchises as there is evidence that “franchising increases when local knowledge is important”.

2.3.1.5 Resource-Based Theory (RBT) and Beyond
Castrogiovanni et al. (2006) found that franchising increases rapidly with the age and size of the franchisor which suggests that adopting a view centred on resource capabilities such as skills and experience in managing franchisees offers a more in-depth explanation of franchising. This view has led to establishment of a resource-based theory which has been widely adapted within the franchising field.

Resource-based view of organisation concerns the organisational propensity to use resources at hand to gain competitive advantage in the market place. Its focus is essentially internal to the organisation and as such it considers the organisation an array of resources (Barney 1995). Resources are classically defined as “all types of assets, organisational knowledge and processes, capabilities and other potential sources of competitive advantage” (Barney et al. 1991, cf. Lavie 2006, pp. 643). Moreover characteristics of resources considered to be essential for sustaining competitive advantage have been identified by Barney (1999) as “value, rarity, imperfect imitability, and imperfect substitutability” (Lavie 2006, pp. 640).
Barney (2001) further explains that competitive advantage can be classified as “a function of the combined value and rarity of all organisational resources and resource interactions” (Lavie 2006, pp. 643).

The suggestion is that organisations can through established operational routines and flexibility in allowing managerial decisions enable coordination of resources more effectively and efficiently within the scope of the organisational network rather than across the network due to costly bargaining and negotiating (Conner & Prahalad 1996, Teece et al. 1997, Kogut & Zander 1992). The essence of the resource based view therefore revolves around managerial capability to use the organisational knowledge base and operational capabilities to obtain resources to achieve and preserve competitive advantage (Combs et al. 2004). This is illustrated in Figure 11.

Figure 11 – Resource-based Theory applied within organisational scope

Building on this, Combs et al. (2004) identified two main relation-specific capabilities as a way of enhancing competitive advantage – conflict management and innovation enhancement. Conflict within a franchise derives from franchisee dissatisfaction and has a negative influence on profitability and performance. Research conducted in the area of conflict management points to four main ways of dealing with this issue. Firstly it is suggested that the franchised outlets are provided with operational systems which provide necessary information regarding policies and procedures which franchisees can refer to when in doubt (Bradach 1997, Michael 2000). Bradach (1997) extrapolates further by adding that
investing in managerial talent with extensive knowledge base in organisational routines which they can extend to franchisees by becoming franchisees mitigates the presence of conflict to a large extent. Secondly, the conflict is reduced considerably when the franchisors invest well in appropriate recruitment selection of franchisees (Michael 2000). Thirdly investing in adequate franchisee training and support network is deemed to be effective in conflict management (Spinelli & Birley 1996) and lastly, allowing franchisees flexibility in multiple franchised office ownership is an effective way to reduce their need for autonomy (Dant & Gundlach 1999).

Innovation enhancement on the other hand points to the franchisor’s ability to understand the franchisee’s value in innovation input. Whilst franchisors are adept at running a franchise at a core level by ensuring that basic elements of a franchise such as operational systems and brand are constantly improved, the franchisee’s performance is directly related to utilising the core elements provided by the franchisor and adapting the same to the local market. The franchisees are thus important in terms of providing the necessary input into review of the core elements (Kaufmann & Eroglu 1999). Cox & Mason (2007) elaborate further on this notion by stating that franchisees are essentially local entrepreneurs whose objective is to use their local knowledge and expertise to boost their performance. It is these two reasons which highlight the need for the franchisor to acknowledge the need for adaptation of the brand at the local level. As the notions of standardisation and uniformity are supported by the franchising business model due to positive factors such as achieving economies of scale through minimisation of costs (Kaufmann & Eroglu 1999), protection of the brand image (Falbe & Dandridge 1992, Michael 2002), and as a source of innovation within a network (Kaufmann & Eroglu 1999), there are instances where these can impact negatively on the franchise organisation. For instance it is suggested that standardisation can wind up negatively when attention is not paid to the market distinction between the franchisor and franchisee markets.

Thus it is proposed that whilst standardisation carries positive benefits necessary for franchise business survival, there must be discernment between core and peripheral elements. Thus it is implied that core elements such as the brand and systems are indispensable to the organisational network’s survival and standardisation should therefore be sanctioned across the whole network. Peripheral elements such as product-mix variation, local marketing, and recruitment procedures, on the other hand, should attract a degree of flexibility on the franchisor’s part in order to adapt to the local market (Cox & Mason 2007). Hence it can be
concluded that resource strategy attached to core and peripheral elements associated with standardisation is significant to the organisational competitive advantage.

In essence the argument for standardisation and uniformity includes a need for the franchisor to balance with flexibility at the franchisee level. Thus to ensure that the franchisee does not become uncooperative and opportunistic, the franchisor must use resources at hand to keep up the ongoing monitoring of the franchisee (Kirby & Watson 1999). The franchisor can therefore apply any number of methods to monitor the franchisees such as financial auditing, mystery shopping audits, and customer feedback (Bradach 1998).

Flint-Hartle & de Bruin (2010) support resource-based theory and other emerging strands by claiming that the resource-based theory has direct application to the real estate industry sector despite the fact that the diverse theories are yet to be applied to real estate franchising. They contend that the resource-based theory works on the pretext that resources can be predicted and thus utilised as a measure of competitive advantage and it is for this reason that this theory is particularly well suited to the real estate sector. As the resources can freely flow from the franchisee back to the franchisor and all resources can be utilised and used in a productive way whereby the knowledge base can be expanded and performance enhanced, they argue that this ability lends the franchised organisation a competitive advantage over the independent organisations.

Moreover it is identified that the presence of “competition, mobility of employees and sales people, and organisational learning and the transference of the franchisor systems” (Dana 2006) directly translates to development of a specific asset which is essential for generation of the competitive advantage which in turn is at the essence of real estate franchising (Flint-Hartle & de Bruin 2010). This is further elaborated on by Combs et al. (2004) who argue that the franchise organisations’ competitive advantage also stems from the brand reputation as well as operating systems, which serves to enable franchise organisations to predict individual franchisees ownership and thus be in a position to control their competitive advantage. It is for this reason that a proposition is made with a focus on the strength of a franchise stemming from having the ability to invest in the relation-specific investments which specifically aim to increase the franchise’s competitive advantage.

Whilst the resource-based theory is widely accepted as an explanation of competitive advantage, the core of the theory in fact lies at the profitability factor which remains under-researched within the franchising context. Wernerfeldt (1984) explained that there is a
relationship between resources and profitability. He claims that some types of resources can be identified as potentially leading to the organisation achieving high profits and refers to these as “attractive resources”. These types of resources provide an organisation with “resource position barriers” in terms of market entry barriers and are in most cases self-generating. An organisation thus uses these resources to lead in their market place as well as to further cement their position within the market place. This is particularly important in the case of organisational mergers and acquisitions where the organisations have the opportunity to trade resources which are not useful and acquire those which can provide them with a profitability potential.

It is suggested that structural changes occurring within the real estate industry are directly responsible for influencing the real estate agency market. This is supported by the recent survey conducted by Real Estate Business (REB 2012) which shows evidence of structural changes taking place in the market by highlighting the divergence in development and uptake of business models which vary substantially from the standard format of franchising, currently regarded as a preferred choice of a format for the independent agencies. By placing a greater weight on the notion of sharing resources without losing independence, trade name and brand, as well as operating procedures and systems is found to be ultimately affecting the product mix, the agency arrangements, and the legal liability of the real estate agencies and thus leading the way for innovative redevelopment and revision of standard business models.

This leads to investigation of other plausible theories concerned with describing organisational relationships in order to explain as to why organisations choose to adopt different structural forms. It is thus argued that it is the resource-based view which is the most related to this phenomenon as it best establishes the relationship between the presence of resources and the development of sustained competitive advantage (Barney et al. 2011).

It is the resources which are portrayed as the main drivers in competitive dynamics research as it is through the acquisition and possession of resources that organisations can make strategic decisions about moves and countermoves from different market positions (Young et al. 2000). Similarly the resource-based view focusses on the profit stemming from the organisation’s competitive advantage, yet it has also been argued that there are alternative mechanisms such as rivalry restraint, information asymmetry, and commitment timing which can be attributed to the sources of profit (Makadok 2011). It is on this basis that Makadok
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(2011) proposes that future research directions should be aimed at “synthesising multiple mechanisms” as sources of profit rather than limiting the discourse to competitive advantage. Barney et al. (2011) thus argues that resource-based view is closely associated with the strategic management field especially through integration with concepts from organisational, new institutional, and industrial organisation economics (Wan et al. 2011) as well as concepts such as market footholds and transitional identity (Barney et al. 2011). A foothold is described as “a small position that a firm intentionally establishes within a market in which it does not yet compete” (Upson et al. 2012, pp. 93) and it can be used by the organisation as a launching point of attack on rival organisations as well as to discourage the aggressiveness by the competitor organisations. By having a foothold in a particular market position signals to competing organisations that the organisation holding the foothold is prepared to absorb the losses sustained in that foothold as it enables for the competitors to stave off full share of the market. It is further suggested that acquisition of resources within the small market share of the foothold can increase the organisation’s chance to bolster expansion into that particular market place and in doing so its value as a deterrent to its competitors disappears as its position is no longer regarded as “vindictive” to its competitors (Barney et al. 2011).

Resource-based view is also linked to organisational identity as a core competency that leads the organisation to achieving sustained competitive advantage (Ravasi & Schultz 2006). More recently research into organisational identity has uncovered the concept of “transitional identity” which is defined as “member’s interim sense of what their organisation will become after a major event” (Barney et al. 2011 pp. 1305). This is particularly interesting in the case of organisational mergers where the organisations merging combine the resources and form a new identity based on the transitional identity which assists them in preserving the aspects of the identity which are valuable moving forward and discard the aspects which have been superseded (Clark et al. 2010).

Additionally the more recent research points to resource acquisition in strategic markets and internal resource accumulation as basis for more in-depth research into the resource-based view (Maritan & Peteraf 2011). Building on this, Sirmon et al. (2011) focus on the role of managers’ actions in effectively structuring and leveraging organisational resources through areas of scope of the organisation, its position within its life-cycle, and levels of the organisation. Furthermore the entrepreneurial landscape is mentioned as a potential area of research in terms of the linkage between different environmental contexts, access to
resources, and recognition of opportunities by the entrepreneurs as well as how entrepreneurs adapt to dynamic environmental contexts (Shane & Venkataraman 2000). Additionally a resource-based view can be extended beyond the internal scope of resources to include the potential of gaining competitive advantage through creating value for their customers.

Moreover organisational focus on strategic resources is shown to be directly responsible for extending the resource-based view towards a knowledge-based view of the organisation. This theoretical perspective sheds light on the knowledge as the most important intangible resource of the organisation as how the organisation acquires, transfers and uses knowledge directly impacts on the organisational performance and its competitive stance within the industry (Spender & Grant 1996). Furthermore knowledge is unique in that must be accumulated over time (Dierickx & Cool 1989) rather than imitated or traded. In essence it is the organisation’s propensity to assimilate the knowledge into the organisation which lies at the core of knowledge-based view. Thus organisations should theoretically rely on the access to the flow of knowledge as well as their own stock of knowledge as “the basis for their absorptive capacity” (DeCarolis & Deeds 1999, cf. Erden et al. 2012, pp. 2777).

As a relatively new emerging strand of theoretical diversity, some researchers have focused on exploring the effect of organisational alliances or interconnected organisations on competitive advantage. Thus it is suggested that resource-based competitive advantage of the organisation in alliance with another or several others can be systematically divided into four main types of “rents” where rent refers to potential value to the organisation resulting from scarcity of resources and added value which can be extracted from similar resources. In addition to resource-based view of interconnected organisations, Lavie (2006) further claims that the organisational capacity to achieve competitive advantage will also be dependent on the organisational capacity to form and sustain relationships with their alliance partners.

2.4 Franchising Strategy: Organisational Context

2.4.1 Organisational Efficiency
Stanworth & Curran (1999) state that franchising as a business form can be seen in three ways. Some franchisors use it as a marketing strategy, others treat it as a type of an inter-organisational relationship, and then there are those who regard it as an organisational form in its own right. At the core of the franchising phenomenon lies the pursuit of “economies of scale” as a major motivating factor for achieving business efficiency. Caves & Murphy (1976) extrapolate further by claiming that there are certain forms of economic activity which
call for “divergent scale economies” at different stages. For example retail industry achieves its efficiency through conducting its business in many relatively small outlets. The motor car industry on the other hand achieves its maximum efficiency output through selling its product on a large scale. It is therefore argued that whenever there is an existence of divergent economies of scale, franchising appears to be the most suitable business format to adopt at the organisational level.

Extant literature on real estate franchising reviewed points to a significant lack of research conducted into the efficiency factor in relation to real estate organisations. Original literature on efficiency of the real estate organisations points to substandard operational ability in reference to apportioning and potential utilisation of resources (Leibenstein 1966), whilst more recent research focuses on how the product mix, agency arrangements and legal liabilities associated with real estate operations have affected structural changes within the industry (Anderson et al. 1998, Lewis & Anderson 1999) thus rendering original research irrelevant.

Lewis & Anderson (1999) explain that determining the efficiency of an organisation is of crucial value in the study of organisational operational strategy seemingly because of its far-reaching implications for achieving the most appropriate organisational structure and public policy. They conclude their study by examining a Bayesian approach to calculating efficiency by stating that franchised real estate organisations are substantially more efficient than independently run organisations. On the contrary, Anderson & Fok (1998) found that both franchised and non-franchised organisations operate relatively efficiently however non-franchised organisations perform better in a scale and technical sense while franchised organisations are shown to be more efficient in resource allocation.

Zumpano & Elder (1992) suggested that franchising is a way of improving stability or survivability of an organisation by decreasing operating leverage and substituting variable costs for fixed costs. Furthermore Oxenfeldt & Kelly (1969) argued that a franchising organisation could raise capital at a lower cost than an independent organisation and thus was more efficient. However this is regarded as being debatable as the independent organisation with an established name could be similarly as efficient as this could theoretically increase the selling power and organisation’s reputation which in turn could potentially increase efficiency.
Bates (1995) similarly argued that franchising could also reduce organisation’s efficiency through poor service provision. This has the negative effect of lowering standards as well as potential free riding by the franchisees on their franchisor’s reputation. Similarly this action can have additional negative consequences of shirking on quality and customer service. Furthermore payments to the franchise company increases the variable costs and thus harm profits “to a greater extent than the potential increase in revenues due to franchising” (Lewis & Anderson 1999, pp. 546)

In a slightly different direction, Alvarez & Crespi (2001) related the productivity of small organisations with performance when assessing the organisational efficiency, whilst Zumpano & Kelly (1994) and Anderson et al. (1998) also established that firms could realise efficiency gains through expansion. Alvarez & Crespi (2001) explain factors such as inability to take advantage of economies of scale, lack of ready access to credit, lack of managerial resources and informality of contracts with clients and suppliers affect the ability of a small organisation to perform at its highest standard and thus can affect production of efficiency. Additionally they suggest that determining efficiency of organisations varies throughout the economic sectors based on input of such variables as managerial experience and skill set, capital modernisation and technical innovation through inclusion of new products and operational systems. These variables have a major underlying effect on increasing efficiency of a real estate organisation.

In delving deeper into the concept of franchisee efficiency, there is evidence of the efficiency factor being linked to the utilisation of resources and motivation by the management of the franchisee organisation (Lewis & Anderson 1999, Anderson & Fok 1998). It is proposed that the franchisee motivational levels are linked to the structure and overall competitiveness of the market in which the franchisee operates which can impact the efficiency of the franchisee. It is the association with the notions such as “monopoly, cartel and price fixing as well as excessive commissions” of the market in which the franchisee organisations operate that have led to the implication of relative inefficiency of the market and “less than competitive behaviour” (Lewis & Anderson 1999, pp. 544).

Furthermore it is suggested that structural changes occurring within the real estate industry are directly responsible for influencing the real estate agency market. This is supported by the recent survey conducted by Real Estate Business (REB 2012) which shows evidence of structural changes taking place in the market by highlighting the divergence in development
and uptake of business models which vary substantially from the standard format of franchising. By placing a greater weight on the notion of sharing resources without losing independence, trade name and brand, as well as operating procedures and systems is found to be ultimately affecting the product mix, the agency arrangements, and the legal liability of the real estate agencies and thus leading the way for innovative redevelopment and revision of standard business models.

Overall past research shows that researchers in the field of real estate organisational efficiency tend to base the efficiency factor on the effective allocation of resources; misusing or misallocating resources can have negative impacts on the development of the franchise. This is in stark contrast to the study conducted by Anderson et al. (1998) who claims that franchising can reduce the efficiency of a firm. The franchisee can reduce the quality of service whilst riding on the coat tails of a well-known brand name. This in turn reduces the quality and reputation of the brand and carries the additional negative repercussion of harming the profit potential as well as sustainability of the franchise brand.

2.4.2 Corporate Entrepreneurship & Competitive Advantage

Review of the extant literature focuses on explanation of organisational competitive advantage through the application of resource-based view. At the essence of the phenomenon known as competitive advantage is the organisational ability to access resources which are deemed to be essential for achieving competitive advantage. These resources must be rare, extremely valuable, inimitable and non-substitutable (Barney 1991). Peteraf (1993) builds on this by proposing that resources must possess four conditions which are said to underpin competitive advantage and defines these conditions as “heterogeneity, ex-post limits to competition, imperfect mobility, and ex-ante limits to competition” (Teng 2007, pp. 127). In this context heterogeneity of a resource refers to the organisational capability to possess superior resources which are scarce within its industry. Once the organisation has acquired superior resources, it becomes subject to market forces which limit competition for those resources thus satisfying the second resource condition. An organisation can sustain its superior resources if these resources cannot be traded creating the imperfect mobility. Lastly the expense of acquiring superior resources does not pose a threat to future benefits.

Saqib & Saqib (2013) extrapolate further by claiming that the nature of resources may change depending on the stage of the organisational development. To illustrate this within the real estate brokerage operational sphere, the real estate organisation may choose to apply its
strategic focus initially on attaining necessary capital resources to get the business off the ground. In this case the capital resources are regarded as valuable resources pertinent to the survival of the enterprise. As such its resource strategy may involve allocation of capital resources to be spent on marketing the brand and establishing the systems. Once the brand is established and the systems have been proven to be effective, resource allocation strategy then is likely to change and focus on developing innovative systems and processes as an example.

Literature on strategic management provides an alternative insight into entrepreneurship context. Whilst entrepreneurship has generally been approached from the individual level with a tendency to focus on creating new organisations, some scholars instead have attributed the concept of corporate entrepreneurship as an integral part of organisational strategic management (Burgelman 1983). Corporate entrepreneurship is defined as “the sum of a company’s innovation, renewal, and venturing efforts” (Zahra 1995, pp. 227) and “the presence of innovation plus the presence of the objective of rejuvenating or purposefully redefining organisations, markets, or industries in order to create or sustain competitive superiority” (Covin & Miles 1999, pp. 50). The corporate entrepreneurship construct thus embodies three main phenomena; corporate venturing, intrapreneurship, and entrepreneurial orientation. This is embodied in Figure 12.

**Figure 12 – A resource-based framework of corporate entrepreneurship and strategic alliances**

Source: Adapted from Teng (2007), pp. 121
Corporate venturing refers to an occurrence in which an established organisation enters a new business as originally described by Burgelman (1983). Intrapreneurship, on the other hand, is a term attributed to a situation in which one or more individual players create new ideas within a corporate environment (Pinchot 1985). Finally entrepreneurial orientation is a term given to a situation in which entrepreneurial tenet is the basis of the whole organisation including the whole of its operations (Ramachandran & Ramnarayan 1993).

Relating entrepreneurship to franchising through the common thread of innovation is the prevailing theme of the study on real estate agencies in New Zealand (Flint-Hartle 2007). Entrepreneur is defined as a “self-employed owner of a franchised real estate agency” and the term entrepreneurship as “individual actions and perceptions as well as innovations and competencies developed by the entire organisation” (Flint-Hartle 2007, pp. 57). It is thus argued that entrepreneurship is fostered in an environment which is contributory to economic volatility and where there is a continual presence of change. Additionally competition produced by an overabundance of real estate agencies as a result of low barriers of entry further fosters entrepreneurial activity.

Real estate agents are shown to be opportunistic and innovative through the necessity of controlling the property data. As property data pertinent to property values tended to be relatively difficult to source, real estate agents thus became perfect data producers able to utilise the vast banks of knowledge to underpin property value. Additionally it is argued that property transactions are complex processes requiring expert professional advice which real estate agents are able to provide with the advice of other professionals such as solicitors and valuers. In more recent times, this aspect of economic volatility has become even more pronounced through the advent of internet which has enabled indirect real estate providers such as web portals to freely provide the property data to the public. To this end the real estate agents are ever more so dependent on the adoption of innovative principles to not only stay ahead of the game but also to remain relevant in the transaction process.

The presence of change is instrumental in championing entrepreneurial mobility. To this end legislative changes and an increased use of information technology have contributed largely to change in the real estate industry. The potential for innovation is thus highly enhanced through relentless competition with the real estate agencies looking to find an innovative solution through adding new services or redefining business approach as suggested by Mintzberg & Quinn (1991). Additionally Flint-Hartle (2007) argues that franchising thus
provides a suitable vehicle for competition through inherent advantages found in the franchising format.

Extrapolating further on the resource based view of acquiring competitive advantage, Flint-Hartle (2005, 2007) and Flint-Hartle & de Bruin (2008, 2010) through series of studies on New Zealand real estate franchised networks define key themes associated with acquiring and sustaining competitive advantage as market share, ownership, acculturation, focus and parallelism. Further research led to the emergence of two additional “themes” which have been identified as resource capability, and internalisation and brand affiliation which effectively stem from the suitability of resource-based theory to the real estate industry. Their extensive findings based on the New Zealand real estate franchised agencies are tabulated in Table 4 and provide a summary of key themes and expand further on the key effects each theme highlights in relation to competitive advantage.

Table 4 – Franchising strategy in the real estate industry

<table>
<thead>
<tr>
<th>Themes</th>
<th>Key Effects</th>
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<tbody>
<tr>
<td><strong>OWNERSHIP</strong></td>
<td>Rewards company entrepreneurs</td>
</tr>
<tr>
<td></td>
<td>Reduces potential moral hazard</td>
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<tr>
<td></td>
<td>Reduces monitoring costs</td>
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<tr>
<td><strong>ACCULTURATION</strong></td>
<td>Ensures supply of company-trained people as franchisees</td>
</tr>
<tr>
<td></td>
<td>Allows seamless addition of trained real estate groups through mergers and</td>
</tr>
<tr>
<td></td>
<td>acquisitions</td>
</tr>
<tr>
<td></td>
<td>Ensures rejuvenation through entrepreneurial development and innovation</td>
</tr>
<tr>
<td><strong>MARKET SHARE</strong></td>
<td>Achieves expansion in the early growth stage in the domestic market</td>
</tr>
<tr>
<td></td>
<td>Encourages internationalization at a later growth stage</td>
</tr>
<tr>
<td><strong>PARALLELISM &amp; FOCUS</strong></td>
<td>Franchisors focus on franchise systems and a global perspective</td>
</tr>
<tr>
<td></td>
<td>Franchisees focus on business performance and a local perspective</td>
</tr>
<tr>
<td></td>
<td>Businesses at local and global level exist parallel to each other and</td>
</tr>
<tr>
<td></td>
<td>operate co-dependently</td>
</tr>
<tr>
<td><strong>RESOURCE CAPABILITY</strong></td>
<td>Franchisors develop sophisticated business and technological support systems</td>
</tr>
<tr>
<td></td>
<td>and continuing service developments and enhancements</td>
</tr>
<tr>
<td></td>
<td>Franchisees develop their own business systems and innovations</td>
</tr>
<tr>
<td></td>
<td>underpinned by the franchise format</td>
</tr>
<tr>
<td><strong>INTERNATIONALIZATION &amp; BRAND AFFILIATION</strong></td>
<td>Internationalization mostly, but not exclusively, occurs at maturity. As a facet of the process local businesses gain acceptability by assuming the global features associated with the global brand.</td>
</tr>
</tbody>
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Source: Adapted from Flint-Hartle & de Bruin (2010), pp. 66
As market share is critical to success of a franchise, the onus falls on the franchisor to establish a powerful brand in order to populate the national and international markets with franchisees, each representing a successful clone of the system developed by the franchisor. Flint-Hartle (2005) identifies the systematic progress followed by the franchisors in relation to achieving market share by using brand awareness. Initially by leveraging off an established brand awareness led to the franchisees being encouraged to feel confident about ownership, followed by the expansion through selling company owned offices to new franchisees and taking over existing businesses by merger and acquisition on the national level, with finally expanding internationally adopting similar approaches.

Similarly ownership is highlighted as a strong theme on the basis of findings which showed that there is a ready availability of talent with organisational and industry experience ready to move into positions of ownership (Flint-Hartle 2007). This theme is directly supporting the argument made by Combs & Castrogiovanni (1994) who claim that ownership leads on from the coupling of a source of people to implement the business format. Acculturation is closely associated with ownership; it is through ownership that assimilation into the industry followed by the assimilation into the culture of the franchisor is achieved. Flint-Hartle & de Bruin (2010) further note that it is this trait that underwrites a “continuous source of new blood”.

It is the notion of capturing innovative practices that lies at the heart of successful corporate entrepreneurship and thus giving the franchise opportunities to gain and sustain competitive advantage. By staying in control of the brand and the systems offered to its franchisees, the franchisor can achieve acculturation with the acquired businesses. Whilst there is a distinct separation of the two key entities involved in the franchising, there must be a certain level of autonomy present for the collaboration to work. Flint-Hartle (2005, 2007) and Flint-Hartle & de Bruin (2008, 2010) define this autonomy by introducing the terms ‘focus’ and ‘parallelism’.

Focus refers to the ability each key entity possesses to concentrate on their own set of core individual competencies with a view to become adept in distinctly separate set of skills. Parallelism, on the other hand, refers to the ability for both entities to move in the same direction albeit from differing perspectives. It is through achieving this dichotomy in the relationship that each entity can achieve its goals without jeopardising or demeaning the brand which is central to both. Flint-Hartle (2005, pp.27) succinctly summarises this
dichotomy by stating that “real estate franchises allow parallel business venturing, where the sum of the whole is greater than the parts”.

Later research identified resource capability as another important key theme in sustaining competitive advantage for the franchisor (Flint-Hartle & de Bruin 2010). By being masters of developing their own business systems based on innovation gained predominantly out of the pool of franchisees, the franchisors are able to significantly enhance their access to resources and thus achieve high levels of resource competency. In the same manner internalisation and brand affiliation is identified however only mostly at maturity of the franchise when the expansion into the international arena becomes the next step and takes on a centre stage for brand awareness and competitive advantage.

2.4.3 Capturing & Creating Value from Demand Side
The Bulk of past research has seen scholars focus on resource-based approaches to management and strategy thus attempting to “value” organisation’s resources or capabilities. (Barney 1991, Makadok & Coff 2002). Priem et al.(2012) state that these approaches have significantly impacted on contributing to knowledge in areas of technology, innovation, entrepreneurship and strategic management. Whilst it is largely accepted that organisational profitability is directly affected by the organisational ability to capture value (Makadok & Coff 2002), scholars are placing the focus more on the demand side of the value equation rather than the “producer” side or resource side in recent times.

Indeed it is becoming increasingly important to scholars in the strategic management field to view strategy through the widely ignored consumer lens on value creation. To this end, value creation can be defined in terms of innovation “that establishes the consumers’ valuation of the benefits of consumption” (Priem 2007 pp. 220) where essentially the issue lies with the concept of value innovation which aims to create “novel and superior buyer value” (Aspara & Tikkanen 2014 pp. 593). On the other hand, value capture is defined as “appropriation and retention of by the firm of payments made by consumers in expectation of future value from consumption” (Priem 2007 pp. 220). Whereby the traditional view of the consumer collaboration with the organisation traditionally converges on the organisation creating value through innovation central to the organisation itself (Prahalad & Ramaswamy 2004), it is suggested that this approach renders the organisation inadequately informed of consumer needs as well as face a significant lack of ability to refine and enhance ideas which could otherwise be derived from the vast pool of consumers (Sawhney et al. 2005).
Demand side approach of value creation is typically characterised by four distinct elements. First, a clear distinguishing has to be made between value creation and value capture (Priem 2001, Priem 2007). Value creation is determined by the market forces and their willingness to pay for products or services produced by the organisation. Value capture on the other hand is determined by the market structure and ownership of resources. Second, a clear recognition must exist between the diversification of consumer demand in reference to its contribution to the organisational demand where the managerial input is significant as its role is to make judgements about, or decisions in response to the consumer demand (Adner & Snow 2010). Third, managers must possess a clear foreknowledge in accurately assessing consumer demand so that there is an ever-present recognition that consumer preferences are in fact continually changing and evolving and, in some instances, can be vestigial as suggested by Kirzner (1997). Lastly, an emphasis must be placed on product markets as sources of value creation rather than on resource markets and value capture (Gans et al. 2010).

Value creation has been advocated by many scholars in recent times. By using a domestic production model, Priem (2007) found that as consumers are able to interact with products or services to realise their own product or service, so can an organisation apply complementary approaches to increase the consumers’ benefits in innovative ways. For example an organisation can increase consumers’ ability to experience enjoyment through increasing their product knowledge. Similarly an organisation can decrease the effort required by the consumer to use the product, and increase internally within the domestic environment the potential for consumer teamwork. Alongside same lines, Gans et al. (2010) found that in order for the producer of value to be able to be embraced as a member of a particular value system, they must first compete with other producers of the same value. It is only after the producer becomes a member of the value system that they can have an opportunity to compete over value capture with the other members of the value system. Similarly Aspara & Tikkanen (2014) showed configuration effects of value capture versus value creation on organisational performance whereby organisations which placed high emphasis on value creation and low emphasis on value capture resulted in higher performance, independent of the size of the organisations, whilst when an organisation placed equal emphasis on both value capture and value creation, increased organisational performance was achieved only by larger organisations. In essence these studies show not only that value creation must come before value capture, it is essential to organisational success that value creation for consumers is included alongside value capture in the organisational strategy.
Unfortunately, there is a distinct lack of research regarding value creation from the demand side in the real estate industry. It is the researcher’s belief that the real estate industry as a service based industry is well placed to benefit from implications of demand side value creation. As shown by Spinelli et al. (2004) the real estate industry participants inclusive of consumers or the public are intrinsically interlinked via the services produced by the real estate organisations. The real estate organisations capture value in essentially two main ways; in the first instance by relying on the consumer’s willingness to pay for their services whether it be renting and/or leasing property, selling and/or buying property, marketing the property, negotiating a sale or advising and/or appraising potential properties for sale and/or lease. In the second instance by acquiring resources through direct or indirect ownership depending on the market forces driving the market structure. There is huge potential for the real estate organisations to create value also. As the industry is intrinsically focused on people and their inherent needs, it is important that the industry stakeholders such as franchisors and franchisees include value creation alongside value capture in their organisational strategy and thus accurately assess the consumer preferences as they change depending on the market forces.

Turning back to the resource capabilities of the real estate organisations as sources of profitability of organisation, the focus shifts to examining internal operational aspects of organisation alongside external analysis of the industry and the competitive environment in which the industry is an active participant. Collins & Montgomery (2008) explain that adopting the resource based view which is in essence combining the internal and external aspects of the organisational resource base lead to clear explanations as to why some organisations are more profitable than others as well as how to apply the idea of core competence into practice including fostering competent diversification strategies. They go to explain that resource based view sees organisations as a “very different collections of physical and intangible assets and capabilities” (Collins & Montgomery 2008, pp. 142). As each organisation has its own distinct set of assets and capabilities, so each organisation must use their acquired set of assets and capabilities effectively and efficiently to perform its functions. Collins & Montgomery (2008) thus suggest that following this argument each competing organisation is then best positioned to succeed if it has the best set of acquired assets and intangibles, which are better known as valuable resources.

Collins and Montgomery (2008) conclude that it is the ownership of the valuable resources which enable the organisation to operate better or more efficiently and cost effectively than
its competitors and thus ultimately provide the organisation with the competitive advantage. Furthermore they argue that superior performance will therefore be based on growing a distinct set of resources and redistribute them via a well-conceived strategy.

It is suggested that a resource is therefore strategically valuable on the basis of the following factors; it is hard to copy, it depreciates slowly, it is controlled by the organisation and not the employees, suppliers or customers, it cannot be substituted, and it is infinitely better than competitor’s resources.

The strategic resources are thus relevant in creation of value for the organisation and its customers. According to Roos et al. (2001), it is the concept of “intellectual capital” which best describes this perspective. Figure 13 depicts the position of intellectual capital within the organisation; deriving from the market value inherent to the organisation and transferring into human, structural, relational, and competitive capital resources; intellectual capital is indeed centrally placed in explaining the organisational strategic landscape.

Roos et al. (2001) explain that the presence of resources is not enough to create value; it is the way in which the resources are strategically allocated, dispersed and transformed into other resources. Collins & Montgomery (2008) support this notion and extrapolate further to add that valuable resources must be joined with other resources and embedded into a set of functional policies and activities which are designed to distinguish the organisation’s position in the market.

Indeed it can be seen from the diagram illustrated in Watson et al. (2005) that in order to create structural resources for example the organisation requires human resources to apply the knowledge and expertise to transform the acquired set of resources into structural capital necessary for relational resources which then is dispersed into competitive resources. The link of resources thus can be explained as a chain of interlinked processes executed by a specific strategy as illustrated in Figure 13.
It is suggested by Watson et al. (2005) that it is the very nature of the franchisee-franchisor relationship which generates the greatest potential for intellectual capital argument in the real estate industry. As business format franchising is “concerned with the transference of intellectual property rights” (Taylor 2000, pp. 5), it is implied that the franchisor provides its franchisees with the know-how to operate the business and manage the use of knowledge supplied to them whilst the franchisee contributes to intellectual capital by providing managerial talent and local market knowledge. It is thus argued that the franchisor is less concerned with selling goods and services as it is with information and knowledge as its major assets are tied up in intellectual capital, namely an established business format, a well-known brand, and a network of franchised offices.

Whilst there is no denying the inherent importance of human, relational and competitive capital, it is the structural capital which remains the least researched in recent times. Indeed it is the offshoot of the structural capital, namely innovation capital, which appears to be in strong deference to the traditional notion of franchising. According to Price (1997), innovation is not just a source of competitive advantage for the organisation. It is also a
constant in most successful franchise concepts. Despite this, it remains a poor cousin to the concepts of uniformity and conformity widely adopted by the franchisors.

In stark contrast to Price, Kaufmann & Eroglu (1999) argue that franchising business model supports the standardisation and uniformity due to three main reasons. Firstly it is due to the franchise business involving minimisation of costs for both parties involved which it can successfully do through employing economies of scale. Secondly uniformity provides an ability to project a common image about the franchise network which is a powerful offering of a franchise (Kaufmann & Dant 1999). Lastly standardisation within a franchise network is a key to innovation on the basis that the franchisors allow for the potential for the franchisees to try out new ideas at their company-owned units.

Pardo-del-Val et al. (2014) succinctly state that whilst standardisation is at the heart of the franchising concept, the benefits gained from standardising must to a large extent include ability to profit from the franchisee’s involvement at their end which is in the local market. This concept is widely recognised by many successful retail food franchises such as McDonalds where the franchisees cannot alter the big picture however they have an input into whether they wish to update their equipment for example (Price 2000).

2.4.4 Response to Change

It is widely cited throughout the extant literature on organisational management that “the only thing constant within organisations is the continual change of these organisations” (Elving 2005, pp. 129). Yet despite wide acknowledgement of this simple fact, many organisations still struggle to embrace the change in a positive way. In fact it is proposed that at least 50% of organisations within the organisational management field fail in their efforts to implement change effectively and do not reach the results they were originally aiming for as explained by Bennebroek et al. (1999). He states that it is factors such as organisational culture, the timing of the change and the role of change-agents contribute negatively in implementing change successfully.

In order to cope with the ever-present change organisations must develop strategic mechanisms to deal with it. This strategic mechanism is referred to within the organisational management field as change management. Moran & Brightman (2001, pp. 111) define change management more succinctly as “the process of continually renewing an organisation’s direction, structure and capabilities to serve the ever-changing needs of external and internal customers”.

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The extant literature on organisational change management explains that due to the importance of organisational change, its management is indeed becoming a highly required managerial skill (Senior 2002). Graetz (2000 pp. 550) goes as far as to suggest that “against a backdrop of increasing globalisation, deregulation, the rapid pace of technological innovation, a growing knowledge workforce, and shifting social and demographic trends, few would dispute that the primary task for management today is the leadership of organisational change”. Other scholars argue that the need for change is often unpredictable and as such it tends to be “reactive, discontinuous, ad hoc and often triggered by a situation of organisational crisis” (Todnem By 2005, pp. 369).

The early approaches and theories to organisational change management suggested that organisations could not be effective or improve performance if they were constantly changing (Rieley and Clarkson 2001). In the same manner Luecke (2003) argued that people need routines to be effective and able to improve performance. Recent research, on the contrary, now contends that it is of vital importance to organisations that people are able to undergo continuous or incessant change (Burnes 2004, Rieley and Clarkson 2001). Similarly while Luecke (2003) suggests that a state of continuous change can become a routine in its own right, Leifer (1989) perceives change as a normal and natural response to internal and environmental conditions.

In order to process change on an organisational level it is suggested that an organisation must possess access to those resources which are regarded as essential for development of organisational capability necessary for successful implementation of change management. In essence it is explained that this organisational capability represents the organisation’s capability to implement incessant change (McGuiness & Morgan 2005). The conceptualisation for organisational change capability involves three components, namely a foundation for incessant change, ability to configure it, and ability to sustain it.

It is argued that for the foundation for change management to exist there must be a reason as to why incessant change is important for achieving operational success at the organisational level. For example this reason could relate to changing technology or increased competition which requires an adjustment at the organisational level to maintain competitive advantage. On this pretext it is suggested that the organisation must possess leadership, communication, and ability to reinforce change with incentives to be able to assess the effects of change. McGuiness & Morgan (2005) further reveal that organisational culture and its structure,
systems and processes are embedded factors within the organisational sphere which shape the organisational ability to format change. Furthermore they affirm that in order to sustain the incessant change, an organisation must be able to sustain employees’ commitment as well as their capacity via resourcing to formulate and implement specific change initiatives as required for organisational success.

Organisational change can occur on different levels throughout the organisation and its operational life-cycle. Similarly the way an organisation responds to change varies considerably depending on the degree of change it is facing. To this end it is argued that that the singular biggest change most organisations face in the modern world is the change brought about by the advent of information technology (Eason 1998, Cameron & Green 2009). Furthermore despite the relatively urgent need to embrace new principles of information technology as an operational strategy, the pace of change with which most organisations adopt the new principles is still regarded as slow. Additionally it is argued that the biggest problem faced by organisations is simply put in terms of costly outlay against the contribution to the goals of the enterprise. Most organisations tend to spend much time deliberating what new concepts are worth investing in, using and at what levels of the organisation, and most importantly, how to use them. For this reason most organisations tend to be busy assimilating yesterday’s technology, whilst the pace of technology continues to advance with lightning speed. Furthermore it is argued that information technology is responsible for redefining the traditional business model by altering work performance, use of knowledge and calculation of cost of business (Cummings & Vorley 2013). It has thus brought about a change in how organisations create and use knowledge which plays a big role in strategic decision making.

Cummings & Vorley (2013) claim that in addition to information technology, globalisation and managerial innovation are considered as major trends shaping change in organisations. Globalisation is seen as a powerful change merchant of markets and environments, in which organisations operate, function and compete. As the world is fast becoming interconnected economically, socially and ecologically, the easy flow of resources across the national and international borders have intensified the presence of economic independence among the organisations. Thus it is suggested that globalisation is seen as having opened up opportunities for organisations to source new markets and capital and encourage innovation.
2.4.5 Open Strategy & Innovation

Strategy is described as a mixture of the following three ideas: “a thought, a statement that can be written stating a set of objectives and plans for achieving them”, “an emotion, a matter of conviction” and “the art of the possible, something on which all major players can agree and by which they can be guided” (Mintzberg 1987 cf. Grant 1991 pp. 114). Grant (1991) defines strategy as “the match an organisation makes between its internal resources and skills... and the opportunities and risks created by its external environment” (pp. 114). As such strategy can be analysed by external analysis by focusing on the negotiating power of suppliers and customers, the threat from competing products, the threat from new competing organisations, and rivalry between the existing organisations as well as the effect of environmental change on the industry (Roos et al. 2001).

Recent research into strategy points to considering the role resources play in forming the basis for organisational strategy. Whereby early research pioneered by Penrose (1959) focused on theories of profit and competition and was used predominantly for analysis of products only, the more recent enquiry into resources has advanced into the arena of corporate strategy. Thus it is suggested that at the corporate strategy level, corporate resources are underpinning the boundaries of the organisational activities (Grant 1991). Furthermore it is the relationship between resources, competition and profitability as well as the process of resource accumulation which can be said to contribute to an organisation’s ability to sustain its competitive advantage. In essence these contributions amount to the phenomenon that is known as the resource-based view of the organisation.

The resource-based view is the alternative approach to analysing strategy as it is through the possession and acquisition of resources that organisations perform better and thus are able to achieve competitive advantage through “monopoly” (Wernerfeldt 1984). Resources can be defined as intangible and tangible assets which are attached to the organisation in a semi-permanent manner. Some examples of resources are brand/trademark, systems, capital, processes and procedures etc. Grant (1991) explains that the best and most effective way to apply the resource-based view to strategy is via a conceptual framework integrating a number of key themes. This framework is depicted in Figure 14 and outlines the five stage organisational procedure for strategy formulation.
The framework clearly establishes a necessary distinction between resources and capabilities. Where resources are regarded as inputs into the production process, capabilities refer to the capacity for a team of resources to perform a specific task. Thus Grant (1991) explains that while resources are a source of the organisational capabilities, the capabilities are in fact the main source of competitive advantage. Figure 15 illustrates the organisational strategic web.
Organisational resources are listed on the far right hand side of the diagram. These include but are not limited to patents, brands, market share, firm size, technology etc and constitute the organisational pool of ready and available resources to be utilised in the organisational operational sense. Capabilities are depicted as the products of one or more resources. For example differentiation advantage as an organisational capability is a direct product of allocative synthesis of resources such as brands, product technology and marketing. The end product lies in the strategic allocation of correct resources and implementation of appropriate capabilities and manifests itself as competitive advantage.

Grant (1991) extrapolates further and explains that creating capabilities is a little more complicated than merely combining a team of resources. He claims that for the organisational capabilities to be effective they require managerial input by way of coordination between people and resources. In addition, he explains, perfecting such coordination requires repetition which then leads the argument to the concept of organisational routines (Nelson &
Winter 1982). Thus it is the notion of organisational routines which provide an interesting insight into the relationship between resources, capabilities and competitive advantage by way of trade-off between efficiency and flexibility, economies of experience and maintenance of complexity of capabilities.

To this end Chesbrough & Appleyard (2007) explain that organisational competitive strategy is best accounted for through understanding several concepts identified for interpreting business strategy at the organisational level. Firstly the Porter’s model of the Five Forces which shape the organisational competitive strategy defines rivalry, buyer power, supplier power, substitutes and barriers to entry are regarded as organisational actions which are greatly responsible for boosting organisational competitive advantage. Secondly by adopting the resource based view of the organisation and identifying the source of organisational profitability, pinpoints ownership of key resources essential to organisational competitive advantage. Lastly by controlling key organisational complementary assets enables the organisation to sustain its competitive advantage. Thus it is the ownership and control of organisational resources underpinning strategic success which define traditional strategy.

Building on this, Chesbrough & Appleyard (2007) provide a divergent outlook on strategy. Whilst the traditional strategy focuses on internal ownership and control of resources, there is much scope in extending the outlook on strategy to encompass the potential value of external resources which are not directly owned by the organisation however can create substantial value for the organisation by examining the sustainability of business models. They do this by analysing the implications for competitive advantage by way of assessing the effects of innovation, ecosystems, and networks on organisational strategy. They argue that traditional business strategy adopted by organisations to date has led the organisations to behave defensively in the market place by constructing barriers to competition rather than promoting openness. In the light of technological advances, organisations are now beginning to experiment with novel business models “by focusing on harnessing collective creativity through open innovation” (Chesbrough & Appleyard 2007, pp. 57). Thus they argue that this approach calls for a totally revised approach to strategy which they call “open” strategy, where the principles of traditional business strategy are balanced by the innovation.

In the organisational sense, the implications of open strategy can be applied to introduction of new business models which are structured in a feasible way so that the business model can be sustained into the future. These viable business models are hence created by way of
capturing the portion of the value created from innovation. Thus it is suggested that open strategy will in essence balance out value creation and value capture, and this approach heralds a significant development in the way stakeholders pursue innovation on an organisational level.

Nelson & Winter (1982) state that an organisation’s internal capabilities are grounded within evolutionary economics whereby the evolutionary economics view entails that organisations which possess an inherent ability to remain innovative are able to develop organisational capabilities consisting of competencies and routines. They further state that possession of these capabilities or bundles of resources results in enhanced organisational performance which enables organisations to remain competitive in ever-changing market conditions.

Thus innovation is purported to be the outcome from organisational internal research and development (R&D) which draws from the bank of existing knowledge as well as drawing from other organisations (Lewin & Massini 2003, Massini et al. 2003, Nelson & Winter 1982). Research and development is argued to be an important organisational function as it serves to assist in production of new products and services as well as to abet organisational rejuvenation through allowing entry into new markets (Nelson & Winter 1982, Schumpeter 1934).

Innovation is favoured by entrepreneurs whose aim is to “reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old commodity in a new way, by opening up… a new outlet for products and so forth” (Schumpeter 1942, pp. 132). Therefore it can be assumed that organisation’s ability to utilise innovative practices together with its bank of accumulated knowledge generates development or improvement of products and assists in creation and implementation of new ways for doing business (Dosi 1988, Nelson & Winter 1982).

Prior literature argues that organisations which are innovative and thus entrepreneurial tend to focus on developing new technologies (Nelson & Winter 1982, Schumpeter 1934). Entrepreneurship is extracted from the notion that small organisations show propensity to influence resources and thus transform current markets through innovation (Steensma et al. 2000) which results in embracing of new ideas and processes whereby existing technologies are left behind (Lumpkin & Dess 1996). Furthermore entrepreneurship through innovation is

The extant literature on strategy and innovation points to several concepts amongst which innovation is regarded as the most significant as contributing largely to the rethinking of traditional strategy (Chesbrough & Appleyard 2007). Innovation is defined as “the generation, acceptance and implementation of new ideas, processes, products or services” (Thompson 1965 pp. 36). Innovation is classified as technical or administrative however technical category is further classified into process innovation and product innovation as suggested by Pennings et al. (1994). The distinction between technical and administrative innovation is important as it relates to the distinction between social structure and technology (Evan 1996).

Extant literature on innovation explains that innovation is crucial to business performance and it represents a means of survival as well as growth (Han et al. 1998). Furthermore research has shown that administrative, product and process innovations are resolutely related to organisational performance (Parnaby 1991). It is further suggested that as organisations respond to global changes, the focus is swiftly shifting to the deployment of technological resources to help build and sustain competitive advantage (Hambrick et al. 1983).

Indeed there is a growing body of evidence to suggest that real estate industry is fast becoming a “technology-based” industry (R. Hedditch 2015 pers. comm., 15 Jan). This is suggested on the pretext that the industry is exhibiting a divergence from the traditional view where ownership and control are the main key indicators of strategic success. Instead a growing body of the industry’s stake holders are now seeing potential value to the organisation brought on by acquisition of external resources which are not owned by the organisation in question, but where these resources none the less create value for the organisation in question. Chesbrough & Appleyard (2007) suggest that these external resources tend to be volunteer contributors, innovation communities and ecosystems and other surrounding networks. Iansiti & Levin (2002) embellish on this notion by suggesting that in the modern world the focus of competition is rapidly shifting away from the management of internal resources to the management of resources that are outside of the direct ownership of the organisation. They go on to explain that in networked environments the performance of an organisation is driven to a large extent by structure and characteristics
of the network which impact the incorporated behaviours of its partners, competitors and customers.

The significant implications of research into computing industry by Iansiti & Levian (2002) point to the existence of complex networks of organisations as a common feature of the modern business world. The insurgence of innovative business models entering the real estate industry is a testament to this theory. Whereby the traditional Australian real estate business landscape consisted of dominant franchises and less dominant independent operators, the onset of technology and innovation has seen many independent organisations become operationally sufficient as franchises. The emphasis today appears to evolve around strengthening the organisational knowledge base through indirect ownership of resources and operational flexibility.

Independent organisations are surging ahead with forming alliances and partnerships with other similar organisations and thus shifting the competition focus to external sources. Indeed they are instrumental in forming external networks where they can source innovative ideas and thus improve their performance. Indeed this strategic direction undertaken by the independent operators in real estate suggest imitation of business incubation strategy which addresses challenges such as constraints of accumulation of knowledge base. As incubated organisations, they have access to a diverse range of services, support, advice and resources for operational know-how (Patton 2014). Patton (2014) suggests that this strategy is generally suitable for organisations which are in the set up or infant stages in their life cycles as that is when they are most in need of resources.

2.4.6 Open Innovation & Absorptive Capacity

The concept of open innovation is not a new theory as the intrinsic need for in-sourcing of external knowledge has been floated by researchers as early as late 1980’s (Von Hippel 1988, Gibbons et al. 1994). Indeed organisations channel the knowledge harnessed from external sources across different internal structures and as such external knowledge plays an integral part in optimising in-house innovation (Chesbrough 2003).

Organisations may engage in two different types of open innovation, namely inbound open innovation and outbound open innovation (Chesbrough & Crowther 2006). In the case of inbound open innovation an organisation in-sources external knowledge in addition to its bank of internal knowledge. On the other hand in the case of outbound open innovation an organisation relies on its internal banks of knowledge and looks to external organisations as
more suitable sources of commercialising certain functions or technologies. Figure 16 depicts the inbound open innovation process which is also known as absorptive capacity.

**Figure 16 – Absorptive Capacity, Prior Related Knowledge and Outcomes**

Absorptive capacity is defined as the ability of an organisation to “recognise the value of new, external information, assimilate it, and apply it to commercial ends” (Cohen & Levinthal 1990, pp. 128). It is not merely enough just to be exposed to receiving external knowledge though; an organisation must be able to possess inherent ability to assimilate the new knowledge within its own bank of related internal knowledge (Pennings & Harianto 1992) as well as to transfer the new knowledge across its internal subunit structures (Cohen & Levinthal 1990). Pennings & Harianto (1992) further extrapolate that the bank of knowledge required to be present for an organisation to implement a new innovation does not provide for an exclusive internal origin. Rather the internal bank of knowledge may be complemented by new knowledge and in the process assist the internal bank of knowledge.

Additionally for an organisation to successfully absorb new external knowledge it must satisfy three conditions. Firstly it must possess a bank of prior related knowledge so that it can successfully identify valuable external knowledge required to improve organisational performance. Similarly once the new knowledge is absorbed into the organisational bank the process then becomes dependent on the individual members within the organisation across its different internal subunits to transform and subsequently apply the assimilated new knowledge to improve the organisational performance. Lastly absorptive capacity must be path dependent. In essence the ability of an organisation to accumulate new knowledge in one period leads to more efficient accumulation of new knowledge in the next period. In the same
manner an organisation can more effectively and accurately predict potential areas for knowledge in-sourcing as absorptive capacity is said to positively affect the formation expectation.

For an organisation to be able to identify new knowledge pertinent to organisational innovation it does not need to possess complex technical knowledge. It is adequate for an organisation to possess internal related knowledge at the user level including knowledge regarding evolving business trends (Arbussa & Coenders 2007). They further contend that absorptive capacity allows an organisation to consolidate more complex external knowledge into its own knowledge bank of knowledge however this can be done in a sequential manner as shown by Zahra & George (2002) or by implementing alternate routes as suggested by Todorova & Durisin (2007).

The concept of absorptive capacity has been mostly studied across large and innovation intensive organisations to date however this does not mean that small or medium sized organisations do not engage in the process of inbound open innovation process (Chesbrough & Crowther 2006). What differs between large and small organisations though is the way in which they enter in the process whereby it has been shown that organisations operating in more traditional sectors tend to deploy limited in-house absorptive capacity to external sources as suggested by Muscio (2007).

Real estate can be regarded as a relatively traditional industry sector which is mostly populated with small to medium sized non-franchised and franchised organisations. It is the established franchised organisations which account for large enterprise networks with national presence and some even with international presence, for example L. J. Hooker, Ray White, and Raine & Horne. It is these franchised networks which are regarded as Australian real estate franchise agency industry’s main players according to IBISWorld research (2012, 2015) accounting for the highest percentage of market share.

As franchises built on a traditional franchise model whereby the operational strategy is focussed on network growth through recruitment of new franchisees in geographically dispersed locations, the operational strength emanates from the durability of internal systems developed for the franchisees. To this effect a traditional franchised operation invests heavily in internal resource accumulation where the accumulated resources are used to develop and implement its own internal systems such as training programmes for agents as well as organisational functions such as technology and recruitment. Thus by adopting such a
relatively insular operational outlook, a franchise is able to provide a substantial offering to potential franchisees and thus rapidly expand its network.

2.5 Challenges faced by Franchises

2.5.1 Recruitment and Franchise Funding
Franchising literature is predominantly based on the standard tenet that failure rates amongst franchised organisations is relatively low due to franchising offering a low risk entry route for small businesses (Stanworth et al. 1998), reduction in demand uncertainty (Williams 1998), low development costs and high profitability (Peterson & Dant 1990), greater job satisfaction (Knight 1986), as well as start-up and on-going support (Withane 1991).

Despite the significant beneficial implications of franchising, the franchising business format is not without deficiencies. These can be largely attributed to factors such as franchisee recruitment and selection, the quality of the relationship between the franchisor and franchisee, issues of trust and commitment, franchisee’s job satisfaction, and capital constraints. Additionally the argument continues to simmer regarding whether the franchisee motivation to enter a franchise is based on the tenet that the franchisee is driven by wealth maximisation. For this to be accepted, then the pretext that the franchisor promises to provide this to the franchisee binds the franchisee to the franchisor and opens the door to inequality between the two parties.

To illustrate this point Morrison (1997) claims that franchisees are restricted by franchisor controls, fixed contractual agreement, and financial expense associated with the franchise such as base and royalty fees. This is supported by Williams (1998) who additionally states that franchisees are often abused by the franchisors on the basis that franchisees are less informed, they tend to lack the bargaining power of franchisors, and they are bound by contractual agreements which tend to commercially benefit the franchisors. Furthermore, Croonen & Brand (2013) state that franchisees have less freedom as they operate to a determined business format including strategic positioning in the market and operational strategy.

Morrison (1997) explains that typically a franchise system centres on the quality of its franchisees as well as the work-related decisions they make such as management decisions and intentions to remain with the franchise. Thus Morrison (1997) suggests that franchisees’ attitudes toward their work are significant in their decision-making process. Additionally Morrison (1996) suggests that the nature of conflict in franchise relationships can lead to
franchisee alienation. It is for this reason that she proposes that the presence of job satisfaction in franchisees is essential to franchise success.

Locke (1976) defines job satisfaction as “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences” (Morrison 1996, pp. 28). Locke (1976) further claims that job satisfaction is a realisation of franchisee attitudes to work and work related affairs. Early research established that franchisees who were satisfied with their job expressed positive attitude towards the controls imposed by the franchise, tended to work less hours for more money, and were of the opinion that their franchise company were fair-dealing, whilst the dissatisfied franchisees tended to complain about the lack of franchisor support, unmet expectations and a meagre financial return (Walker 1971). Goodman (1980) similarly found that the greatest sources of conflict and dissatisfaction arose out of perceived unfairness by franchisees in contractual agreements, lack of support by the franchisor, and less than expected income stream.

In more recent research conducted by Morrison (1996) and diagrammatised in Figure 17, it is suggested that franchisee satisfaction hinges on careful selection process where emphasis is placed on development of a work environment which promotes satisfaction. Furthermore a careful analysis of the franchisee bottom line by the franchisor aids implementation of policies which are of mutual benefit to both parties. For example the franchisor should be better informed when making decisions on what to base the royalty fees, overpopulating geographic territories and pushing prices of goods and services well above the market as these factors can severely impair their franchisee’s ability to survive and thus encourages job dissatisfaction. Additionally it is proposed that the franchisors should be less controlling and focus more on building relationships with their franchisees, as franchisees that are given the opportunity to be more autonomous in operational sense through marketing for example will undoubtedly become more conscious of local market conditions rather than solely rely on franchisor’s input which may be lacking in local market knowledge.

Moreover Morrison (1996) claims that both parties should be aware of expectation discrepancies which are present in both parties. Franchisees tend to have overinflated expectations of what they should have in relation to what in fact franchisors deliver whilst franchisors have unrealistic expectations of franchisee performance. She suggests that a plausible solution lies in attaining controlled growth in early stages of franchising so that a
solid financial footing is built which is capable of servicing franchisee’s units and maintaining relationships with franchisees. This is illustrated in Figure 17.

**Figure 17 – Model of Franchisee Job Satisfaction**

![Diagram of Franchisee Job Satisfaction](image)

*Source: Morrison (1996), pp. 37*

Subsequent research by Morrison (1997) established that franchisee satisfaction is directly related to the organisational outcomes such as harmonious franchisor relations, intention to remain with the franchise, organisational commitment, and franchisee performance. Additionally the quality of relationship between the parties can be based on personality traits which may predict interrelationship compatibility. Additionally personality traits may lead to predisposition to develop franchisee sub-systems within a franchise (Weaven et al. 2009) as well as improve the delivery of service to customers (DiPetro et al. 2008). Dant et al. (2013) extrapolates further on this to propose that adopting a recruitment selection process which includes personality tests may be beneficial in outing those potential candidates which are more likely to adhere to the franchisor controls and thus add value to the organisation network.

It is no surprise then that further literature review on the structure of franchising reveals that the franchising model is predominantly centred around the incorporation of intangible factors referred to as norms such as formation of a relationship, embracing open communication, and establishing trust and commitment in order to produce and maintain a successful and productive partnership capable of long term survival (Wright & Grace 2011, Nathan 2001). The emphasis on relational norms is acutely important in todays’ day and age where the
structure of the organisations internally and externally calls for defined structures in order to deal with many complex relational forms such as strategic partnerships and alliances, franchises, and channel networks to name a few (Easton 1990). It is through these relationships that the organisations can benefit greatly in terms of achieving and sustaining competitive advantage.

Indeed it is suggested that relational exchange theory establishes a founding framework for quantifying of a franchisor-franchisee relationship (Spinelli & Birley 1996) where relational exchanges between parties are built on variables such as trust, commitment, common goals and cooperation as stated by Morgan & Hunt (1994).

The franchisor-franchisee relationship is thus described as a type of a commercial exchange which is defined by a set of relational norms (Kaufmann & Stern 1988) such as trust, commitment and relationship satisfaction. Trust is defined as “confidence in an exchange partner’s reliability and integrity” (Morgan & Hunt 1994, pp.23) whilst commitment is illustrated as “an enduring desire to maintain a valued relationship” (Moorman et al. 1992, pp. 316). Moreover relationship satisfaction is depicted as an individual’s positive response to interactions with their partner (Davies et al. 2009, Grace & Weaven 2011).

Davies et al. (2011) claims that trust in franchise partnerships enhance franchisee compliance and encourage uniformity across the franchise network. Altinay & Brooks (2012) build on this notion and propose that this minimises potential of conflict between the parties, whilst Altinay et al. (2013) concludes that development of trust is reliant on the ability of the franchisor to adequately perform their role within the partnership, to demonstrate cultural sensitivity as well as to establish effective communication with their franchisees.

Wright & Grace (2011) illustrate diagrammatically the positive correlation between key variables of relationship benefits and relationship commitment; shared values and relationship commitment; communication and trust; and relationship commitment and trust exists (Morgan & Hunt 1994, Harmon & Griffiths 2008) and this is shown in Figure 18. Dual trust requires mutual exchanges of confidence and integrity (Harmon & Griffiths 2008, Davies et al. 2009); consequently, commitment and trust within channel relationships, often fraught with uncertainties, is an integral facet in promoting efficiency, productivity, and effectiveness.
Floyd & Fenwick (1999) conceded that it is the measure of how harmonious is the relationship between the franchisor and the franchisee which will determine the franchise system growth, development, and success. However it is the attainment and maintenance of this harmony between the key stakeholders that is also shown to be the greatest challenge faced by the stakeholders (Justis et al. 1993).

Furthermore it is areas of job specialisation and sharing of resources which are most affected and require the greatest time investment and are as such unrecoverable in the case of relationship souring and subsequent termination (Heide & John 1992). Thus they suggest that the development of appropriate relationship structures is thus important as it provides a mechanism for safeguarding investments which are unrecoverable. Furthermore it is proposed that there are two main approaches in establishing this mechanism; firstly the establishment of appropriate governance structures through enhancing channel coordination and secondly by developing relational norms by establishing a hierarchical governance structure.

Gassenheimer et al. (1996) states that it is the effect of the participative communication which has led the way to forming relational norms of trust among franchising pioneers; now the responsibility is with the franchisors to use this type of communication to assist their

**Figure 18 - The Franchising relational dynamics model**

*Source: Adapted from Wright & Grace (2011) pp. 488*
franchisees to achieve their goals as well as to achieve common goals to both parties (Anderson & Weitz 1992). It is the presence of participative communication which is directly linked to enhanced performance in cooperative arrangements (Heide & John 1992) as it significantly mitigates the potential for opportunism by aligning goals between the parties (Dant & Schul 1992).

Extant literature on capital constraints points to high failure rates in franchises resulting from high costs associated with the starting up a franchise outlet. Thus research conducted into the failure rates of fledgling franchises showed an alarmingly high rate whilst attracting and recruiting the first few franchisees without an established track record often led to reduction or postponement in start-up fees severely stripping the franchisor’s capital resources (Stanworth et al. 2004, Floyd & Fenwick 1999).

Flint-Hartle (2007) lists resource scarcity as a possible deterrent to the development of a franchise as it applies to the returns produced by individual franchises within a franchise network. This builds on a study conducted by Oxenfeldt & Kelly (1969), which concludes that as organisations mature and acquire the necessary resources to sustain their life and longevity as a business entity, expansion by way of new franchise units becomes obsolete and the business structure changes from a franchise model to a company owned organisation model. Similarly, Caves & Murphy (1976) identified that while there are benefits and disadvantages to an organisation’s expansion, a rapid growth of a franchise system can have significant negative impact on the availability of resources, and in particular those that are of financial and managerial stream as these tend to become harder to access in order to support the expansion.

In the same manner franchisors can be often be stymied by the economic conditions as was the case with the global financial crisis of 2008-2009 and its aftermath. Such tense conditions tend to bring about problematic conditions involving lack of capital investment by the franchisees. Thus to overcome this problem and ensure the franchise recruitment stays alive the franchisor must consider all avenues open to facilitate the recruitment strategy. Mak (2014b) explains that these avenues often include franchisors encouraging multi-office franchising, delving into joint venture partnerships with franchisees, and offering full franchisor financing. Whilst all these options are viable to a point, all are considered to be against the very principle of franchising on the basis that the principle of franchising involves the financing of the franchise by the franchisees.
Another challenging aspect to franchising is the growing similarities between franchised and non-franchised models whereby the benefits offered by franchises are no longer regarded as commercially relevant. This is becoming evident with the onset of innovation change and technological advancement which has enabled non-franchised organisations to compete on the same level as franchises. Despite this, there is no empirical evidence to suggest that innovation affects the entrepreneurial decision to franchise nor is there evidence to indicate that entrepreneurial decision to franchise is based on advantages provided by an established brand name. Instead the general consensus of modern research is based on the pretext that entrepreneurial activity is driven by autonomy (Mendez et al. 2014).

2.5.2 Information Technology
Dewett & Jones (2001) state that the availability and use of information systems and technologies has grown to the point of being commodity like in nature, much in the same manner as labour. Information systems include many different varieties of software platforms and databases. These systems are designed to manage all major functions of the organisation. Information technologies encompass a broad range of communication media and devices and are designed to link information systems and people including email, internet, voice and video conferencing, intranet, social media and so on.

Early research conducted by Huber (1990) stated that information technology and systems can be used to enhance the quality and timeliness of organisational intelligence and decision making and thus promoting organisational performance. More recent research conducted by Dewett & Jones (2001) focuses on the information technology as a moderator of the relationship between organisational characteristics and organisational outcomes such as innovation and efficiency.

The use of IT is not seen as a universally positive effect overall though however when they are applied appropriately they can serve as a powerful addition to the organisational communications infrastructure as originally proposed by Huber (1990). Dewett & Jones (2001) extrapolate this further to explain their research in terms of information efficiencies and information synergies across the organisational scope.

Dewett & Jones (2001) explain that information efficiencies are the cost and time savings which result when IT allows individual employees across the organisation to perform tasks at a higher level as well as to take on additional tasks and expand their roles within the organisation due to an enhanced ability to gather and organise data. For example within a real
estate agency organisational scope IT provides ability to synthesise advertising media with state of the art web platforms which enable certain tasks such as preparing the advertisements for publications and loading onto portal online advertising mediums. This ability translates to combining inputs of two or more people into one which can effectively perform better due to IT assisting in providing an increased amount and quality of information.

Information synergies are performance gains across the organisation and are explained to occur when one or two individuals are able to pool their collective resources and thus cooperate and collaborate across role or department boundaries to create a between-person or between-group effect. For example within a real estate agency this collaboration is now visible across the sales and administration departments whereby sales administrators can now effectively collaborate with the salespeople to create necessary advertising material with the additional provision of assistance offered by the external source administering the advertising platform. Similarly as an inherent benefit of IT, salespeople are now able to collaborate more effectively through the ability to utilise extensive in-house database enabling individuals to input their own data and thus perform more effectively.

Thus Dewett & Jones (2001) show that organisational efficiency is directly related to IT enabling improved ability to link and enable employees, improved ability to codify the organisational knowledge base, improved boundary spanning capabilities, and improved information processing as well as improved collaboration and coordination which promotes innovation.

Dewett & Jones (2001) explain that the most fundamental benefit resulting from IT is the ability to link and enable employees through database repositories and email for example to achieve information efficiency and information synergy within the organisation. Furthermore Edmondson & Moingeon (1998) state that increasing online interdependence positively results in access and transparency of critical information to employees and thus increases the incidence of problem-solving as well as allowing organisations to explore new modes of structuring their workforce to operate more efficiently.

IT as an effective communication tool is argued to still be limited in that it does not obtain “soft” information (Mintzberg 1975), “rich” information (Daft et al. 1987) or the “meaning” of information (Weick 1985). Thus Sarbaugh-Thomson & Feldman (1998) further argue that electronic communication can result in reduction in casual conversation and lead to a reduced
ability to portray communication trustworthiness in social situations which suggest a lack of depth in information exchange.

Anand et al. (1998) argue that advances in IT have facilitated the organisational capacity for memory and the ability to capture and integrate specific knowledge by rendering it relatively easy to codify, store, communicate, assimilate and retrieve. O’Keefe (2002) argues that the need for accurate and timely information resources to support individuals within the organisation to carry out their specific tasks is becoming excessively important to integrate within the organisation to facilitate organisational learning capacity. This is of utmost importance in a real estate agency as the fluidity of transference of knowledge is essential to keep abreast of the current data and thus provide an expected level of service to the public. Individual salespeople rely heavily on the array of knowledge disseminated from different sources to provide an accurate pricing assessment of real estate for example. Similarly real estate agency principals require knowledge from a range of sources to accurately assist in their decision making processes. De Sanctis & Monge (1999) and Huber (1990) are careful to point out that this amazing ability to codify knowledge can in some instances lead to information overload and ultimately impede managers’ ability to make timely decisions. However constant advances in IT are ensuring the level of negative exposure to data overload is mitigated by the quality and precision of data available for retrieval and use (Dewett & Jones 2001).

Information technology is argued to affect organisational efficiency (Huber 1990). The crux of the argument regarding organisational efficiency is embedded in organisational ability to communicate effectively and efficiently across the organisational sphere of influence. For example organisational efficiency is enabled by communicating freely and easily across geographic dispersion and time. It is also enabled by being able to communicate in a far more rapid and precise way to the targeted groups or individuals. Furthermore efficiency is reflected by the organisational ability to produce more inexpensive recording and indexing regarding the context and nature of communication as well as to be selective in the context and participation of a communication event across or within an organisation or organisational network. Within the real estate context, these efficiencies created by information technology are at work in many different ways. Sales consultants rely on extensive databases to store information pertinent to their clientele and retrieve it quickly and inexpensively when required. In the course of their daily field work, having the ability to use their smart phones or tablets to rapidly access, combine and reconfigure information created outside of the
organisation provides them with a significant advantage to compete with their peers. Similarly on an administration level efficiency is created by information technology increasing the speed of communication and reducing the cost of communication (Henderson & Venkataraman 1994) so reaching out to public can be effected inexpensively and efficiently via electronic email. This in effect leads to economies of scale and scope thus making some organisations structurally more efficient than others.

It is argued that information technology is instrumental in facilitating the innovation process. On a purely individual level, this argument stems from the basis that “information technology moderates many aspects of the process of bringing new problem-solving ideas into use given that it determines the way the information is stored, transmitted, communicated, processed and acted upon (Dewett & Jones 2001, pp. 326). Innovation is thus facilitated by the managerial ability to creatively utilise the pool of information or knowledge for problem-solving and decision making which is instrumental to creating competitive advantage (Leavy 1998). Amabile (1988), on the other hand, argues that it is the managerial relevant skill set which lends an essential input into innovative activity.

On an organisational level, information technology is affecting the organisational forms and thus facilitating innovative processes within the organisational forms via knowledge leveraging (Venkataraman 1994). It is argued that this type of an arrangement can lead to “development of cross-functional synergies which may result in competitive advantage in the form of product or service differentiation” (cf. Dewett & Jones 2001, pp. 327). As such organisational forms which are able to adopt such arrangements are regarded as being more flexible. In light of this, flexibility in the organisational form is viewed as an advantage as it promotes a fast response to innovative processes which enables them to compete more effectively in changing environments brought on by economic volatility such as globalisation, uncertainty and changes in labour and consumer sectors (Halal 1989).

Information technology and organisational performance are shown to have a symbiotic relationship. Dewett & Jones (2001) and Powell & Dent-Micallef (1997) both argue that the effects of information technology are regarded as indirect which means that information technology will only lead to competitive advantage when new information and knowledge is leveraged against the pre-existing complementary managerial and operational resources. In essence the success of innovative processes in the form of technology will result in organisational performance only when the organisation has ability and correct processes in
place to accumulate as well as synthesise new knowledge into the existing pool of knowledge.

2.5.3 Internet & Social Media

2.5.3.1 Internet

The greatest challenge faced by real estate businesses is by far the onset of technological progress and change (Flint-Hartle 2007). This is especially prominent in the technological advances concerning the prevalent use of the internet and, in more recent times, social media across organisational networks. Internet is described as a “network of networks” (Kariyawasm 2007, pp. 19) and as such is said to be constructed from many networks and technologies. The internet can be widely used for a number of functions such as knowledge sharing (Mintz 2007) and as a prevailing form of communication strategy within the organisational capacity as well as at large (Slater 2002).

Additionally internet is explained as an “open, cost-effective and ubiquitous network (Afuha 2003 cf. Sawhney et al. 2005, pp. 6). It is operational in a global sense whereby it renders constraints placed by physical world such as distance and geography superfluous. As such it enables instantaneous connection across the globe which is advantageous to organisations in operational sense. It also facilitates interaction with the consumers through the use of customer surveys as it opens up a portal to a vast number of consumers as opposed to a limited number in a physical sense. However the interaction with consumers through the use of a survey whilst beneficial to the organisation in terms of valuable feedback tends to compromise in richness of dialogue.

To combat this problem of compromised richness of dialogue, scholars have turned to exploring the notion of internet-based virtual environments. To this end it is suggested that internet-based virtual environments can not only increase the number of consumers engaged in an activity without compromise on the rich interaction, but also increase the speed and the frequency of consumer interactions. On the downside, major constraints highlighted by the use of virtual environments relate to the consumer willingness to participate and privacy issues limiting the depth of information consumers are willing to share with the organisation.

Kozinets (1999) further claims that adopting the concept of virtual environments within the organisational operational capacity enables the organisation to tap into the social sphere of consumer knowledge through “creation of virtual communities of consumption” (cf. Sawhney et al. 2005, pp. 6). This in turn creates an experience for a consumer of having
participated in a creation process jointly with the organisation. It is also shown that the internet can significantly enhance the flexibility of consumer interaction whereby the consumers can choose their level of involvement with the organisation based on their interests and potential incentives provided by the organisation for participation as suggested by Hagel & Singer (1999) and Hoffman & Novak (1996). In the same manner the consumers can modify their level of participation over time as their commitment increases. Thus it is suggested that virtual environments enable the organisation to reap the rewards of collaborative innovation with its consumers in three main ways; direction of communication, the richness of the interaction dialogue, and the volume of the consumers.

The majority of the research conducted in the internet field and relevant to real estate brokerage focuses on examination of the factors which influence the use of the internet as part of the home buying process and the resulting effect on the efficacy of buyer search (Zumpano et al. 2003), the role of internet-based intermediaries (Buxmann & Gebauer 1998), the impact of internet as an enabling technology on business strategies, business model development, and business infrastructure (Hamilton & Selen 2003), the internet-enabled profit (Muhanna 2000), and internet economy (Cradduck 2011, 2012).

In the very early years of the internet, it was viewed as a threat to the real estate profession especially to the residential real estate industry (Benjamin et al. 2005) and rendered as giving real estate professionals an “erosion of power” as information providers (Tuccillo 1997). Similarly many real estate professionals saw the internet as not having a direct and immediate impact on the revenue stream whilst others regarded it as an impediment to relationship building (Deloitte & Touche 2001). It is suggested that these are the reasons real estate industry in Australia has been relatively slow to embrace the full use of the internet in its business models and strategies (Hamilton & Selen 2003). Other reasons attributable to this slow uptake as defined by Hamilton & Selen (2003) are idiosyncratic nature of real estate transactions and portfolios, high cost of programming and difficulty associated with adapting off-the-shelf software packages to meet the industry’s specific requirements. Whilst these are genuine factors affecting the full use of the internet within the real estate businesses, the industry has made significant progress in recent years although mainly out of simple and very basic need to retain a competitive edge in business.

It is suggested by Benjamin et al. (2005) that the use of internet can be both opportunistic as well as threatening to real estate organisations. Porter (2001) defines the positives and
negatives of the internet in general; the internet shifts the focus from a personal relationship between the sales person and the consumer and thus eliminates the traditional channels of competition in real estate functions and gives rise to competing with price, increases the number of competitors and therefore increases the pressure for price discounting, and minimises the agent’s point of difference.

Moreover the internet has enabled real estate organisations to have presence on the worldwide web through various web applications such as company website, internet-based intermediaries such as realestate.com.au, and affiliated organisations such as industry bodies. Additionally the internet has enabled access to information for the organisational use such as property and market information. Ready availability of statistics and information on rents and sales figures used for property analysis and as a useful and powerful tool for marketing and listing property for sale or rent are published online and easily attained. Internet has enabled real estate businesses to promote their listings and core business activity on many portal websites and thus ensuring the wider geographical coverage and making it easy to reach consumers in the market to either buy, sell or rent a property (REB 2012).

Furthermore it is proposed that extending the information and knowledge of real estate also has a positive effect on the customers as they can make better informed decisions with substantially lesser costs (Zumpano et al. 2003). In fact it can be said that the use of the worldwide web or internet as it is commonly known has been revolutionary for the industry. On the negative side though, the increased use of the internet can create competition for the industry as well as additional expenses which impact the organisational revenue stream (Benjamin et al. 2005). Similarly there is a strong argument that internet has had an impact on the franchise business model by virtually rendering the franchise model outdated on the basis of constraining the contact between the consumer and the office and enabling the contact to be direct to the property (REB 2012a, 2012b).

Due to the transactional nature of real estate, internet has also brought about a change in the model for centralised market where traditionally intermediaries between buyers and sellers such as real estate agents are being slowly replaced by internet-based intermediaries (Buxmann & Gebauer 1998). The internet-based intermediaries offer the advantage of improved communication through the use of information technology which in turn enables an effortless alliance with selected business partners or networks to produce complementary products and services within the scope of the industry. Within the scope of the Australian
real estate industry, internet-based intermediaries such as realestate.com.au and domain.com.au are shown to dominate the property listing field, with realestate.com.au controlling around 70 per cent of online real estate advertising as estimated by IBISWorld (2015). As a largest internet-based intermediary realestate.com.au owned by REA Group Ltd charges real estate organisations an ongoing hefty monthly subscription fee based on the choice of advertising campaign.

Research conducted by Cradduck (2011, 2012) describes the internet economy as not just limited to online commerce. Indeed the benefits associated with internet economic ability is said to be visible in the enabling of activities sharing such as the universal bargaining of knowledge, alliances with suitable partners and gaining organisational knowledge of their customers’ requirements (Mandorf 2008). In fact it is proposed that the future of Australian internet economy is directly tied to the use of internet by individual Australians (Cradduck 2012) based on the pretext that modern Australia is still “exceedingly distant” from other states and the rest of the world (Capling & Nossal 2001, pp. 448). This notion places a massive significance of the internet in the context of searching for property to buy and it is for this reason that real estate industry would benefit greatly from creating adopting innovative concepts such as virtual communities (Crang 2000) as many physical services and activities may be rendered superfluous through use of the internet (Baym 2002).

On the flip side, Porter (2001) provides a different view of the internet. He claims that internet should be seen as an enabling technology rather than as a new economy. Furthermore he claims that the internet can transform industry structures to the detriment of the profitability factor as well as reduce an organisational ability to achieve and sustain operational advantage. As such he theorises that the key lies in not utilising internet technology, rather the organisational focus should be on how it is used. Indeed internet should be used as a conjunct in operational strategy which employs traditional practices so as to complement rather than replace. Thus he claims that internet makes strategy more essential than it has ever been in the past. Additionally Porter (2001) explains that experimentation spurned on by new technology is often muddled with market signals which are distorted and often unreliable.

Prior research conducted into other industries such as the car and motorcycle industry and pharmaceutical industry have shown that organisations are also recognising the immense power of utilising the internet as a foundation for collaboration with their consumer base.
Organisations can do this by using various techniques designed to illicit consumer input with the aim of creating or producing new products (Sawhney et al. 2005). New product innovation is portrayed as a process commencing with formation of an idea, and then followed by development of a concept, design of the product, product testing and finally product introduction into the market place (Ulrich & Eppinger 2003).

Internet-based collaborative innovation describes types of mechanisms useful at adopting at different stages of the new product development process. To this end, early stages of the process can benefit from application of measures such as suggestion boxes where consumers are able to contribute their own ideas as well as consumer advisory panels which enable the organisation to canvass consumers’ feedback on a continuous basis (Toubia 2004). Combining this type of collaboration with providing the consumers with some type of an incentive has been shown to vastly improve the idea generation and thus consumer-organisation collaboration. In a similar manner introduction of online virtual communities where consumers are brought together with other like-minded individuals to share ideas and experiences can aid the new product development in the early stages of the process (Kozinets 1999). To validate the new concepts emanating from adoption of these mechanisms through the use of the internet, an organisation may employ a tool such as a survey on the basis that it is the easiest, popular, and most effective instrument for online interaction with its consumer base (Burke et al. 2001). To this end online surveys can be described as being immensely helpful with not only just identifying the consumer needs but also as highly instrumental in enabling an organisation to identify its target audience for the new product.

During the later stages of the new product development process virtual environments can enable a direct participation by the consumer in the design of the new product through the use of toolkits for user innovation specifically created with the end goal to “exploit new technologies such as computer simulation in order to make the new product development faster and less costly” (Sawfney et al. 2005, pp. 9). In a similar manner to the early stage validation, later stages are often validated by employing mechanisms such as systemisation of product on a mass scale (Randall et al. 2004) or digital environments (Thomke 1998) which engage consumers to advocate the use of the product.

Whilst there is negligible research conducted into this particular concept within the real estate brokerage at large, the basis of this concept can be easily transferred and applied to the real estate brokerage. In the most simplistic way, for example, in the early stages of new product
development process a real estate organisation may engage its customer base through employing a customer survey or mystery shopping in order to gain valuable feedback regarding its agents’ quality of customer service. In later stages of the process, the real estate organisation may embark on utilising the feedback gained from the survey or mystery shop to design a better training program for its agents in order to improve the service or a marketing strategy. Indeed it could also potentially create a virtual environment for its customers and thus aid in engagement of its customer base in the innovative collaboration process.

2.5.3.2 Social Media
Additionally, having a web site and keeping up with the new advances in technology such as investing in social networking as a way to do business continues to expand at an exponential rate and has a vast impact on how people communicate and relate to one another and to corporations (Qualman 2011).

Social media is a term given to media which enables social interaction between individuals. In the same manner social media gives rise to social networks which are defined as social network sites which are web-based and allow individuals to “construct a public profile within a bounded system, articulate a list of other users with whom they share a connection, and view and traverse their list of connections and those made by others within the system” (Boyd & Ellison 2007, pp. 211). Social media platforms include but are not limited to social networks such as Linked-In, Facebook and Twitter.

It is disclosed that social media should be embraced by leading organisations in the modern world on the basis of three significant factors and these are defined as brand building, rapid engagement with peers, employees, customers and wider public, and instantaneous learning opportunities from information and feedback (Dutta 2010). As such recent research into organisational context of the use of social media reveals four distinct social media strategies adopted by organisations which largely rely on the organisational capability to withstand uncertainty and the level of results sought by the organisation (Wilson et al. 2011). It is suggested that social media strategies should be progressive based on the organisational ability to utilise clear objectives for assessing social technologies and thus organisations should progress from adopting the role of a predictive practitioner to creative experimenter, to social media champion to ultimately social media transformer, providing the organisation reaches the large-scale interactions status through major organisation-wide changes to
elements such as "incentive systems, business processes, resource management, and leadership styles" (Wilson et al. 2011, pp. 25).

Whilst there are many benefits associated with social media, there are some pitfalls which can be detrimental to the organisational success. Dutta (2010) groups the risks associated with using social media into three main categories. Firstly management of social capital is crucial. Particular consideration must be paid to not blurring the boundaries between personal and professional zones which means that there must be a clear delineation between work and social interaction, declining of requests that may be construed as detrimental in a diplomatic manner, and responding to inaccurate or abusive posts in a consistent and positive fashion. Secondly, the organisation must be adept at managing intellectual capital. This means that employee monitoring must be present at all times as individual comments may be construed in a detrimental light when connected with the organisational context. Finally an organisation must maintain the momentum as the success of the social media strategy largely depends on the constancy, reliability and creativity of the content.

Australian real estate industry experts agree with this and extrapolate further to explain that Australian real estate organisations are still lagging behind the rest of the world in their use of twitter for example (REB 2014c). It is explained that this is predominantly due to lack of foresight on the Australian organisations to recognise immediate advantage and financial reward despite twitter being shown as an effective driver of revenue world-wide. Indeed correct use of twitter can result in an effective way to reach the pool of prospective buyers via a social context as the communication is targeted specifically to deliver powerful messages tailored to peculiar consumers’ needs.

Within the real estate industry context, the realm of social media is still relatively unexplored. Whilst it is widely accepted amongst the real estate fraternity that social media presence is warranted and thus has a place in the modern real estate business strategy, there is still a prevalence of fear of the unknown. This could bode unsatisfactorily in the long run as fear tends to breed ignorance and this could be much more detrimental to the organisational strategic directions into the new millennium.
2.6 Chapter Summary
The review of body of knowledge on franchising phenomenon revealed several pertinent factors applicable to the application of franchising within the real estate industry sector. At the core of the body of knowledge lies the notion of resources and its significance in the operational design of real estate organisations. Resource based theory or view is suggested to have direct application to the real estate industry sector on the basis that resources can be predicted and thus successfully used as a measure of competitive advantage by way of resources flowing freely between the franchisor and the franchisee whereby knowledge base is enhanced through expansion (Flint-Hartle & de Bruin 2010).

Thus it is the ownership of valuable resources which enable the organisation to operate more efficiently and more cost effectively than its competitors and leads to competitive advantage producing a superior performance based on developing a distinct set of resources, redistributing them through a well-conceived strategy, and transforming them into other potentially valuable resources (Roos et al. 2001, Collins & Montgomer 2008).

The franchising phenomenon can be complemented by many concepts emanating from literature in the related fields of strategic management, technology, and computing. Modern industries in the fast-paced world of today are described to behave like a massively interconnected network of organisations, technologies, consumers and products (Iansiti & Levian 2007). Organisational focus is fast shifting away from management of internal resources; instead the focal point is becoming the management of external resources which are not owned or controlled by the organisation in question.

The resource-based view can be effectively extended into the knowledge based view in an organisational context on the basis that how an organisation acquires, transfers and utilises knowledge directly impacts on organisational performance and thus its competitive stance within the industry (Spender & Grant 1996). Additionally resource-based view diversified into considerations as to what effect organisational alliances or interconnected organisations have on competitive advantage on the pretext which hint at dependence of organisational capacity to achieve competitive advantage through organisational capacity to form and sustain relationships with its alliance partners (Lavie 2006).

It is advocated that adopting this strategic direction hints at imitation of business incubation strategy which addresses challenges such as constraints of accumulation of knowledge base. As incubated organisations, these enterprises have access to a diverse range of services,
support, advice and resources for operational know-how (Patton 2014). Patton (2014) suggests that this strategy is generally suitable for organisations which are in the set up or infant stages in their life cycles as that is when they are most in need of resources.

Resource based theory or view is suggested to have direct application within the real estate industry sector on the basis that resources can be predicted and thus successfully used as a measure of competitive advantage by way of resources flowing freely between the franchisor and the franchisee whereby knowledge base is enhanced through expansion (Flint-Hartle & de Bruin 2010).

The literature review points to the organisational propensity to capture value through gaining external resources they do not own but which nonetheless create value for the organisation (Chesbrough & Appleyard 2008). Whilst the value capture is ascertained by the supply side of the equation, the creation of value is determined by the demand side or the customer base (Prem 2001, 2007). Additionally the organisational focus of competition is no longer directed towards the management of internal resources but instead has shifted to management of external resources which are not owned or controlled by the organisation (Levian 2007).

Furthermore the review of the literature suggests that organisational size and life cycle may be responsible for affecting the organization’s resources and performance (Aldrich and Auster 1986, Venkataraman & Low 1994). As such it is proposed that organisations in their infancy i.e. hatchling stage are said to be negatively impacted due to insufficiency of resources such as financial capital and expertise, internal systems, and external relationships with consumers (Stinchcombe 1965). To this effect it is propagated that these organisations can benefit greatly from adoption of standardisation and uniformity (Churchill and Lewis 1983).

On a flip side, hatchling organisations often benefit from a high innovation input from their founding operators which positively impacts their ability to perform and make a profit however they can be negatively affected by resource constraints (Cooper and Dunkelberg 1986). Smaller organisations are better equipped to deal with changes as they can adapt much faster to the changing market conditions due to their flexible nature which has the positive effect of enhancing performance.

Throughout the examination of the literature, change is inexplicably linked to innovation and technology. Innovation is seen as a catalyst in bringing about change within the
organisational context. This change in turn has to be processed, analysed and managed well to be effective for the organisation. Change brought through innovation and particularly technology has challenged the traditional business model and thus opened up vistas for organisations to explore alternative business model structures. This has had the effect of contributing towards development of open strategy.

Organisational change requires for a distinct set of resources for development of organisational capability to implement change brought on by increased globalisation, deregulation, rapid pace of technological innovation, and shifting social and demographic trends (Graetz 2000, Todnem By 2005). Therefore in order to attempt to understand the operational dynamics in the context applicable to an organisation, due considerations must be given to areas dealing with change management and how organisations respond to change, the impact of agency costs, and the implications of strategy and innovation in sustainability of business models.

In stark contrast to Wernerfeldt’s assessment of resource based view, Chesbrough & Appleyard (2007) argue that in the light of technological advances organisations are more likely to sustain competitive advantage through harnessing collective creativity offered by open innovation. Thus organisational strategy, they claim, should be approached from a new direction where the principles of traditional business strategy are balanced by the innovation.

This is evident in the Australian modern market place of the effects of external influences affecting the strategic approaches adopted by the real estate organisations. The presence of ever changing economic conditions, rise of political uncertainty and the meteoric rise of technological advances are directly responsible for the key stakeholders in the real estate industry reassessing and re-evaluating the choice and structure of the franchise business model in order to ensure the survival of the franchising format within the real estate industry (IBISWorld 2012, 2015). A report conducted by Real Estate Business (REB 2013) of the top 20 real estate groups in Australia reflects this statement, by finding that there is a visible growing trend for “a strong performance of networks with business models outside of the norm”. Whilst it is still the case of the franchised networks which include the co-operative organisations, being in main control of the market share, there is a growing trend towards more complex “hybrid” type business models being adopted by independent organisations sprouting in the market place.
These recent developments in the market place spurred on by challenging economic conditions and scarcity of capital resource provide key indicators of the growing trend of finding a sustainable model of operation where benefits such as resource sharing, risk mitigation and increased market efficiency point to entrepreneurs opting for “interdependence” rather than independence (Flint-Hartle & de Bruin 2008).

Recent literature points to similarities between real estate industry and industries which are technology based and are referred to as new technology based firms whereby strategy described for technology based firms parallels the strategy adopted by the real estate firms. This is evidenced within the Australian industry context where organisations create value through acquisition of external resources not owned by the organisation but which nonetheless create value for the organisation rather than focusing on the traditional notions of ownership and control (R. Heddictch 2015 pers. comm., 15 Jan).

Extant literature on strategic management explains the organisational engagement in inbound and outbound open innovation (Chesbrough & Crowther 2006) whereby inbound open innovation process is also known as absorptive capacity. It largely refers to organisational ability to recognise the value of new knowledge, assimilate it into the organisation and follow through by applying it for commercial gain as suggested by Cohen & Levinthal 1990). Whilst this is not a new discovery, it is yet to be applied within the real estate franchising concept.

It is suggested that main sources of conflict within the industry stem from competition posed by online platforms, pressure on reduction of commission rates, and housing supply and affordability (IBISWorld 2015a). Real estate franchises, whilst operating parallel to the real estate services industry, are experiencing additional issues with increased competition from independent operators through the use of online platforms which is leading to a reassessment of franchise operating structure (IBISWorld 2015b).

Franchise recruitment remains a challenge on many levels. In the first instance expectations posed by each party on the other have a tendency to severely aggravate the relationship between the franchisor and the franchisees (Morrison 1996). Additionally Morrison (1996) claims that the franchisors remain ignorant of the franchisee needs and exhibit this behaviour in ways which impinge upon franchisee profitability. For example overpopulating geographic territories and setting unrealistic royalty fees can impair the franchisee’s ability to survive.
Thus it is argued that such behaviour can often result in high franchise failure rates resulting from high costs associated with starting up a franchise outlet. Equally economic conditions can often contribute to bringing about problematic conditions such as capital constraint through lack of capital investment from the franchisees. For these reasons it is suggested that the franchisor must consider all open avenues in order to facilitate recruitment strategy such as encouraging multi-office franchising, delving into joint venture partnerships with franchisees and offering full franchisor financing despite these strategies’ vast disadvantages to the franchising principle (DC Strategy 2014b).

As Resource based view has risen to prominence, the research emphasis has been on technology and particularly a firm’s internal technology resource base as the key driver of innovation (Benner & Tripsas 2012). To this effect it is argued that technology affects organisational efficiency through provision of effective forms of communication which can be used internally or externally (Huber 1990). Additionally it is argued that technology is instrumental in facilitating the innovation process Dewett & Jones 2001) and innovation is expedited by the managerial activity to creatively utilise the pool of knowledge for problem-solving and decision making instrumental for generating competitive advantage (Leavy 1998). Furthermore it is claimed that technology facilitates innovation through leveraging of knowledge (Venkatraman 1994) which in turn institutes organisational ability to adopt a more flexible approach which enables an organisation to compete more effectively in changing environments brought on by economic change (Halal 1989).

Real estate organisations including franchises are challenged by the onset of technological advances and change (Flint-Hartle 2007). To this effect there is evidence to suggest that where the internet is concerned real estate organisations attempt to minimise their costs and maximise their returns however they rarely attempt to completely replace the old way of doing business. Consequently all new models are indeed variations on the past and are thus attached to the generic value chain. Thus the focus remains service based but really as an add on to the physical real estate office and its display of properties rather than as a serious value creation object (Hamilton & Selen 2003).

Benefits of the internet are long and wide however there is a negative side which can impact the revenue stream and thus affect the profitability factor (Benjamin et al. 2005). As an example the use of internet can increase competition and costs which impact on the bottom line. Additionally the internet can have an impact on the franchise model through eliminating
the contact between the consumer and the office and enabling direct contact to the property (Parker 2012a, 2012b).

As an adjunct to internet social media is starting to contribute to the industry by facilitating brand building, rapid engagement with peers, employees, and wider public, and instantaneous learning opportunities from information and feedback (Dutta 2010). On the negative side, if not managed correctly it can be detrimental to the organisational success. It is suggested that social media still remains relatively untapped within the Australian real estate context predominantly due to lack of foresight by the Australian organisations to recognise immediate advantage and financial reward.

The next chapter will outline the methodology adopted for this research.
CHAPTER 3: METHODOLOGY
3.0 Research Inquiry Process
This chapter explains the research design adopted for this study. Figure 19 illustrates the design process used by the researcher.

Figure 19 – Research Design Process Chart

![Research Inquiry Process Diagram]

Source: Adapted from Creswell et al. (2007), pp. 238

The research inquiry process begins with construing philosophical premises regarding factors such as the nature of reality, what is known to the researcher, the parameters of the researchers’ values included in the study, how the research emerges, and finally, the writing structure adopted for the study (Creswell 2003). Thus Creswell (2003) goes on to explain that the philosophical premises are addressed by employing a number of interpretative paradigms which vary depending on the nature of the research as well as what on the intended outcome of the research. Identification of research questions which inform the design of the research to collect and analyse the data follows assignation of the interpretative paradigm for the research.

This process is relatively straightforward when the nature of the research is specifically oriented towards either a qualitative or quantitative design approach. For example: qualitative approach is highly suitable for research which focuses on narrative data and analyses whilst quantitative research is exceptionally suited to numerical data and analyses (Teddlie & Tashakkori 2009). On the other hand, research which involves a combination of qualitative and quantitative design approaches poses a greater challenge for researchers. Mixed methods research as it is known, typically involves the researcher to wear two different “hats” during formulation of the research questions to ensure the design adopted for each approach captures the essence of the problem and is thus able to contribute to the development of the body of knowledge. The challenge in the mixed methods research inherently lies in finding a way to integrate the two methodologies so that both are complementary to one another and result in...
provision of an integrated view of the numerical and narrative analyses. To illustrate this point, Teddlie and Tashakkori (2009) succinctly explain the researcher’s points of view in terms of each methodology by suggesting that “quantitative data indicate that the program works” (Teddlie & Tashakkori 2009, pp. 10). On the other hand, “qualitative data indicate that the program does not work” (Teddlie & Tashakkori 2009 pp. 12). To bridge this dichotomy the employment of mixed methods “indicate that the program works in some contexts and the research questions drive everything” (Teddlie & Tashakkori 2009, pp.14).

Additionally it is suggested that employing a specific method should also be considered as a function of the specific discipline or profession (Amaratunga et al. 2002). To this effect this research fits into the realm of the built environment discipline where built environment encompasses “the fields of architecture, building science and building engineering, construction, landscape, surveying, and urbanism (HEFCE 2008, cf. Haigh & Amaratunga 2010, pp. 11) as well as “a range of practice-oriented subjects concerned with the design, development and management of buildings, spaces and places (Griffits 2004, cf, Haigh & Amaratunga 2010, pp. 11). Thus it seems a logical progression to discuss the outcomes of this research within the built environment context.

Academic opinion is that current research in built environment adopts either strongly qualitative or on the opposite scale, quantitative methodologies (Amaratunga et al. 2002). Either methodology has merit within the context of the philosophical issues the research aims to address as built environment consists of both cognitive and non-cognitive aspects. Thus it is suggested that the use of single methodology can often result in the emittance of significant factors which may otherwise be explored to provide a more succinct answer to the question. The use of mixed methods is said to be able to counteract this flaw and strengthen the research into the built environment discipline.

3.1 Research Paradigm
Denscombe (2008) explains that mixed methods approach as a research paradigm "incorporates a distinct set of ideas and practices that separate the approach from the other main research paradigms” (Denscombe 2008, pp. 27). As such it is now widely accepted as a “separate methodological orientation with its own worldview, vocabulary and techniques” (Tashakkori & Teddlie 2003, cf. Denscombe 2008, pp. 271). The duality presented in mixed methods research is well suited to a pragmatic philosophy which can be applied to a mixed methods research in four main ways. Firstly pragmatism can bring about an amalgamation of
approaches where researchers strive to find some compatibility between the philosophies of research. Secondly pragmatism can be used as a third alternative approach when either quantitative or qualitative approach alone is likely to produce satisfactory findings. Thirdly pragmatism can be regarded as a new doctrine built on the pretext that a good social research requires the use of both quantitative and qualitative aspects to arrive at a plausible explanation to a research problem and finally, pragmatism can be employed as a feasible and advantageous way to conduct research.

Since its inception and integration into the research community mixed methods has been used in a variety of ways. For example it serves well as a buffer to improve the accuracy of data or to produce an even and balanced account of the research problem using complementary sources. Furthermore its application can result in avoiding favouritism towards a specific approach and offering a way to build on the findings through the use of contrasting methods. Moreover mixed methods approach can assist with sampling where one instrument of data collection can serve as a screen for the follow up instrument of data collection.

Whilst it can be construed from these applications that mixed methods research is derived from the concept of “anything goes” as described by Denscombe (2008), it must be stressed that this is certainly not the case in the context of this research study. Rather the emphasis is on the complementary strength inherent within each method to produce a real and explanatory account of the research problem. As such this research derives strength from utilising most of these applications to explain the problem in a practical manner and thus yield a competent and satisfactory view of the problem at hand.

The body of research in mixed methods research points to a strong contention of the complementary nature of quantitative and qualitative designs through exhibiting a “focus on the different dimensions of the same phenomenon” (Das 1983, cf. Aramantunga et al. 2002, pp. 23). The greatest benefit of quantitative research is undoubtedly the potential to use deductive logic which enables the researcher to look for “distinguishing characteristics, elemental properties and empirical boundaries” (Nau 1995, cf. Amaratunga et al. 2002 pp. 22) with the tendency to measure the quantity and frequency of non-cognitive or behavioural element of the research. Indeed some researchers such as Chalmers (1976) have defined the premises of quantitative research as a type of empiricism on the basis that various theories can be confirmed through application of factual information gained from numbers where meaning is gained purely from what comes to light. Thus an inherent flaw of quantitative
design lies in the inability to uncover underlying meanings and explanations even when they are “valid and reliable” as well as the limitation posed by measuring selected variables “at a specific moment in time” (Amaratunga et al. 2002 pp. 23).

On the other hand, Kaplan & Maxwell (1995) state that one of the main benefits of any qualitative research is that it allows the researcher to examine the dynamics of a process rather than its characteristics. This is useful particularly because the nature of the study often calls for understanding causal processes associated with the topic and thus being able to facilitate action emanating from the findings. Any qualitative study must be able to accommodate flexibility on the basis that the world we inhabit is fluid and ever-changing. As people change their perceptions, attitudes and approaches to doing things, so does the environment within which they operate including the processes studied. It therefore follows that as these changes take place, the study itself must be fluid enough to adapt to accommodate the changes. Additionally the data collected may require testing and retesting as well as to be collected again to satisfy the predominantly inductive and iterative” nature of the qualitative analysis (Kaplan & Shaw 2004, Kaplan & Maxwell 1995).

Thus mixing methods is seen to be justified on the basis of inherent strengths and weaknesses exhibited by each on its own. The main strengths of the mixed methods research is said to derive from the process termed as triangulation which is defined as the ability of the data gained from each method to be confirmed or corroborated to add validity and reliability to data as well as to furnish the empirical evidence gained from quantitative data with deeper explanation into the phenomenon studied through qualitative approach thus adding richness to data. Furthermore linking the methods can also lead to “initiating new lines of thinking through attention to surprises or paradoxes” (Rossman &Wilson 1991).

Whilst triangulation is generally regarded as a valid measurement of comparison of the data produced via different methods which, if resulting in corroboration, proves that accurate measures have been used to measure the data, there are broader meanings attached to this epistemological claim (Moran-Ellis et al. 2006). The nature of the claim thus moves away from the validity of the findings as such to being “engaged with the multiplex, contingent nature of the social world” (Fielding & Fielding 1984, cf. Moran-Ellis et al. 2006, pp. 49) which effectively bridges the various challenges faced by convergence and divergence of findings produced by different methods. Additionally some researchers opt to steer clear of triangulation concept altogether and tend to focus on technical rather than epistemological
construct so that differences in different paradigms are disregarded and the emphasis is instead shifted to non-exclusivity of either paradigm (Bryman 1988, Greene et al. 1989, Tashakkori & Teddlie 2003).

Extrapolating further on the notion of technical construct in application to mixed methods research strategy, Greene et al. (1989) defined three additional uses which steer clear of triangulation. One use involves the practice of one method appraising the design of another method, where the latter method is seen as the more compelling method for answering the research questions. Another use focuses on different perspectives lending depth to data generated and yet another on combining multiple concepts in one single project. Thus the term triangulation is used predominantly to indicate the use of multiple methods rather than as an epistemological claim.

Following this line of argument Creswell et al. (2003) identified four main areas of consideration when categorising mixed methods research. In the first instance the type of implementation process must be considered as well as decision of which methodological approach gains priority. Furthermore the stage of data integration must be considered and finally which theoretical perspective is best suited to interpret the research findings. Following this process led Creswell et al. (2003) into proposing six types of different mixed method designs which were later revised to four for ease of interpretation by Creswell & Plano Clark (2007).

Deducing even further Moran-Ellis et al. (2006) suggest several different ways of integrating mixed methods research based on the timing of integration of findings where the concept of integration is defined as “a relationship among objects that are essentially different to each other when separate but which comprise a coherent whole when they are brought together” and “work synergistically to produce a whole that is greater than the sum of its parts” (Moran-Ellis et al. 2006, pp. 50). Greene (2007) on the other hand suggested categorisation of mixed method designs into component and integrated designs.

Taking into account various types of mixed methods designs explained in the body of literature reviewed in association with mixed methods research, the researcher believes that the most effective way to interpret this research whilst bearing in mind the intended outcome of the study is by adopting a mix of typologies. To this effect this research study follows the sequential – exploratory design proposed by Creswell et al. (2003) in the first instance. In this typology the two strands of design occur chronologically, that is, quantitative design precedes
the qualitative design. In essence the findings from the first strand (QUAN) lead to the conceptualisation of the design for the next (QUAL) where the second strand serves as an instrument for provision of further explanation for its findings (Tashakkori & Teddlie 2009). Creswell et al. (2003) elaborate further that the variants in this typology are thus based on follow-up explanations and respondent selection.

Following the Moran-Ellis et al. (2006) typology classification based on integration the findings from the two datasets (QUAN+QUAL) are then integrated into one explanatory framework which in the case of this research study is an alternative business modelling framework for the franchised organisations. Each method is thus analysed within each own context and the findings are brought together at the point of theoretical integration.

### 3.2 Instruments of Research Design

Quantitative research is deductive in nature and thus highly suited to techniques which are associated with “gathering, analysis, interpretation and presentation of numerical information” (Teddlie & Tashakkori 2009, pp. 5). Indeed quantitative research is well versed in correlational type of techniques as data collection instruments as well as experimental, quasi-experimental and survey type techniques. Additionally this type of research is predominantly theoretical and its foundation stems from the current state of knowledge known about the situation or situations under study and it can be either confirmatory or descriptive. In confirmatory research hypotheses are made to formulate a theory and then tested. In descriptive research, on the contrary, potential relationships between defined variables are explored as well as the peculiarities of the situation under study (Teddlie & Tashakkori 2009).

Additionally employing a survey technique adds a systematic edge to data collection. In this technique certain characteristics specific to the phenomenon under study identified through study of literature are predicted vis-à-vis predetermined questions which are presented within the survey in a pre-selected order. Thus the survey enables the respondents to use “self-report to express their attitudes, beliefs, and feelings toward a topic of interest” (Teddlie & Tashakkori 2009, pp. 232)

The nature of the phenomenon under study in this research is thus well suited to the survey technique. This enables the gathering of necessary data to illustrate the organisational strategies employed by different organisational forms which sets the foundations for theory building whilst adopting a descriptive angle on the basis that it revolves around exploring the
correlational nature of real estate organisational forms. It is also highly exploratory in the sense that it is designed to highlight the convergences and divergences in the operational structures and capabilities exhibited by different organisational forms. To this effect when testing the correlation between franchised and non-franchised organisations in terms of their growth strategy, if the relationship is positive and strong that is as close to 1 as possible, it can be concluded that as the number of organisational forms increase, so does the number of growth strategies employed.

The survey design for this study predominantly includes close-ended questions as these ensure easier collection and analysis. The questions are arranged in a manner which facilitates the respondent’s response in a Likert Scale format. In this type of response format the respondents’ responses are measured on assessment of their level of agreement or disagreement, satisfaction or dissatisfaction, or significance or insignificance regarding a particular item under analysis. For example if a question is aimed at finding out the significance on a scale of 1 to 7 regarding the value of the brand, response of 1 signifies no significance whilst a response of 7 signifies high significance, with responses of 2-6 signifying anything between some degree of significance to relatively high significance. In essence it can be summarised that the survey is an instrument of data gathering which facilitates statistical analysis in a descriptive manner.

Qualitative research on the other hand is inductive in nature and it is grounded in formulation of thematic strategies in a contextualising manner. It is due to the inductive qualities found in the qualitative research that the evaluative method adopted in phase 2 of the research is a case study approach (Kaplan & Maxwell 1999). This approach is highly complementary to this study as case study design builds on the narrative by shifting the focus horizontally to include the individual (or in this instance an organisation) as well as the issues associated with the individual chosen to understand the issue. Creswell et al. (2007) states that adopting a case study design within the qualitative frame allows for the researcher to develop in-depth and descriptive questions in order to develop an understanding into how each case provides an insight into a specific and unique situation. This forms the foundation for adoption of multiple-case study platform where multiple cases are selected to illustrate issues with a view to show different perspectives on the same issue (Stake 1995).

The application of case study approaches to this research is vital. In the first instance, it builds on previous body of knowledge furnished by findings from qualitative research
conducted by the researcher. It achieves this by shifting the focus away from the individual perspective based on personal perceptions and experiences of key real estate stakeholders to addressing the organisational perspective. Adopting this focus is envisaged to produce a much needed insight into the franchising phenomenon within the Australian real estate industry sector. In essence the scope of this study involves relaying business experiences in an organisational context whereby the human participants serve more as instruments for expressing information adopted by their respective organisations.

Secondly, applying data derived from multiple sources enables the researcher to be able to rely on contextualising the findings emanating from the participants where each participant represents a specifically defined organisational structure in order to find the “truth value” of the research. These two factors are bound together by a common thread based on a certain set of parameters and performing a set group of tasks within the real estate industry (Rossman & Rallis 1998). It is through this approach that the researcher hopes to shed light on how franchising strategies are viewed from the organisational perspective arising from distinct but nevertheless closely related operational sections of the industry.

Combining the two techniques within a mixed method design thus involves a specific type of integrative framework so that data gained can be consolidated successfully within a defined conceptual scheme. In this study the quantitative and qualitative approaches are sequentially analysed rather than in parallel as this approach is likely to add richness and substance to the phenomenon under study.

3.3 Sampling Strategy, Data Collection and Analysis
The design of the study incorporates collection of data from two distinct sources which are divided into two separate yet mutually dependent phases of the research. Phase one of data collection serves a dual purpose. In the first instance it explains the nuances employed by the Australian real estate organisations and in the second instance, it establishes the complementary relationship between distinct types of business modelling inherent within the real estate context of operations. Phase two builds on this by delving deeper into the operational aspects emerging as the main operational themes and thus establishes a rich account of how the Australian organisations operate. This phase of data collection carries the onerous responsibility of uncovering operational aspects which can benefit franchised operations so that the franchise business model can be sustained into the future.
3.3.1 Quantitative Study: Phase One – Survey
The study commences with the application of a carefully constructed survey as an initial source of data collection. The survey’s function is twofold; in the first instance it serves as an instrument for collecting general operational knowledge about the real estate organisations within the Australian real estate sector with a specific intent to show whether there is an existence of a relationship between the franchised and non-franchised organisational models. Secondly by focusing on the areas of highest interest within the operational scope as highlighted by previous research it highlights key information pertinent to operational strategy. Its overall aim is therefore to provide the basis for uncovering valuable operational information which can be used to formulate an alternative framework for business modelling for franchised real estate organisations.

The survey is designed to cover three distinct sections. Summary of questions contained within each section is exhibited in Table 5.

Table 5 – Summary of Survey Questions

<table>
<thead>
<tr>
<th>SECTION 1</th>
<th>GENERAL INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM</td>
<td>To describe the participant/respondent organisation and the individual representing the organisation</td>
</tr>
<tr>
<td>Type of Questions</td>
<td>Multiple Choice questions</td>
</tr>
<tr>
<td>Summary of Questions Type of Organisation eg. Franchise/Co-operative/Independent</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Network Type eg. National/Multi-National/Statewide/Local</td>
</tr>
<tr>
<td></td>
<td>Representative individual's role within the organisation eg. Franchisor/Licenser Franchisee/Licensee/Independent Director/CEO etc</td>
</tr>
<tr>
<td></td>
<td>Location of the organisation eg. Vic/SA etc</td>
</tr>
<tr>
<td></td>
<td>Number of offices in the organisational network</td>
</tr>
<tr>
<td></td>
<td>Number of people employed across the organisation</td>
</tr>
<tr>
<td></td>
<td>Organisation’s annual turnover (optional)</td>
</tr>
<tr>
<td></td>
<td>Age of organisation in years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECTION 2</th>
<th>OPERATIONAL STRUCTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIM</td>
<td>To describe the organisational structure</td>
</tr>
<tr>
<td>Type of Questions</td>
<td>Mix of Multiple Choice and Open-Ended questions</td>
</tr>
<tr>
<td>-------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Summary of Questions</td>
<td>Current operational stage eg. Infant/fledgling/adult/beyond adulthood</td>
</tr>
<tr>
<td></td>
<td>Growth strategy eg. Exclusive territories/area development agreements/acquisition and/or merger</td>
</tr>
<tr>
<td></td>
<td>Motivations for involvement in organisation eg. Opportunity to increase wealth</td>
</tr>
<tr>
<td></td>
<td>Ownership structure eg. Franchised units/independent units/mix of both</td>
</tr>
<tr>
<td></td>
<td>Ownership direction eg. Has it changed and if so, how?</td>
</tr>
<tr>
<td></td>
<td>Competitive advantage eg. Training, recruitment etc.</td>
</tr>
<tr>
<td></td>
<td>Organisational values eg. How are these evaluated - by actions/people/situations</td>
</tr>
<tr>
<td></td>
<td>Recruitment of managerial talent eg. Based on ability to perform tasks/past kpi's etc.</td>
</tr>
</tbody>
</table>

**SECTION 3 OPERATIONAL DYNAMICS**

**AIM**
To describe how organisations operate and compete in the market place

<table>
<thead>
<tr>
<th>Type of Questions</th>
<th>Combination of Yes/No, Multiple Choice, Open-Ended and Scalable questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary of Questions</td>
<td>Independent vs Franchised organisation - which is more productive, stable and innovative?</td>
</tr>
<tr>
<td></td>
<td>Independent vs Franchised - which has a greater chance to be a dominating force in the industry?</td>
</tr>
<tr>
<td></td>
<td>Performance of an organisation is a function of what?</td>
</tr>
<tr>
<td></td>
<td>How does the organisation view technological progress?</td>
</tr>
<tr>
<td></td>
<td>What is the response to innovative change?</td>
</tr>
<tr>
<td></td>
<td>Importance of economic changes in operational strategy</td>
</tr>
<tr>
<td></td>
<td>What is the operational strategy reliant on?</td>
</tr>
<tr>
<td></td>
<td>Rate organisation's organic growth</td>
</tr>
<tr>
<td></td>
<td>Rate organisation's structural adjustment</td>
</tr>
<tr>
<td></td>
<td>Rate technological change</td>
</tr>
<tr>
<td></td>
<td>Rate access to resources</td>
</tr>
<tr>
<td></td>
<td>Rate the value of the brand</td>
</tr>
<tr>
<td>Rate operational capabilities</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td></td>
</tr>
<tr>
<td>Rate performance measures</td>
<td></td>
</tr>
<tr>
<td>Rate driving factors for success</td>
<td></td>
</tr>
</tbody>
</table>

Section 1 informs the audience about the respondent organisation and its representative and collects information such as type of organisation, state and/or country of operation, the representative’s position within the organisation, size of the organisation and/or network, number of offices under ownership, number of staff employed across the office or network of offices, annual turnover (optional) and number of years the organisation has been established. This section is particularly important as it tells the researcher the relevance of the organisational representative to the study in hand. As the majority of real estate organisations fall within the small organisational size with only a small percentage regarded as medium sized organisations based on the number of people they employ, majority of the representatives heel from the strategic management positions within the organisations as owners of the businesses. As such they are either franchisors/licensors, franchisees/licensees or independent company directors.

Section 2 covers the respondent organisation’s operational structure and strategy and includes a combination of close-ended and open-ended questions. In particular the emphasis is placed on organisational operational life-cycle stage, growth strategy deployed by the respondent organisation, motivation for involvement in the chosen organisational business model, ownership structure, competitive advantage, recruitment strategy, and management strategy. Close-ended questions incorporate multiple choice type questions whilst open-ended questions serve to allow the respondents to elaborate further on certain close-ended questions if required. Additionally the inclusion of some open-ended questions serves as a diversion to a mostly rigid set of questions where the participants are being given an opportunity to elaborate on what is being asked. This enables the researcher to follow up on unanticipated and potentially valuable information with additional questions, and probe for further explanation in phase two of data collection (Kaplan & Maxwell 1995).

Lastly the third section deals with operational dynamics deployed by the respondent organisations and it incorporates a mix of close-ended questions such as multiple-choice, yes/no, and Likert scale questions. In the first instance the respondents are asked to provide
their thoughts via yes and no answer and optional elaboration on the answer on whether an independent organisation is more stable, productive and innovative as well as whether a franchised organisation has a greater probability of succeeding in becoming a dominating force in the industry. In essence this question serves as a founding question to ascertain the respondents take on their chosen organisational business model. For example a franchised organisation answering that an independent organisation is more stable, productive and innovative indicates that the particular respondent organisation may feel they are correctly placed in their chosen business model.

Furthermore the respondents are examined on how they view technological progress, organisational performance, what is the level of response to innovative change, what is the significance of economic changes in strategy planning and whether the operational strategy relies on accurate assessment of the rate of internal flow of activity. Finally the respondents are directed to rate the identified factors which influence the organisational decision making process in operational sense on the scale of 1 to 7, with 1 being least important to 7 being the most important. These factors are identified as organisational organic growth, organisational structural adjustment and ability to deal with technological change, access to resources, brand value, performance measures, and driving factors for success. Thus the intent of this section is to uncover the organisational basis for operation within their selected market place. A copy of the survey is included in Appendix 1.

Quantitative research generally involves a probability sampling technique where a sample is derived from “selecting a relatively large number of units from a population, or from specific sub-groups or strata of a population, in a random manner where the probability of inclusion for every member of the population is determinable” (Tashakkori & Teddlie 2003a, pp. 713). A probability sample’s objective is to achieve representativeness of the entire population so that an accurate account of the phenomena under study can be declared. Furthermore this is also highly significant for the validity of data produced.

Despite the high desirability of this type of sampling technique for quantitative study, its application to this study is severely limited for several reasons. In the first instance there is a significant lack of statistics in existence which can accurately represent the number of organisations across Australia in terms of their business model structure. As this study is reliant on the operational strategies employed by real estate organisations across their
business modelling structures, the sample can be accurately representative of the entire population only if there is statistical evidence in existence to support this premise. Instead the only statistical evidence in existence emanates from research conducted by IBISWorld and Australian Bureau of Statistics (ABS) where the distinction between the organisational structures is made in terms of either franchised or non-franchised enterprises.

Secondly, the total population of real estate organisations in existence across Australia is vast with some 47,524 establishments (39,280 enterprises) operating across Australia (Ivanov 2015). The majority of these real estate establishments are located predominantly along the eastern seaboard of the country as this is where the population is most concentrated. Theoretically this poses a problem for the achievement of the sample representativeness as the less populated areas cannot evenly contribute to the randomness of the sample. The spread of the enterprises is illustrated in Figure 20. Thus the greatest concentration of real estate enterprises is detected in New South Wales (36.2 per cent) followed by Queensland (26.5 per cent) and then Victoria (20 per cent). Tasmania, Western Australia, South Australia, Australian Capital Territory and Northern Territory combined comprise only 17.3 per cent of real estate enterprises.
Lastly, as this study is focused towards organisational structure and operational dynamics exhibited by real estate enterprises, the strength of the sample is highly reliant on the selection made from an even number of franchised and non-franchised organisations present in the entire population. This does not appear to be the case as illustrated in Table 6. As can be seen the statistics show that there are a far greater number of non-franchised enterprises (35,231) present in the entire population than franchised organisations (4,049) which again poses an issue for achievement of the representativeness of the sample.

<table>
<thead>
<tr>
<th>2014-2015</th>
<th>No of Establishments</th>
<th>No of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchised</td>
<td>26,137</td>
<td>4,049</td>
</tr>
<tr>
<td>Non-Franchised</td>
<td>21,387</td>
<td>35,231</td>
</tr>
</tbody>
</table>

In order to overcome these issues with representativeness, a purposive sampling technique is employed. Whilst this is traditionally used in qualitative studies, it can be used in quantitative research if the randomness of the sample is impossible to achieve. This is clearly the case in this instance and as such this type of sampling technique is highly suitable. Thus to identify the sample, two key processes are engaged.

In the first instance the most popular real estate business models are determined and this information is acquired from two separate sources. Valuable body of industry knowledge is sought from a specialised industry consultant whose expertise involves providing real estate services.
businesses with business solutions and advice as well as Real Estate Business (REB) which is Australia’s leading news source for real estate agents delivering the latest research on essential market intelligence, latest sales and marketing strategies and informed industry developments. Additionally it provides information regarding top sales offices and agents which is highly useful in terms of furnishing the scarce body of knowledge on real estate industry operations. As the information gained regarding the most popular business models is correlated from the two separate sources assures that the information gained is representative of the industry’s intellectual constitution.

Once the most popular real estate business models are identified the sampling process moves to the next stage which involves identifying the most prominent organisational networks featuring each business model. To attain this piece of significant information, assistance is sought from REB and in particular, the latest ranking data on the top real estate agencies around Australia. This is particularly useful to this study as the ranking report highlights top 50 leading Australian organisations based on the measurement of organisational scale, property management and sales outputs as ranking metrics.

Identification of the organisations forms the second last piece in the puzzle in selection of the suitable sample for phase one of data collection.

To identify the organisational networks most suitable for this study out of the selected 50 organisational networks, 5 organisational networks representing each business model is selected whilst ensuring two essential criteria are satisfied. Firstly, each franchised organisational network must have a geographic presence in every state, and secondly each non-franchised organisational network must belong to a specific organisational business model as identified, for example boutique network, joint venture network, or independent agency network. Following this process further ensures that any potential of bias is mitigated as the number of representative organisational networks is evenly spread out across all states of Australia.

The final step in sample building for phase one is achieved by extending it to organisations belonging to each organisational network. To accomplish this task, the invitation to participate in the study is sent to at least one franchisor/licensor/Managing Director/CEO of each selected organisational network and at least 5 franchisees/licensees/independent organisations belonging to a particular organisational network. This ensures that the final
sample is large enough to adequately furnish the expectation of 20-25 per cent response success. Undertaking this rather extended sampling process ensures that the final sample is representative of the research study objectives as well as the presence of preconceived notion of subjectivity in data obtained is eradicated so that data is able to be interpreted without risk of pre-empting the findings.

3.3.1.1 Pilot Study
In order to reduce any technical difficulties such as ambiguity of the questions and language used the survey is first tested on a sample of select few real estate stakeholders known to the researcher via a pilot study. Each stakeholder is provided with the survey to complete and asked to provide feedback on the level of difficulty, if any, associated with the questions asked or content in general. Suggestions for inclusions, deletions or modifications of questions is highly encouraged as the main aim of the pilot study is to ensure that all study respondents are able to easily understand the content as well as the context of the questions. It bears mention that whilst the feedback acquired from the pilot study stakeholders is instrumental in verifying the survey content, the survey responses collected from the stakeholders are not included in the final dataset due to the presence of subjectivity in stakeholder selection.

The final version of the survey is sent to each selected invitee together with the Participant Information Statement via mail. The Participant Information Statement is included so that each invitee is advised of the scope of the research including its aim as well as their ethical rights regarding participation. Affirmative response to the invitation is deemed to have been received if the Participant Information Statement Acknowledgement section is returned signed within the prescribed time frame specified on the Participant Information Statement.

Whilst this is the preferred method of receiving respondents’ agreement for participation, it does not necessarily follow that all responses are so easily attained. As respondents tend to be busy businesspeople, the response is not often received within the required timeframe which in this instance is 2 weeks. The lack of response can either mean that they are not interested or have simply run out of time to complete the survey. Naturally this lack of response poses a risk to the study so to mitigate the occurrence of liability other forms of communication are used to reach the invitees. For instance if adequate number of responses are not received within the prescribed time frame, invitees are sent an email reminder to
complete the survey once again within a set time frame of a week. In the absence of a signed statement adopting the email approach, it is assumed on the basis of existence of good intentions that the study invitee is still not interested in participation or has encountered time constraints preventing him or her to complete the survey. As such a follow up phone call is made to those who had still not responded a week later to gently prompt and remind.

3.3.1.2 Techniques for Quantitative Data Collection Phase
Survey results are analysed in three separate forms. In the first instance a descriptive statistical analysis is applied to the survey responses to all three sections of the survey so that a comprehensive outline of franchised and non-franchised respondents’ operational structure and strategy can be obtained and any outliers in the findings are highlighted. In the second instance the responses gained from the operational strategy section of the survey concerning factors such as organic growth, structural adjustment and ability to deal with technological change, access to resources, value of the brand, performance measures, and driving factors for success are ranked on a scale of 1 to 7 where 1 being least important to 7 being the most important and used to calculate the Spearman’s correlation coefficient and thus determine if there is a relationship between the franchised and non-franchised organisations in terms of their operational strategy.

The Spearman’s correlation coefficient is “a nonparametric technique for evaluating the degree of linear association or correlation between two independent variables” (Gauthier 2001). It differs from Pearson’s correlation coefficient in that it performs on the ranks of data as opposed to raw data. The main advantage in using the Pearson’s correlation coefficient is that it is not affected by the distribution of the sample and as such it is unresponsive to outliers and it does not set the requirement that the data is collected over different intervals. In addition it is responsive to small sample sizes and relatively easy to apply.

To determine the ranks, each variable is ranked from lowest to highest and the difference between the ranks of each pair of data is recorded. The closer the sum of the square of the difference between ranks is to +1 or -1, the more significant is the positive or negative correlation between the data. Similarly the closer the sum of the square of the difference between ranks is to 0, the less significant is the correlation.

In addition to Spearman’s correlation technique, one-way analysis of variance (ANOVA) is applied to the same sample of results to test for the degree of significance of the two group’s
differences in means as it analyses variation between and within each group. This type of analysis is highly suitable in the instance when the independent variable is defined as having more than one categories and the dependent variable is quantitative (Mertler & Vannatta 2002). For example in the instance where the degree of significance is sought between an independent variable such as organic growth and dependent variable such as size of the organisation, the null hypothesis states ‘franchised and non-franchised organisations follow the same operational strategy regardless of the size of the organisation’. Thus degree of significance ($\alpha = \alpha$) is sought at 5 per cent and 10 per cent significance for each independent variable and dependent variables identified as size of the organisation and operational stage in organisational life-cycle. Thus the aim of the ANOVA analysis is to determine the significance of group differences and highlight areas of where the franchised and non-franchised organisations differ in their operational strategy.

### 3.3.2 Qualitative Study: Phase 2 – Case Study Approach

Where phase one is designed to ascertain the similarities and differences in operational strategies employed by franchised and non-franchised organisational business models, phase two builds on this by probing deeper into emerging areas of interest via an in-depth case study approach.

In a case study the researcher studies an issue or several issues through one or more cases “within a bounded system or context”. This is an analytic approach which involves a detailed description of the case and the setting of the case within the conditions set by the context of the research (Stake 1995, Yin 2003). Here the focus lies primarily on “the issue with the individual case selected to understand the issue” (Creswell et al. 2007). In order to obtain depth of understanding most case study research relies on gaining information from multiple data sources such as interviews, observations, documents and artefacts (Yin 2003, Creswell et al. 2007).

Case study research can be a singular case study or collective or multiple case study (Creswell et al. 2007). Similarly further classification renders the case study intrinsic, instrumental or collective (Stake 1995). In a collective case study the researcher is able to select several cases studies to provide an understanding of a specific issue (Stake 1995) with a view to show different perspectives on the same issue (Yin 2003). Whilst intrinsic case study focuses on the researcher’s interest in the case itself, in the instrumental case study the case tends to have a secondary focus as it primarily serves as a tool to understand the issues studied. It is for this reason that instrumental cases studies are used for extending theory and
generalisation across case studies (Stake 1995). This approach is particularly effective in application to this study where the researcher is aiming to gain knowledge of operational strategies from structurally different real estate organisations.

According to Miles & Huberman (1994) qualitative data analysis aims to understand the topic through searching for “coherence and order”. Its purpose however is to develop an interpretation which will answer the research question and thus shed light on what is happening. This is achieved through an iterative process which starts by developing an initial understanding of the setting and perspectives of the study respondents, which is then tested and modified through cycles of additional data collection and analysis until an adequately coherent interpretation is reached (Miles & Huberman 1994, cf. Kaplan & Maxwell 1995 pp. 41).

Qualitative content can be somewhat daunting to analyse and interpret. It is described as being “dynamic” as the analysis of data is directed towards summarising the information into themes. This dynamism of analysis often resembles a form of chaos and it is for this reason that researchers use a “coding” system. Codes are generated from the data itself as the research naturally unfolds and takes shape and serve the purpose of enabling the researcher to modify the way the data is treated so that new data coming into being can be accommodated (Sandelowski 2000 p. 338).

The ability for the researcher to add a descriptive edge to the research provides a welcome shift away from the empirical rendering of the data as in quantitative analysis. Here the description itself serves as a buffer for the content to be displayed in a multi-dimensional sense where data is discovered, confirmed and then reconfirmed (Miller & Crabtree 1992 cf. Sandelowski 2000 pp.338). This process forms a linear and sequential relationship between different strands of data where description of new strands of information coming into being adds to the richness of data.

3.3.2.1 Techniques for Qualitative Data Collection Phase

Stake (1995) describes case study as having a principal use to describe and interpret the data. The qualitative researcher aims to “discover and portray multiple views of the case” and interview technique is accepted as “the main road to get to multiple realities” (Stake 1995 pp. 64). It is for this reason that the chosen method of the research focuses on acquiring qualitative data from one-on-one semi-structured interviews, each approximately an hour in length maximum. Additionally the interview technique is also chosen on the basis that it
enables the “eliciting of the participants views and experiences in their own terms, rather than to collect data that are simply a choice among pre-established response categories” (Kaplan & Maxwell 2005). This flexibility in manoeuvring through the set questions allows the researcher to elaborate on the question should the participant not understand by rephrasing the question and thus probing further into the issue. The desired effect is to unearth valuable source of information which may have otherwise gone unreported.

The sampling approach in this phase of data collection adopts a purposeful sampling technique where variation in the sample based on the organisational forms allows the researcher to explore the common and unique manifestations of a target phenomenon across a broad range of phenomenally varied cases (Patton 1990, Sandelowski 1995). The adoption of purposeful sampling is essentially “to obtain cases deemed information rich for the purposes of study where the obligation lies with the researcher to defend their sampling strategies as reasonable for their purposes” (Sandelowski 2000, pp. 338).

The sample selection for phase two is dependent on satisfaction of two essential criteria. Firstly they must have participated in phase one of this research project and are agreeable to participate in greater detail in phase two. Secondly, each respondent must be representative of a particular organisational business model identified through phase one of the study. Each selected respondent is invited to participate in the research project via a telephone call from the researcher to arrange a suitable time for the interview to take place. This form of communication is effective for this phase of data collection simply because it saves time on contending with time delays in days spent waiting for a response from an email from those who are not interested in participation. In this manner if a selected respondent is not interested, the researcher is able to move on to the next selected respondent until an affirmative response is obtained. The Participant Information Statement for phase two of data collection is given to the respondents at the commencement of the interview with a description of the research project and what it aims to achieve for the industry.

As the research project encompasses under-researched areas of strategy and operation within the organisational context, the individuals chosen as representatives of each selected organisational business model must satisfy the crucial requirement stipulating that the individual is directly involved in this area of business expertise. This requirement is of the essence in this context to ensure that the requisite knowledge base is present to impart the true account of operational strategy employed by the organisational network and their
organisations selected for the research study. Therefore the individuals must be either franchisors (or licensors in the case of a co-operative network), a franchisee (or a licensee in the case of a co-operative network), or an independent Director in the case of an independent agency. Individuals in these roles are the best equipped to shed knowledge as often it is these people who are the founding members of the organisations and have been privy in many respects to witness the expansion or in some case even contraction of the organisational network they represent and the affiliated organisations within the network.

The nature of the research calls for the study respondents to freely express their organisational strategic and operational slant on their organisational business model. These are necessary in order to obtain the organisational perspective on different factors, internal and external, which directly or indirectly affect the decision making in the strategic decision choice making. For example learning about the lifecycle of the organisation helps to understand the varying levels of influence throughout different stages of organisational development. The initial approach adopted for business development may not always remain the same. An organisation may start off as a franchised operation and throughout its life span strategically change course and become an independent agency thus fulfilling Oxenfeldt & Kelly’s theory (Oxenfeldt & Kelly 1969). It is this shift in the internal development and growth process as well as operational thinking that is at the essence of this research together with strategic decision making in adopting different business modelling.

The questions are essentially borne out of information gained from the survey responses and are summarised in Table 7.

Table 7 – Summary of Interview Questions

<table>
<thead>
<tr>
<th>Themes</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Resource Strategy</td>
<td>1(a) The survey findings show that acquisition and maintenance of resources necessary for operational mobility are of importance to Australian real estate stakeholders.</td>
</tr>
<tr>
<td></td>
<td>1(b) Where do real estate organisations acquire resources from?</td>
</tr>
<tr>
<td></td>
<td>1(c) How does this relate to the notion of “best practice” within the industry?</td>
</tr>
</tbody>
</table>
Each question is purposefully designed to delve deeper into operational strategies adopted by both franchised and non-franchised business operations and potentially shed light on how the franchised model may gain strength as a business model and thus be sustained into the future. Areas of specific interest are cornerstones of organisational growth achieved by each organisational network and its affiliates and incorporate management approach, linkage between operations and innovation and real estate as an industry within a rapidly evolving dynamics of operational capabilities. Summary of themes and contributing factors are outlined in Appendix 6. The main objective of the interviews is therefore to ascertain the relevance of a proposed modelling strategy for franchised organisational forms by the insights provided by the survey responses.

Each interview is conducted at the participating organisation’s office. The interviews are audio-taped, transcribed and then put through a rigorous analysis based on extraction of qualitative themes emanating from the data. The themes are coded in Nvivo software to assist with conceptualisation of emerging strands of business modelling framework. This approach to data collection leads to developing an analytical strategy involving identification of key themes within each case followed by looking for common themes transcending the cases studied and thus adopting an approach favoured by Yin (2003). Furthermore this enables the researcher to interpret the meaning of each case and thus enables each case study to end by outlining a broad interpretation of what was learned or highlighted through the analysis (Guba 1985).
3.4 Issues of Data Reliability and Validity
This study is grounded in a mixed methods design and thus the overall data quality can be assessed in terms of the reliability and validity of quantitative and qualitative data as separate adjuncts to the same study. Therefore for the purpose of explaining the validity and reliability of data gained from this study, each is explored in its own right. As the two strands of data are interrelated by way of quantitative strand building onto the qualitative strand it can be recommended that there is convergence between the two strands of data for the main variables or themes. Thus the assumption can be made that the overall reliability and validity of data is indeed inferentially high.

3.4.1 Quantitative Research

3.4.1.1 Data Reliability
In essence the data obtained from quantitative strand is gained from pre-determined elements of information extracted from the extant body of literature and analysed via adoption of a pre-determined scale. Thus the quantitative data is merely used to furnish the study with knowledge of inherent similarities and differences in operational strategies adopted by franchised and non-franchised organisations so that a convergence in operational strategies between franchised and non-franchised organisational business models can be established.

3.4.1.2 Content Validity
In quantitative research the emphasis is placed on achieving validity of data. In essence a research study requires a consideration of two main factors; is what is being studied is actually being measured as opposed to something else and what is the accuracy and consistency of such measurement. Thus to determine measurement validity of the quantitative research applicable to this study, pilot study is conducted on a select few real estate professionals. As the nature of the quantitative element applicable to this research is regarded as being highly specialised on account of relatively sensitive information pertaining to operational strategies forming element of inquiry, it is crucial that the information captured via a survey instrument is actually representative of what is in fact being asked.

To this effect the questions require thorough analysis by those who are considered to be in the “know” such as industry experts who are enriched with operational knowledge gained through vast experience in the operational field of real estate as well as longevity of exposure to the industry. The experts used in the pilot study conducted for this research are all representative of the actual phenomenon under study which is operational strategies employed by Australian real estate organisations, each with 30+ years of experience and
spanning several different organisational business models throughout their career. Their responsibility lies not only in providing feedback on the literacy of the survey but more significantly, in ensuring that the questions are representative of the real world. For example when the question asks for agreement on a particular item such as whether the respondent agrees or disagrees with the statement that the performance of an organisation is a function of its own capabilities, the essence of the question is captured succinctly to elicit a non-ambiguous response from the respondent ensuring construct validity.

3.4.1.3 Construct Validity

In addition to the survey achieving validity from extant literature on franchising and strategic management, a series of exploratory factor analyses was used to ascertain the degree to which the survey questions indeed measured each of the factors, for example organic growth, structural adjustment, IT, resource capability, success drivers, operational focus, performance measures, and brand value. This process was undertaken in three separate steps. In the first instance correlation analysis was applied to investigate the relationship between the two groups of respondents identified as franchised organisations and non-franchised organisations as against each of the identified factors or variables. In the second instance one way analysis of variance (ANOVA) was applied to test the significance of group differences between two means (Mertler & Vannatta 2002). Lastly one way analysis of variance (ANOVA) was used to test the significance of group differences against dependent variables such as operational stage in organisational life-cycle and size of the organisational network. By applying these analyses the researcher was able to show that there is a significant positive relationship
between the two groups of respondents as well as highlight the factors or variables in which the two groups significantly vary. Additionally the researcher was able to show that the significance in which the two groups vary is further accentuated by the dependent variables. Thus by being able to apply two separate factor analyses the researcher was able to illustrate high reliability in variables or factors to measure the same construct which rendered the survey instrument valid.

3.4.1.4 External Validity
As stated previously, the survey instrument was carefully assembled from the theories emanating from the extant literature and piloted for accuracy, practical knowledge transference, and ease of understanding with a select few experienced industry stakeholders known to the researcher. Thus the survey instrument achieved external validity.

Despite achieving external validity the survey instrument also highlighted three important threats to external validity. The first identified threat concerned the receipt of adequate number of responses to be able to draw significant conclusions from the findings. Thus lack of adequate responses could potentially be perceived as not being representative of the wider population and hence fail in providing an outcome which offers an understanding of the franchised and non-franchised respondents which is both true of the context and time. To this end having received a typical response rate of 20 per cent surmounted this hurdle.

Second threat involved the general accuracy of the responses provided by the respondents. The willingness or unwillingness of the respondents to provide candid answers lie solely with the respondents and as such represents an unknown factor. As this issue is likely to be present in any study, and so there must be an element of acceptance present to acknowledge the accuracy of the responses at the time of the data collection.

Lastly, and perhaps the strongest threat to external validity, manifests itself in the interpretation of the results culminating in drawing inaccurate statistical inferences and conclusions. This threat was successfully assuaged by basing drawing of conclusions on similarities and differences between franchised and non-franchised groups of respondents as opposed to different business models as the number of responses from each group was not equally spread across each business model.

3.3.2 Qualitative Research
In qualitative research, the researcher aims to seek descriptive and interpretive validity which aims at addressing the “necessarily subjective nature of data collection and analysis”. As the
main instrument in data collection is the researcher, the subjectivity is therefore necessarily relative to the researcher conducting the study. This is because a researcher holds her/his own set of beliefs which may or may not lead to a different interpretation of the same set of data (Maxwell 1992, Kaplan & Maxwell 1995). The presence of the “interpretive” factor in data analysis is seen as lending a somewhat dubious and weak overtone to the reliability of the data, which is eradicated when the data obtained is produced in an objective sense as is the case in quantitative research where emphasis is placed on predominantly empirical data.

It is interesting to note that whilst reliability of data is questionable in the qualitative research, it is the emphasis on interpretation that in fact lends high level of validity to this type of data due to closer attention being paid to meaning, context and process. This ensures that the researcher stays close to the data and is thus less likely to ask wrong questions or overlook or exclude important data (Kirk & Miller 1986, cf. Kaplan & Maxwell 1995 p. 44). Nevertheless for the data to be interpreted in a clear and transparent way, Stiles (1993) suggests that certain standards of validity must be adopted by the researcher to ensure that the interpretation of data is “trustworthy”. There are several ways and means of achieving trustworthiness of data interpretation and Stiles (1993) describes these as “triangulation or convergence across different data sources, apparent coherence of the interpretation, uncovering, or self-evidential quality for the reader, testimonial validity (participant feedback) evidence of the usefulness of the interpretation for fostering change in participants, consensus among researchers, and evidence that the research has changed how the researcher thinks about the phenomenon” (cf. Elliott et al. 1999, pp. 219).

Additionally employing tactics such as providing credibility checks for checking the credibility of important pre-determined and emerging themes by triangulation with external factors such as outcome or recovery and/or quantitative data is an established way for achieving validity (Elliott et al. 1999). Jick (1983) further claims that increasing the sources of data input streams enables the researcher to perform cross-validation. This produces more robust results which have the desired effect of strengthening the credibility of the data especially when the data obtained is convergent. Similarly when the data obtained is divergent then the researcher must seek an explanation to account for the divergence.

In application to this study there are several factors impinging on the validity and reliability of the qualitative data issues that must be identified and addressed. As previously stated the reliability of data is reliant on the researcher’s interpretation hence the objectivity factor may
be difficult to achieve due to the presence of flexibility of interpretation borne out of presence of subjective judgement emanating from relying on the individual input on behalf of the organisation. This may contribute to the argument that the research may have issues with validity which is frequently argued about the nature of qualitative research. Regardless the researcher feels that the validity of the study is exceptionally strong on the basis that it successfully manages to achieve counterbalancing of the reliability as the researcher is able to focus on paying close attention to meaning and process. This in turn can lead to eliminating risks present in presenting the data by neglecting to include important data and using the insight gained from personal knowledge (Kaplan & Maxwell 2005).

In this instance the validity is addressed by the researcher collecting the data from multiple sources including survey responses from a wider sample tested on the select few as a “pilot” study before release to the chosen sample and semi-structured interviews with the smaller sample chosen from the wider sample used for the survey. Coupled with the researcher’s experience in the field of real estate franchising and exposure in the industry, this enables the researcher to stay close to the data and its context and thus follow a process of cross-validation. By identifying convergent and divergent data against carefully composed questions based on themes illuminated by the extensive literature review satisfies any issues associated with internal validity. Furthermore as the data is drawn from reputable real estate organisations which subscribe to the membership of the real estate industry governing body in their respective state, external validity is assured as well.

Whilst external validity may be somewhat compromised by relying on a relatively small sample, Strauss & Corbin (1998) suggest that the emphasis should not be on the sample size. Rather they claim that the size of the sample becomes adequate when the outcomes become repetitive. The researcher believes that this information saturation point is achieved with the initial sample. Furthermore it is the researcher’s aim to ensure that the sample of participants is not limited to a pre-conceived data set but is indeed representative of the wide cross-section of larger pool of real estate participants to avoid bias (Elliott et al. 1999).

To achieve reliability the case study approach in phase two builds on evidence from the survey. Furthermore the researcher’s focus is on obtaining data pertaining to operational and strategic capabilities adopted by real estate organisations under study. This focus drastically reduces the amount of individual input required as the information sought is embedded into the organisational backbone. The individual input is therefore limited to individual
3.4 Issues of Ethics

This research involves collection of both objective and subjective data gained from human subjects based on their professional knowledge obtained through their industry experience and involvement within their organisation. It is therefore an implied expectation of the research participants that any data obtained from them fully respects their professional standing within their organisation and the industry as a whole at all times. Similarly it is an expectation of RMIT University that all researchers follow the strict guidelines pertaining to obtaining information from human subjects and in particular respecting anonymity of the participants and confidentiality of any information they have deemed to disclose during the course of the data collection process.

As the research is aimed predominantly towards gaining a broad understanding based on organisational operational and strategic capabilities illuminated by the extensive literature review with limited individual input, the research is classified as low risk however still required express written consent to be obtained from the relevant University authority governing ethical considerations based on study of human subjects. The researcher sought and obtained ethical approval from the RMIT’s College Human Ethics Advisory Network (CHEAN) by lodging an application detailing research question, executive summary of the research project, research aim and significance, research design and research methodology.

The researcher was asked to demonstrate every intention to obtain informed consent from the subjects chosen for the study. This is based on each subject having the basis for the instrument of data collection explained to them in detail before the commencement of the data collection as well as the right to withdraw from the participation at any time without any prejudice. It is the researcher’s role to ensure that all human subjects are protected from harm and discomfort at all times as well as to ensure that information obtained from the subjects is treated experimentally. The researcher additionally must ensure that all participants are provided with the results gained from the study afterwards (CliffsNotes.com 2012 Ethical Considerations). The ethics approval was granted on 2nd May 2014 and can be viewed in Appendix 2.

The study involves collection of data from two separate sources – a survey and interviews. The most efficient way of collecting data from an interview for analysis is via audio
recording and as such it is an essential requirement of the ethics application that the researcher ensured all audio transcripts and voice recordings of the interviews were stored on a backed-up and secure server with the researcher having the only access. Additionally the voice recordings were deleted off the voice recorder as soon as the transcripts were completed as an extra precaution to ensure confidentiality. Similarly personal information divulged via the survey was stored on a backed up and secure server. These precautionary actions were adopted to ensure the protection and confidentiality of the interviewees and any sensitive information they may have divulged as a matter of course during the interview to illustrate or highlight their organisational operational and strategic capabilities.

Whilst all due care and diligence has been taken to ensure the data collated reflect a true and accurate account of subjects’ interpretation of organisational operational strategies, there is the ever present risk arising out of adoption of qualitative research based on the reliance of the researcher’s interpretation of the data gathered thus rendering the interview as lacking in neutrality (Fontana & Frey 2005). The researcher thus minimised this risk by ensuring that each participant understood the scope of the risk at the onset of the data collection process.

Additionally every research carries with it the risk associated with the nature of the content. Whilst the researcher has taken every precaution to ensure the information and data included in this study are credible and form an interesting platform of study for the real estate industry, there will always be a residual risk present of certain information gathered and published not necessarily appealing to the audience. The researcher has therefore ensured that emphasis is placed on the study as being exploratory in nature which minimises the extent of unwelcome reception amongst the industry. Additionally the researcher has taken all care and diligence that the scope of the research has at all times remained within the boundaries of all relevant laws and legislation pertaining to the real estate and franchising industries.
CHAPTER 4: STAKEHOLDER SURVEY
4.0 Introduction

The sample of survey respondents in this initial phase of data collection is derived from the real estate establishments predominantly located on the eastern seaboard of Australia, namely Victoria, New South Wales, Queensland as well as Western Australia, which is starting to gain momentum in the real estate industry. The sample origin is consistent with Australia’s heaviest population and industry production areas outlined in the report produced by IBISWorld (2012, 2015). Out of some 47,524 real estate establishments (39,280 enterprises) currently in operation in Australia, in percentage terms this equates to 19.8 per cent operating in Victoria, 35.6 per cent in New South Wales, 27.1 per cent in Queensland, and 8.8 per cent in Western Australia. In terms of revenue, these establishments yield in excess of A$9.9 billion annually, with profit of A$1.2 billion and generating wages expense of A$4.2 billion (IBISWorld 2015a).

Having a relatively large pool of real estate establishments to select a fair and reasonable sample to represent the Australian real estate organisational structures proved to be one of the major challenges at the onset of data collection. Initially, the inequality in the distribution of the number of establishments throughout the country with states such as South Australia, Australian Capital Territory (ACT), Northern Territory (NT) and Tasmania accounting for just 17.3 per cent in combined total of establishments due to low population and industry production presented as an issue. Additionally subsequent research into the Australian real estate industry sector revealed that the top organisations in the industry are indeed located in the areas of highest population. As such, there was no alternative other than to reach out to a higher number of real estate organisations in those heavier populated areas where the level of activity is more likely to yield a solid response required for collation of the initial data.

Greater clarity on this subject thus came from an industry source whose expertise is in real estate business consultancy as well as a selection of recent industry reports collated by Real Estate Business (REB). As an acclaimed website for delivering news and information for Australian residential real estate industry, it specialises in compiling rankings and special reports which provide useful industry statistics based on activity produced by residential real estate establishments found in operation across Australia. Specifically rankings on real estate industry’s top 50 leading organisations proved to be a logical starting point when selecting the sample. The rankings are compiled using key areas of a real estate business such as scale, property management and sales output as ranking metrics to determine the leaders in the industry, with the latter two areas also including an additional metric predominantly focused
on efficiency of the organisation. Additionally the report highlighted the most common business models adopted by the real estate organisations present within the industry. This was of specific interest to this research as both sources contributed two key elements towards this study, namely names of the leading Australian real estate organisations as well as the business models adopted by the industry stakeholders.

These sources of invaluable information thus proved to be instrumental in this initial stage of data collection. Secondly the timeliness of the response to the survey presented another hurdle. Initially the survey was posted out and it was found that the majority of the respondents failed to respond in the requisite time. Additionally the level of response was relatively low resulting in having to widen the respondents’ sample. This was done by including additional units under operation from each leading organisation in the sample. Thus in order to achieve the necessary number of responses deemed to be essential to achieve fair and reasonable response to produce an objective set of data i.e. 20-25 per cent, respondents were also contacted via telephone to complete the survey, whilst others were sought out through industry network and personal connections.

The final sample constitutes approximately 20 per cent of the total number of invitations. This is consistent with original expectation of the level of response. The sample of respondents and the corresponding general information regarding each respondent for the stakeholder survey is summarised in Table 8.

Table 8 – Summary of Survey Respondents

<table>
<thead>
<tr>
<th>R'dent</th>
<th>Type</th>
<th>Location</th>
<th>R'dent Org Pos'n</th>
<th>Office #</th>
<th>State</th>
<th>Emp #</th>
<th>Revenue $</th>
<th>Org Age</th>
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<td>11-20</td>
</tr>
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<td>Fsee</td>
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<td>VIC</td>
<td>11-50 emp</td>
<td>5.01-10 mil</td>
<td>5-10</td>
</tr>
<tr>
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<td>21-35</td>
</tr>
<tr>
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<td>MD</td>
<td>SU</td>
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<td>10.1-20 mil</td>
<td>21-35</td>
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<tr>
<td>5</td>
<td>B</td>
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<td>COO</td>
<td>MU</td>
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<td>101-200 emp</td>
<td>&gt;20 mil</td>
<td>5-10</td>
</tr>
<tr>
<td>6</td>
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<td>Fsee</td>
<td>SU</td>
<td>NSW</td>
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<td>36</td>
</tr>
<tr>
<td>9</td>
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<td>CEO</td>
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<td>5-10</td>
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</tbody>
</table>
As previously stated, the sample of respondents is derived from dominant business models found in operation in the Australian real estate industry sector. In the first instance these are defined broadly as franchised and non-franchised groups and explained in detail in Chapter 1.

The responses are derived from a representative selected by each organisational business model on the basis of their direct involvement within the organisation and the high level of exposure to the operational strategies adopted by their respective organisation. As such organisational representatives chosen by each organisation are the main stakeholders of each organisation; franchisors/franchisees from a franchise, licensors/licensees from a cooperative organisation, and managing directors/principals/chief executive officers (CEO)/chief operational officer.

<table>
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<td>Cooperative</td>
<td>F'see – Franchise</td>
</tr>
<tr>
<td>B</td>
<td>Boutique</td>
<td>F’sor – Franchisor</td>
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<td>Joint Venture</td>
<td>L’see - Licensee</td>
</tr>
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<td>Independent Agency Network</td>
<td>MD – Managing Director</td>
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<td>MU</td>
<td>Multi Unit</td>
<td>CEO/COO – Chief Executive Officer/Chief Operational Officer</td>
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</table>
operational officers (COO) from all non-franchised organisations. The sample consists of 10 per cent of small organisations employing less than 10 employees, 63 per cent of medium organisations employing between 10 and 100 employees, and 27 per cent of large organisations employing on average up to 200 employees according to Australian Small Business Key Statistics (2011). More than half of the respondent organisations i.e. 56 per cent are established in their market place having been in operation on the average between 11 and 35 years, whilst 20 per cent exceed 36 years in operation and 24 per cent less than 10 years in operation. Whilst not all respondents divulged their annual turnover, based on the given responses the respondent organisations have a turnover of anywhere between A$5-20 million. Furthermore 60 per cent of respondent organisations occupy the market share through multiple unit structures.

The survey consists of three distinct parts, each designed to glean an insight into the operational strategy employed by each business model, whether franchised or non-franchised. The first part provides a snapshot of the respondent which is included in this introduction. The second part provides an insight into the drivers of operational structure adopted by the selected respondents, and finally the third part delves deeper into the operational dynamics at play.

The responses from the survey are disseminated in several ways. Initially the respondents are grouped according to whether they are classified as either franchised or non-franchised organisations. Franchised organisations include franchise networks and cooperative networks under their umbrella. Non-franchised organisations on the other hand span three main business models adopted by the independents, namely boutique agency networks, independent agency networks and joint venture agency networks. This allows for provision of a simple analysis between the two entities with respect to ascertaining if there are inherent similarities and/or differences between the franchised and non-franchised groups of organisations as well as to show if there are areas of operational strategy which are more prevalent in one group as opposed to the other. Secondly responses from part 3 of the survey (where the response scale is a Likert scale) are analysed via Spearman’s Coefficient analysis to show the presence or not of a relationship between the franchised and non-franchised business models with respect to operational dynamics. Lastly responses from part 3 of the survey are further subjected to mean comparison test by employing ANOVA single factor analysis to further delve into the operational dynamics exhibited by both organisational types.
The rationale behind employing several distinct manners of data dissemination is based on the role of the survey within the study. As the survey is an instrument of gathering preliminary data only, its main aim is thus to obtain data pertinent to similarities in operational strategy as well as structural components exhibited by each business model. Furthermore as the responses are gathered from planned questions emanating from previous extant literature on real estate franchises, disseminating data in this way is seen to provide a wider and richer source of information which can be utilised to potentially uncover key themes pertinent to Australian real estate industry stakeholders.

It is envisaged that these findings will significantly contribute to this research by establishing a positive relationship between franchised and non-franchised organisational forms by highlighting inherent similarities in their operational structure and strategy. Additionally the survey findings are instrumental in highlighting key strategic areas exhibited by the Australian franchised and non-franchised real estate organisations so that these can be explored in greater detail in the second phase of data collection.

4.1 Survey Findings
4.1.1 Descriptive Analysis
4.1.1.1 Operational Structure
The survey responses reveal that the respondent organisations from both franchised and non-franchised groups are in a relatively similar life cycle stage with the majority of respondent organisations being in the beyond adulthood stage and running an established venture.

Establishing the stage in the life cycle of respondent organisations was important from the research perspective for two main reasons. Firstly it highlights the presence of different stages of organisational development within the industry, and more importantly, it provides a basis for ascertaining whether there is a link between operational strategy and stage in life-cycle. Furthermore gaining an insight into operational aspects pertaining to organisations which are still in the early to mid-stages of life cycle provides an excellent source of information for research in strategic business modelling.

Moreover it shows that there is new activity arising within the industry which confirms findings produced in IBISWorld (2015a) that the industry sentiment remains relatively strong despite industry life cycle being in the declining stage. To this effect, IBISWorld (2015b) states that the declining stage is predominantly due to the industry’s shrinking economic
contribution in comparison to Australia’s growing economy. Furthermore whilst Australia’s economy is forecast to grow, the industry is said to be set to face increased competition from online real estate services which can have a negative effect on reducing the volume of real estate transactions and thus can result in slower demand for industry services (IBISWorld 2015a, 2015b). Thus defining organisational life-cycle is representative of the stages of growth an organisation passes through its lifetime relative to the industry and thus forms an important part of operational strategy adopted by organisations for growth and expansion of their operations.

The survey responses indicate that Australian franchised organisations in general follow most growth strategies adopted by the franchises as the extant literature suggests. To this effect, franchised organisations are contended to essentially emulate the same growth process as a small business enterprise as proposed by Churchill & Lewis (1983) where small business practice is the accepted business norm and widely adopted by the non-franchised organisations within the real estate industry. Furthermore growth strategies such as adoption of exclusive territories, conversion franchising, area development agreement and multiple franchise concepts are defined as most commonly adopted growth strategies for the franchised organisations (Kaufmann 1992, Kaufmann & Kim 1993, 1995, Frazer & Weaven 2003). Additionally multi-unit franchising is encouraged amongst franchises as a viable growth strategy within the Australian real estate industry sector (Frazer & Weaven 2003).

Thus the most common growth strategy adopted by the surveyed franchised organisations is shown to be exclusive territories with 50 per cent of franchised respondents adopting this strategy for growth as illustrated in Figure 21. Adoption of conversion franchising, area development agreements and multiple franchising concepts, on the other hand, are shown to be less popular amongst the Australian franchised organisations indicating a mere 19 per cent uptake across each strategy. This finding supports research findings conducted by Weaven & Frazer (2003) whereby the researchers showed that adopting an incremental or sequential franchising method as a multi-unit growth strategy did not featured as prominent in Australian real estate franchise industry. Instead the researchers were able to demonstrate that Australian real estate franchisors prefer to adopt a different style of multi-unit franchising growth strategy which principally involves allowing their franchisees to acquire additional units.
In addition, the survey also shows a propensity of these organisations to acquire and merge with other real estate organisations as a growth strategy with 16 per cent of the respondents including this approach in their growth strategy. In addition the survey also shows a presence of some operators using other less conventional approaches of growth to franchised organisations such as natural growth, introduction of other service products as an adjunct to the core services supplied by the organisation such as a finance arm, and extending their catchment areas outside their immediate territories with 19 per cent of respondents attesting to these alternative approaches.

**Figure 21 – Franchised Organisations’ Growth Strategies**

Non-franchised organisations, on the other hand, exhibit a different set of growth strategies and these are illustrated in Figure 22.
As non-franchised organisations, these organisations are not likely to adopt the more traditional franchise growth strategies such as conversion franchising, area development agreements, and multiple franchise concepts. Instead these show the propensity to grow and expand their operations through acquiring or merging with other organisations in the first instance, closely followed by adopting exclusive territories strategy with 36 per cent of non-franchised respondents listing this as a preferred method of expansion, showing a parallel in growth strategy with their franchised counterparts.

Additionally 33 per cent of the surveyed non-franchised organisations also exhibit other measures for expansion of their networks. For instance, the survey results imply that growth is sought by forming business partnerships with other real estate organisations in the manner of joint ventures as well as encouraging natural growth through broadening their farming areas outside of their core area. This discovery is consistent with Flint-Hartle’s findings based on New Zealand real estate franchises and points to a similarity in operational strategy with the New Zealand franchised real estate agency sector (Flint-Hartle 2005).

Formation of joint venture partnerships is not a foreign theme in a franchised business model as suggested by Mak (2015). The difference between franchised and non-franchised versions of joint venture business modelling is basically twofold; which party provides the capital and to what extent is the capital administered. In a franchise model the franchisor relies on franchisees providing the capital for expansion. Thus in order for a franchisor to consider
undertaking a joint venture model, the funding structure essentially changes from being entirely driven by the franchisee to some of the funding being dispensed by the franchisor whereby the franchisors’ funding could take the form of financing a fit out for the franchisee for example or simply in contributing own capital for venture expansion.

It is argued that this is not quite a preferred type of growth strategy for many franchises (DC Strategy 2014b). The main issue with this type of business model is predominantly due to the risk transferral back to the franchisor. In this type of arrangement the franchisor stands to make losses if the franchisee location is not successful or the business model proves to be unprofitable. Additionally there is no great incentive for the franchisee to stay if his/her investment risk in the venture is minimal.

Traditional franchise research philosophy describes the franchised organisations’ approach to joint ventures as a partnership arrangement involving ownership as an essential element in the franchise model where partnership formation is embedded in the essence of a franchise structure (Spinelli et al. 2004). The difference, however, can be explained in how each organisational model approaches the creation of such partnerships. Thus franchised organisations form partnerships of joint ownership where the parties in the interlaced business systems are essentially business partners in a business entity which is larger than the sum of their parts whilst the non-franchised organisations regard the partnerships as an entity in itself (Flint-Hartle 2005).

Similarly it is noted that natural or organic growth does not appear to be as popular a growth strategy for the franchised organisations. Instead the preference of the franchised organisations is to acquire other organisations and apply their brand and systems in order to achieve rapid territorial growth. In turn the franchisees/licensees provide specialist, local knowledge and essentially become the local arm to the global brand, fulfilling the notion of parallelism (Flint-Hartle 2005, Flint-Hartle & de Bruin 2010). Explanation for this lays in the access to capital resources available to franchises as these may not often readily be available to non-franchised organisations. Capital restraints therefore prove to be instrumental in the organic growth adopted by the non-franchised organisations. Exclusivity in territories as a growth strategy is more favoured by the franchised organisations which is synonymous with ready capital availability for the franchised organisations through capital injection from franchisees.
It can be argued from the findings that the tendency for the non-franchised organisations to widen their farming area and thus encourage natural growth can enable these organisations to more readily gain footholds or small positions of the market share in the sought out geographical areas where they do not yet compete (Upson et al. 2012). This is possible to achieve in the current market conditions due to the ready access of available resources to facilitate this strategic move such as presence of online real estate platforms which provide a wealth of information to both the public and real estate operators.

Flint-Hartle (2007) states that the continual presence of change within the real estate industry tends to breed a strong desire for the industry stakeholders to partake in the entrepreneurial activity where the focus is directed towards promoting and encouraging business partnerships as well as teams with a specific purpose to develop and cultivate relationships. Furthermore it is argued that it is the notion of capturing innovative practices which lay at the heart of a successful entrepreneurship and is widely responsible for enabling an organisation to gain and sustain competitive advantage. This is evident in the Australian real estate industry landscape as the survey indicates a fairly strong preference for both franchised and non-franchised organisations to use innovative systems and strategies to create a network with a difference. Figure 23 illustrates this with 50 per cent and 71 per cent respectively of those surveyed indicating this preference.

**Figure 23 – Respondents’ Motivations for Chosen Organisational Network Involvement**
It is clear from the findings that non-franchised organisations display greater propensity to use innovation as a source of competitive advantage which is consistent with the statement made by Price (1997) intimating that innovation, whilst it is a constant in most successful franchises, tends to still remain a very distant relative to the concepts of uniformity and consistency generally more preferred by the franchisors.

Franchised respondents also state growing a valuable asset and increasing competitive advantage through sharing of resources as significant motivational factors driving entrepreneurial activity with 38 per cent of those surveyed attesting to this whilst only 19 per cent of those surveyed cite wealth creation as a motivational factor and only 6 per cent are driven by brand recognition. This is somewhat different to Flint-Hartle’s (2007) findings on the New Zealand franchise sector where it was reported that only 9 per cent of franchisees indicated a preference for growing a valuable asset and 5 per cent for wealth creation, whilst the 30 per cent indicated being driven by brand recognition and support and 25 per cent by working in an organisation and 15 per cent by being invited to franchise.

Non-franchised organisations also show a relatively high propensity to be motivated by increasing the competitive advantage through sharing of resources with 36 per cent of those surveyed indicating this, with further 14 per cent indicating creating an alliance with an independent agency network as a strong motivation to improve business performance through adoption of specific operational methods and systems which ultimately lead to competitive advantage. This is indicative of a strong preference of non-franchised organisations to emulate their franchised counterparts in creating a quasi-franchise environment where resource sharing is strongly encouraged. This is also closely linked to the principle of economies of scale where Stanworth & Curran (1999) argued that access to resources is generally more readily available when the pool is shared and in turn this has the effect of
reducing the agency costs and increasing the sharing potential within the network rather than across the network as suggested by Conner & Prahalad (1996). Additionally only 14% of those surveyed indicate their motivational source comes from wealth creation and growing a valuable asset.

The survey indicates that the respondents from both franchised and non-franchised groups are predominantly derived from a multiple unit ownership structure with 60 per cent stemming from multiple unit structures. Figure 24 illustrates the overall percentage breakdown between multiple and single unit ownership amongst the respondents.

**Figure 24 – Survey Respondents Multiple/Single Unit Structure Breakdown**

<table>
<thead>
<tr>
<th>Franchised vs Non-Franchised</th>
<th>Multiple Unit Structure</th>
<th>Single Unit Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>40%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Disseminating further information gathered from the survey, the analysis shows an even percentage of franchised and non-franchised organisations in the mix. In contrast, single unit structure is more readily evident within the franchised group with 67 per cent of surveyed franchised respondents reflecting this and 33 per cent of the surveyed non-franchised respondents.

Clarification is warranted here as the presence of single unit ownership in both groups is solely attributed to franchisee/licensee/independent owner-operator representatives of respondents where the representatives have answered the question in reference to their personal ownership structure rather than in association with their respective network. The bigger picture is that the networks to which each one of the single unit ownerships belongs are in fact multiple unit networks. The smallest has 15 units under its control and the largest over 780 units across its entire network.

In essence the survey findings point to a greater propensity for franchised organisations to favour a single unit holding within the organisational network despite this being a less preferred option for expansion. The franchisors/licensors instead are more likely to encourage
multi-unit franchising structures as it is the multi-unit franchising arrangement which offers franchisors the greatest potential for expansion as suggested by Weaven & Frazer (2003). The franchisors/licensors thus argue that multi-unit franchising is beneficial to the franchisees/licensees as it allows for greater control over challenges, reduced agency costs and increased profitability through scale of economies (Kaufmann 1990, Bercovitz 2004, Garg et al. 2005).

Investigating level of ownership within the unit level, the survey indicates that there is a greater propensity for co-ownership in the franchised group where the respondent has a co-share in either single or multiple units within the network. In contrast non-franchised group of respondents prefer individual ownership across multiple units giving rise to a boutique structure network, and on a slightly lesser scale, co-ownership of multiple units. Individual ownership of single units is more readily evident across the franchised group of respondents, whilst a mixture of individual and co-ownership within single and multiple units is evident to a higher degree at the franchised level. The breakdown of unit ownership structure as exhibited by the survey respondents is illustrated in Figure 25.

**Figure 25 – Survey Results - Unit Ownership Structure**

![Survey Results - Unit Ownership Structure](image)

**Legend:** SU – Single Unit  
MU - Multiple Unit

The findings reveal that franchised respondents are more likely to endure a change in ownership direction from inception of the organisation to present day operation with 69 per cent of respondents indicating this movement. Table 26 shows that the reasons cited for change in ownership direction by the franchised group include a mixed gamut of diverse
factors used for achieving operational mobility. For instance 20 per cent respondents changed ownership direction out of necessity to obtain market share, whilst 13 per cent indicated constraints in capital resources. Additionally 20 per cent intimated that a change in ownership came about through desire to achieve greater economies of scale as well as to attain greater opportunities to strengthen the brand, and 7 per cent cited acquisition and/or merger with other organisations as a catalyst for ownership redirection. Conversely 27 per cent indicated that the push for ownership direction was due to switching franchises to achieve a more enticing commission structure.

Thus the survey findings show that working towards attaining a position enabling for strong succession planning where the main business owner/operator internally sells down their shareholding in the business to one or more capable business managers also rates as a factor in ownership redirection. This propensity for organisations to include planning for succession as part of their operational strategy is of key significance to the franchised group in particular. This is on the basis that succession planning is argued to be directly related to the growth of the organisation (Hamilton & Tuck 1992) whereby any changes brought about by altering systems in place as well as change in ownership can have negative consequences on growth potential of the organisation (Floyd & Fenwick 1999).

**Figure 26 – Survey Results – Ownership Redirection: Franchised vs Non-Franchised**

On the other hand, non-franchised respondents across all organisational business models surveyed indicate change in ownership direction occurring predominantly through desire to
realise a potential to strengthen the brand (43 per cent) and sustain organisational growth as well as offering the potential for business partnership opportunities to top performing managerial talent within the organisation (57 per cent). Whilst the latter can be argued to be relatively synonymous with succession planning adopted by the franchised group, the non-franchised organisations such as joint venture networks tend to adopt an alternate business structure where the main operator/owner of the organisation enters into a partnership with one or more people with the majority of shares held by the main operator/owner across all units within the network. In this manner, the main owner/operator retains the overall control of all the units within the network whilst at the same time retaining his/her key managerial talent via offering them an ability to step up in their careers and become part business owners. This analogy utilised by the non-franchised organisations is not dissimilar to the franchised organisations whereby the franchised organisations retain their key staff by offering them an opportunity to become franchisees or licensees. Thus it is suggested that becoming a franchisee offers key managerial with a great incentive on the basis of franchising mitigates the industry risk as well as the financial risk (Williams 1998).

Examination of the source of competitive advantage is displayed in Figure 27. It can be seen that 30% of all surveyed non-franchised organisations uniformly across all organisational business models affirm having the ability to access external operational resources from strategic markets such as training regime for example as a key source of competitive advantage.

**Figure 27 – Competitive Advantage**
The notion of attaining resources externally is of particular attraction to the non-franchised group as these generally tend to lack the ability to acquire resources internally through lack of size as is the case with the franchised organisations. Additionally by having the ability to acquire resources externally allows the non-franchised groups to retain their operational independence which is what essentially lies at the core of these independent networks. Furthermore this group also places an equally high significance factor on managerial resources, in particular recruitment and nurturing of the managerial talent (30 per cent) and to a slightly less degree, innovation capital and resource allocation (21 per cent).

The level of activity displayed by the survey findings indicate the propensity of Australian franchised and non-franchised organisations to engage in resource acquisition and resource allocation as sources of competitive advantage. This is highly significant as it is consistent with the notion of value capture and creation as strategic concepts (Wernerfeldt 1984, Roos 2001). The findings thus show a high propensity for the non-franchised organisations to create value through operational strategy. These organisations show the capability to understand the notion that the mere presence of resources is not enough to create value. Rather, true value is created through strategic allocation, dispersion and transformation into other resources which can then be used effectively to gain competitive advantage. Utilising a specific training concept or process, for example, is seen as an effective operational tool as it offers salespeople an opportunity to use the skills taught to improve their performance and targets in listing and selling real estate. Whilst this is an important part of an operational strategy on an individual level, it in itself does not necessarily create value to the organisation. Instead the organisational value is created by transforming the acquired knowledge into a more tangible asset such as creating new and novel value for the customer through provision of service as an example so that the organisation can effectively stand out from their competitors.

Price (1997) suggests that innovation capital is in deference to the traditional notion of franchising as franchising is more readily synonymous with the concepts of uniformity and conformity. This is supported by the survey findings as 13 per cent of surveyed franchised organisations claim to utilise innovation to gain competitive advantage. Instead greater emphasis appears to be placed on recruitment and nurturing of managerial talent to gain competitive advantage and 17 per cent cite brand, market share and presence, reputation of the organisation, production of quality performance and service, and achieving economies of
scale as important sources of competitive advantage thus affirming arguments put forward by Combs et al. (2004).

In contrast, none of the non-franchised organisations cited these factors as sources of competitive advantage indicating a higher prevalence on resource acquisition and allocation and innovation to compete in the market place. From the surveyed non-franchised organisation, it is the independent agency networks and boutique networks which stand out as more likely to use innovation as a strategic operational resource to gain competitive advantage. In contrast, surveyed joint venture networks show a slight preference for acquiring and merging with other organisations as a potential source of competitive advantage which is also indicated by the franchised organisations surveyed as a preferred source of competitive advantage.

The survey responses reflect a high propensity for both franchised and non-franchised organisations to base their organisational values on evaluating people. This comes as no surprise as real estate is a service based industry and people are featured as the core of operational activity. Thus it is of major importance to real estate organisations to recognise, recruit and nurture quality talent as this is the key to organisational success (Flint-Hartle 2005, 2007).

When recruiting potential talent, both franchised and non-franchised organisations indicate a similarity in their operational strategy and use the same determinants to assess recruitment potential deemed necessary to join their respective organisations. This is illustrated in Figure 28.
Figure 28 – Recruitment Factors Exhibited by the Surveyed Organisations

The survey responses further indicate the propensity for both franchised and non-franchised respondents to use determinants such as ability to perform job tasks, previous performance, and personality type as the most frequently used factors to adequately ascertain employment potential. A small percentage of the surveyed non-franchised organisations further add that cultural fit and attitude also rate highly on their list of requirements, whilst only one franchised respondent out of both groups cited academic qualification as being an important factor in recruitment.

Management strategy adopted by both groups surveyed indicates a readiness to strive to continually explore new directions and systems, as well as to implement effective response to any change involving innovation and new technology. Some 81 per cent of franchised organisations and 86 per cent of non-franchised organisations surveyed state this to be their preferred management strategy. In contrast less than 25 per cent of all organisations across both groups surveyed opt for stability as management strategy. This area is worth exploring further by way of future research directions as it would be advantageous to learn and understand how Australian real estate organisations structure and leverage organisational resources through areas involving scope of the organisation, its position within its life-cycle, and levels of the organisation (Sirmon 2011).

4.1.1.2 Operational Strategy
This section of the survey opens with prompting the respondents to share their respective opinions on whether they feel an independent organisation is more productive, stable and
innovative than a franchised organisation. Additionally feedback is ought from the respondents on their perception of whether a franchised organisation has a greater probability of succeeding in becoming a dominating force in the industry over the independent organisation based on their knowledge of and experience in the real estate industry. The statements are designed to provoke insights from the respondents regarding the structure of their current organisational business model. For example the statements seek to understand whether an organisation with a franchised business model is well matched to its choice of business model and probes for elaboration on the response. Thus in essence the statements aim to uncover any underlying factors, positive and negative which may affect the operational strategy adopted by each respondent organisation.

The findings reveal that the non-franchised organisations appear to be more established in their position within the industry with a unanimous affirmative response towards independent organisations being more stable, productive and innovative in their approach to operational strategy. Those who provided an explanation for their response based their response on the view that an independent organisation possesses a much greater control of their brand and is not reliant on the franchisor for innovation.

It is worth noting that this view seems to indicate the polarity in understanding within the industry stakeholders of the notion of brand control. Typically a franchise has resources to invest in building brand awareness (Flint-Hartle & de Bruin 2007, 2010). To this effect a franchised network is suggested to grow and expand through the strength of their brand and tends to attract potential franchisees on the basis that ownership is enhanced through minimised costs and moral hazard associated with running a business. Non-franchised organisations instead tend to invest resources at hand to build brand awareness through other means such as aligning their brand with the changes occurring in the market place. In the light of this the viewpoint exhibited by the non-franchised respondents indicates a shift away from the traditional beliefs held regarding the franchised benefits and suggests that non-franchised organisations are in the position to control their brand however perhaps through adopting different strategic approaches.

On the other hand franchised organisations appear to display some reservations towards their chosen organisational business model with 36 per cent of the franchised respondents indicating their support for the statement. Reasons given by the franchised respondents in favour of the statement concerning the independent organisations range from adaptability to
change to accountability indicating that an independent organisation has a greater ability to adapt to changes in the market place as it has freedom of operational restraint and thus is not bound by the notion of conformity set at the corporate franchise level. As such it is inherently able to change its operational structure to suit the ever-changing market conditions.

Additionally the non-franchised organisations or independents as they are often referred to within the real estate industry are endowed with a far greater accountability when it comes to running their businesses as opposed to their franchised counterparts. Independents are held wholly responsible for performance of the business which differs from a franchised business where the emphasis is placed on achieving the turnover of sales so that the business can sustain its place within its network and pay the royalty fees set by the franchisor. This finding is rather interesting in the light of the fact that the affirmative responses to this question emanate from the respondent franchisees rather than franchisors indicating possible disenchantment with the constraints placed on the operational freedom.

On the other hand those who indicated their disagreement with this statement, in other words, their opinion is that an independent organisation is not more productive, stable and innovative, indicated so on the basis that a franchise structure is more likely to provide a real estate organisation with an operational strength through enabling access to scarce resources required for operational health as well as economies of scale which minimises the operating costs and discipline across the network which ensures uniformity of the brand and minimises the “rogue office” problem. These arguments indicate consistency with literature on the benefits of franchising as highlighted by numerous research papers on this topic and outlined in the literature review.

Thus the survey findings show that 76 per cent of the respondent franchised organisations are in agreement with the statement which suggests that a franchised organisation has a greater probability of succeeding in becoming a dominating force in the industry. Reasons provided for agreement with this statement are consistent with the traditional benefits associated with the franchised business model. Some respondents explained that a franchise framework is superior to an independent organisation as it provides a structure which enables its affiliated franchisees to have access to an unlimited pool of experience, ready capital, operational know-how, brand control, discipline across the network, networking opportunities, referral business opportunities as well as improved quality service.
In the same manner as is the case with the previous statement regarding the independent organisations, the non-franchised respondent organisations are unanimous in their disagreement of this statement. The reasons given for their preference are predominantly associated with the cost of the franchise fee structure and the level of service provided by the franchisor to its franchisees is often dubious. In fact a few of the non-franchised respondents claim that independents can seek the same level of service, if not better, from an independent agency network for less cost. Additionally lack of quality managerial talent within the franchise framework is expressed as another reason for lack of support of the statement by the non-franchised organisations on the basis that operational independence is explained to be important in aligning managerial skill with adapting to the market conditions.

These viewpoints expressed by the non-franchised respondents are supported by 24 per cent of the franchised respondents who extrapolate further by explaining that operational success is achieved by aligning the organisational business model with market opportunities. They explain that a franchised organisation is not necessarily geared in this manner as it generally lacks operational flexibility and does not encourage independence amongst its franchisees. Additionally franchise costs can present an issue and thus can affect their entrepreneurial capacity.

Extant literature shows a linkage between organisational efficiency based on resource usage and allocation and organizational performance (Anderson et al. 1998, Lewis & Anderson 1999) and productivity (Alvarez & Crespi 2003). Thus the survey attempts to gain an insight into how this linkage is translated into the operational context within the Australian real estate industry. To this effect, the survey is designed to prompt respondents to indicate either a positive or a negative response to a set of three general statements. Each statement is designed specifically to gauge the extent to which each respondent organisation extends its operational strategy to include resource allocation and distribution across different sections of organisational scope of operation. Sections of operational scope are defined in terms of organizational capabilities, organizational position within the context of interaction with external stakeholders such as its customers, suppliers and competitors, and organizational interaction with the industry as a whole. Figure 29 depicts the findings.
The survey findings show that a resounding 100 per cent of all respondents surveyed across both groups claim that the organisation exists predominantly on internal resource allocation and distribution to develop organisational capabilities so that it can sustain its competitive advantage. In contrast, non-franchised organisations are more inclined to outsource resources necessary for organisational ability to deal with its customers, competitors and contractors. As an example non-franchised organisation is less likely to develop internal capabilities to produce a training program for its sales consultants. Instead it is more likely to outsource this as the training program is not economically viable for the size of the organisation. On the other hand, a franchised organisation can sustain such a program internally as it has size and access to resources necessary to produce such a program from a multitude of franchisees. Thus the findings corroborate this argument as 100 per cent of the franchised respondents indicate this to be true.

Similarly, both franchised and non-franchised respondents indicate a relatively low regard for organisational performance as a function of its interaction with the industry. As this statement is aimed at uncovering organisational predisposition to operate within the context of the industry, the low response exhibited by both franchised and non-franchised respondent organisations suggests that organisations do not in general pour resources into the industry as a way of contribution to setting standards within the industry which every organisational form can benefit from. Instead each organisation tends to contribute operational knowledge predominantly within its own realm of operational significance. Additionally this finding may
also suggest that each organisational model surveyed has a tendency to exist within their own set of operating guidelines which allows them to set performance targets expressly based on their immediate market requirements. A franchised operation is thus likely to share its operational knowledge with other franchised organisations more so than with the whole industry as an example.

Moreover the findings further suggest that franchised real estate organisations place a significant emphasis on building and maintaining their own operational strength which is further embellished by their heightened awareness of provision of quality service to their customers and maintaining good relationships with suppliers whilst at the same time ensuring their performance remains relevant to their competitor’s. This reflects a strong tendency towards resource allocation and distribution by these organisations in these directions which may be attributed to increased competition in the market. As is argued by Anderson et al. (1998), the greater the competition in the market, the greater the propensity for the organisation to increase its efficiency. On the other hand, non-franchised organisations surveyed display a lesser tendency to measure their performance and productivity with respect to their suppliers and customers, with 36% of those surveyed indicating this to be of no significance in their strategic decision making when setting operational performance goals.

Delving further into the notion of performance and specifically performance measures adopted by the Australian real estate organisations, the survey findings suggest both franchised and non-franchised organisations follow a similar approach to operational strategy. The findings thus exhibit both organisational forms are attuned to achieving performance by being highly attentive to factors such as quality of output, time to market, customer satisfaction, generation of profit, and productivity measures. This is illustrated in Figure 30.
Innovation is argued to be synonymous with entrepreneurship (Falbe et al. 1998) where entrepreneurship is seen to include partaking in innovative principles such as marketing, new products and services, openness to change, growing fast and beating the competition (Aldrich & Auster 1986, Stopford & Baden-Fuller 1994). Australian real estate organisations appear to produce a high level of entrepreneurial activity based on this pretext as the findings show that adopting innovative principles and practices in operational strategy are highly prioritised featured for both franchised and non-franchised respondent organisations.

To this effect, the vast majority of franchised and non-franchised respondents’ surveyed show a propensity to embrace innovative principles and see it as an important organisational benefit as is illustrated in Figure 31. Upon dissemination of findings it can be concluded that franchised and non-franchised organisations equally show propensity to respond to new ideas and innovative change in a high to moderate manner indicating a high level of organisational tendency to discuss new innovative ideas with their peers so that all pros and cons of the proposed change are analysed before arriving at a decision to proceed or not proceed. This suggests a tendency for organisations to become leaders in the industry by way of exhibiting a fast turnover in the decision making process.
Kogut (1985) explains that business enterprises in general are subject to being affected by many sources of economic volatility such as new government policies, market fluctuations, and new product entries to name a few. He suggests that operational flexibility is required to cope with the underlying effects caused by the risks emanating from changes on a global scale. Furthermore he suggests that organisations whose overall operational strategy includes economies of scale ultimately has the benefit of utilising the advantages provided by such strategy to override the costs attached to the risk. It is thus imperative that adequate management of risk posed by the volatility in the economy forms a part of the operational strategy of a successful business.

Due to a high emphasis placed on the operational strategy adopted by franchised and non-franchised real estate organisations in this study, it is important to seek an understanding of the degree of significance to the Australian real estate industry sector. Thus the survey responses reveal two key findings. In the first instance keeping abreast of the economic changes, understanding market fluctuations, and accurately assessing the effects of new competition flooding the market plays a significant part in the operational strategy adopted by both franchised and non-franchised organisations. Secondly, there is no significant evidence from the findings to suggest that either group of respondents regard changes directly relating to economic fluctuations such as inflation, interest rates, taxation, deregulation laws, legislative policies and industry related policies as having a significant effect on the organisational structural adjustment. This is illustrated in Figure 32.
Whilst the findings suggest that organisational strategy is not necessarily affected by economic changes, the organisational survival relies upon the organisation correctly assessing the effects of economic volatility on the industry as a whole as outlined in the real estate services report compiled by IBISWorld (2015). The effects of the fluctuating market are purported to negatively affect industry growth and revenue. Furthermore Government regulatory restrictions can limit new land supply. These changes can therefore be instrumental in the volume of property sales which in turn affect the revenue stream.

As an adjunct consideration, responses concerning organisational structural adjustment suggest that the real estate industry similarly does seem to consider itself to be affected by changes occurring on the governmental level as illustrated in Figure 33.
The average response from franchised respondent organisations elicits a moderate rating of importance between 4 and 5 on a scale of 1 to 7 for all types of government policies including industry related policies and procedures. However non-franchised respondent organisations attribute low importance for fiscal policies such as taxation and political policies such as superannuation and deregulation laws whilst reflecting the moderate rating exhibited by franchised organisations for other policies. This latter finding is not altogether unexpected on the basis that franchised organisations operate within additional codes of conduct such as the Franchise Code of Conduct and must comply with the franchising regulatory laws. As such any changes occurring within the political scope in particular can have an effect on franchise structure.

An organisation which possesses valuable resources is strategically well placed to operate more efficiently and cost effectively than its competitor according to Montgomery & Collins (2008). Furthermore adopting strategies which are difficult to imitate and cannot be substituted provides an organisation with a competitive advantage over its competitor. Thus organisational value is created by the market forces and their willingness to pay for services or products produced by an organisation (Priem 2001, 2007). As such an organisation’s organic growth may be affected by the changes occurring in the market place. Disseminating responses received from the survey, the findings suggest that franchised and non-franchised respondents equally rate growth specific to their organisation as the most important type of organic growth. Changes directly related to the industry such as legislative changes and
economic state rate a relatively neutral response suggesting that these have some relevance however are not considered to be of any great significance. In a similar manner, international factors such as globalisation appear to be least significant for both groups of respondents. This is illustrated in Figure 34.

**Figure 34 – Organic Growth by Organisational Business Model**

The latter finding belies the information provided in the real estate franchises report compiled by IBISWorld (2012, 2015) which states that the real estate industry overall exhibits low level of globalisation, with relatively low volume of foreign ownership in local real estate organisations specialising in residential real estate as well as Australian industry having a low volume of investment in overseas-based organisations. Indeed, the report states that globalisation is more likely to appear as a factor of potential growth in commercial transactions where the exposure to overseas investors is much greater than in residential transactions.

Resource-based theory is widely accepted within the franchising context as a source of competitive advantage on the basis that it is directly concerned with the organisational propensity to acquire and use resources. The essence of resource-based theory therefore lies in the managerial capability to strive to preserve the competitive advantage by successfully assessing and allocating resources across the organisational scope in line with the organisational operational capabilities as suggested by Combs et al. (2004). Thus managerial, strategic and operational resources are deemed to be essential for the operational survival of an organisation.
The findings relating to organisational resources are extrapolated from the survey responses are illustrated in Figure 35. To this effect it can be seen that franchised and non-franchised organisations are relatively similar in their resource strategy. Financial resources are rated as least important for both franchised and non-franchised organisations and managerial resources as the most important. This suggests that franchised and non-franchised organisations adopt operational strategy focused on engaging good managerial talent to drive the organisational outcomes which provides organisations with the ability to sustain their positions within their marketplaces.

The importance of managerial resource capability is further positively embellished in the context of the value of the brand. All surveyed respondent organisations placed equal significance on having access to good managerial talent as a key to a successful business. Additionally organisational culture, public perception, and positioning of the brand as a reflection of business values rather than personal values and an identity are listed as top requirements of a successful brand in the market place. These findings are illustrated in Figure 36.
In deference to findings regarding the organisational position on the value of the brand, survey responses show that franchised organisations appear to place greater significance on the revenue factor than the non-franchised organisations which implies that the tendency is to drive the accountability of the operator away from overall performance of the business to focusing the accountability to the profit margin. Conversely non-franchised organisations appear to place greater significance on local knowledge and market saturation as well as place a greater importance on monitoring rates of activity within the organisation. This is depicted in Figure 37.

**Figure 36 - Brand Value in Organisational Strategy**

**Figure 37 – Operational Factors**
Furthermore the survey results reveal that the non-franchised organisations are more likely to align their organisation type with the market opportunity rather than rely on the size of the organisational network as is the case with the franchised organisations. Independence and flexibility in an operational sense where innovation and entrepreneurship is not hindered by the restraints placed by the operational structure is more likely to achieve greater productivity and stability.

Franchised and non-franchised respondents appear to equally translate organisational success into a balanced mix of business values, the brand, people, innovative practices and organisational robustness as illustrated in Figure 38. The findings imply that achieving economies of scale as an operational platform rates least important for both franchised and non-franchised respondents. This implies a slight deviation from the traditional notion of economies of scale as an inherent benefit of franchising and is increasingly rendering previously accepted theories about costs incurred by real estate organisations as offset by franchising through economies of scale into decline.

**Figure 38 – Driving Factors for Organisational Success**

![Figure 38](image)

Instead the focus appears to be on tangible factors involving control and flexibility on the operational scale which are not necessarily offered by the franchise structure. The survey responses point to franchised organisations achieving operational control through accumulation of internal resources provided by the sheer size of the network and discipline as a direct result of monitoring ability across the network. On the other hand, non-franchised organisations appear to place a far greater weight on achieving operational control through adaptability to change as a by-product of operational independence. As such non-franchised respondents point to a tendency on non-franchised operational models embracing innovative
changes through new technology and operational systems in the same manner and with the same level of confidence and ability as their franchised counterparts.

Similarly all survey respondents appear to prioritise information technology in their operational strategy. Thus information technology is seen as being innovative (Dewett & Jones 2001) as well as beneficial to the overall efficiency of their respective organisations (Huber 1990, Henderson & Venkataraman 1994). On the average less than 45 per cent of franchised and non-franchised respondents equally regard information technology as a necessary evil to compete in the market place. Similarly less than 30 per cent of those surveyed regard information technology as disruptive to the performance of their respective organisations whilst less than 10 per cent regard information technology as a costly expense with little benefit for organisational efficiency as depicted in Figure 39.

**Figure 39 – Information Technology and Organisational Efficiency**

![Image of Figure 39](image_url)

In the modern era information technology is regarded as a commodity in the same way as labour (Dewett & Jones 2001). Organisations are thus reliant on its significant potential application across different areas of operations. It is further suggested that implementation of new information technology requires an organisation to undergo change and in order to do so an organisation must have access to resources essential for developing organisational capability to implement change management (McGuinness & Morgan 2005).

To this effect, the survey responses indicate moderate interest in both information technology of today and information technology of tomorrow. This is illustrated in Figure 40.
Current Information technology concerns the use of high speed internet, marketing tools such as 3 dimensional online property advertising, smart phones and tablets as a modern alternative to carry out traditional services for clients, state of the art databases for data storage, and social media platforms to create public awareness of the organisation in the community at large as well as the industry. On the other hand technology of tomorrow concerns the use of alternative methods for carrying out basic real estate functions such as listing and selling real estate.

This finding indicates the presence of two potentially significant developments. The first concerns access to resources and how these resources are utilised. As an example an organisation may invest in new software so that certain functions such as listing and selling real estate can be better streamlined and thus overall efficiency of the sales team can be improved. Acquisition of new database requires a capital investment and thus capital resources whilst implementation of new database requires managerial input which translates into another set of operational resources. Additionally managerial input is necessary for development of organisational capability to carry out implementation and integration into the existing set of organisational resource base. This leads into the second significant development which concerns change management and the organisational ability to invest in managerial resources to deal with the changes brought on by introduction of new software. In essence the findings indicate the organisational propensity to be reactive in response to new information technology with the focus being directed towards acquisition rather than implementation and integration.

From the operational perspective, real estate organisations have many variable costs to contend with in their day to day operations such as salaries and commissions payable to their
employees. As these costs have steadily risen over the last decade brought about by changes in the legislation with introduction of a specialised award for sales personnel and property managers, the effects are showing in the reduction of transaction cost benefits. For example it is now a requirement that all sales people are regarded as organisational employees and paid a salary based on minimum wage as set by Fair Work Australia as opposed to being employed as commission only. This belies the notion that increased labour costs are hampering the industry revenue with the projected outlook for the next five years running at a decline of 1.7 per cent (IBISWorld 2015a).

This development has had a disempowering effect on franchised as well as non-franchised real estate organisations and is evident in the lack of organisational ability to offset increasingly high maintenance costs associated with labour hire. As such operational strategy tends to be focused on accurately assessing rates and flow of activity such as labour hire within the organisation so that an organisation can survive. The survey findings are illustrated in Figure 41 and thus confirm that franchised and non-franchised organisations alike display the adoption of this operational focus.

**Figure 41 – Rates of Activity within an Organisation and Organisational Strategy**

Negative responses from franchised organisations are embellished with additional explanations regarding the focus of operational strategy. To this effect less than 20 per cent of surveyed franchised organisations indicate their operational focus to be more aligned with achievement of greater effectiveness of change management so that gaps in operational activity can be effectively dealt with and any opportunities can be adequately leveraged as well as through achievement of specific targets such as sales listings.
Thus the extensive descriptive analysis provided in this section of the chapter offers a valuable insight into similarities and differences between the two groups of respondents. In doing so the descriptive analysis undertaken satisfies the survey’s objective which is to essentially provide pertinent information regarding the operational structure and strategy adopted by various franchised and non-franchised real estate organisational business models found in operation within Australia by highlighting inherent similarities between franchised and non-franchised business models as well as any outstanding notable differences in operational structure and strategy adopted by franchised and non-franchised respondents. Whilst this section serves as a valuable tool for isolating exactly which groups of respondents stand out across the scope of operational strategy, it is envisaged that the exploratory factor analyses undertaken in the next section of this chapter will fill in the gaps left over by the descriptive analysis as well as further confirm the findings from the descriptive statistical analysis.

4.1.1.3 Summary of Descriptive Analysis
The findings suggest that franchised and non-franchised respondent organisations predominantly exhibit a vastly similar approach to operational structure and dynamics. For instance, both are equally motivated by a desire to create a network with a difference as well as to increase organisational competitive advantage. This suggests a presence of a high level of entrepreneurial activity as a basis for operational success through adoption of innovative principles and strategies. Similarly both franchised and non-franchised respondents have a tendency to adopt the same recruitment strategies when sourcing new talent. They have a tendency to experience the same issues related to recruitment of good managerial talent.

When it comes to organisational expansion and growth, franchised organisations show a tendency to adopt traditional franchise strategies such as setting up exclusive territory boundaries for their franchisees, operating under area development agreements, and applying conversion franchising and/or multiple franchise concepts into the growth strategy mix. On the other hand, the issue of independence is spotlighted among the non-franchised organisations leading to these organisations to seek to expand predominantly through strategies such as acquisition and merger with other similar organisations and co-branding so that the notion of the individual brand is preserved.

Franchised organisations are found to be more likely to undergo a change in ownership structure throughout their life cycle driven by the pursuit for competitive advantage. The
reasons given encompass factors such as organisations are looking to expand their market share or benefitting from cost savings achieved by economies of scale. Additionally organisations facing constraints in operational capital are also said to be likely to undergo ownership direction change. Non-franchised organisations which choose to remain non-franchised throughout their life cycle are more likely to adopt innovative practices such as sourcing resources from strategic resource markets to sustain their competitive advantage.

Conversely the findings show that the franchised and non-franchised respondent organisations differ much in their respective positioning in the market place. Where franchised organisations show the tendency to grow and expand their network through essentially growing the strength of their brand by recruiting franchisees on the premise of provision of enhanced ownership through minimised costs and moral hazard associated with running a business. On the contrary, non-franchised organisations show a propensity to allocate resources towards building the brand awareness by aligning their brand with the changes occurring in the market place for example. This strategic perspective suggests an emphasis on control of the brand which essentially moves away from the notions of conformity and uniformity traditionally exhibited by the franchises. Instead the focus is on flexibility which exists as a premise within the non-franchised business model and which allows for more ready adaptability to market conditions without relying on the franchisor.

4.1.2 Exploratory Factor Analysis
Undertaking of exploratory factor analysis is essential to this study on the basis that it essentially serves to provide triangulation of findings produced by the descriptive analysis as well as highlight linearity of a relationship between the two groups of respondents and highlight any other areas of specific significance between the two groups of respondents.

Firstly as the study aims to ascertain whether there is a relationship in operational strategy franchised and non-franchised organisations, Spearman’s correlation coefficient analysis is conducted to test the linearity of the relationship between the two groups of respondents. This is followed by conducting one way ANOVA analysis which enables the comparison between the variance in operational strategy of each respondent group to take place so that an inference can be made in relation to the population of the sample. Additionally the variance in operational strategy between the two groups of respondents is undertaken specifically to ascertain the impact if any, dependent factors such as stage in life-cycle and size of organisation have on the operational strategy.
4.1.2.1 Spearman’s Coefficient

Spearman’s correlation analysis is conducted by applying predetermined ranks to responses gathered from the operational strategy section of the survey which focuses on establishing the respondents’ level of importance on numerous factors identified by the extant literature as influencing the organisational decision making process in determining operational strategy. These are defined as organic growth, structural adjustment, technology, resource capability, success drivers, operational focus drivers, performance measures and drivers of the brand value.

The survey response scale is a 7-point Likert scale where 1 represents nil importance, 4 represents a moderate response, and 7 represents extremely high importance. In order to conduct the Spearman’s coefficient analysis to the data sets, the means of the ranked responses are plotted against the scale of either 1 to 4, 1 to 5, 1 to 6 or 1 to 7 where 1 corresponds to the highest mean value and 4, 5, 6 or 7 corresponds to the lowest mean value. The resulting coefficient thus corresponds to the statistical measure of the strength of the monotonic relationship between the pairs of data corresponding to two groups of respondents when set against the independent variables associated with operational strategy. In essence the closer the coefficient is to ±1 the stronger is the monotonic relationship between the two groups of respondents. As correlation is an effect size, the strength of the correlation can be effectively described by using a general guide for the absolute value of coefficient which is illustrated in Table 9.

**Table 9 – Guide for interpreting Spearman’s Correlation Coefficient**

<table>
<thead>
<tr>
<th>Coefficient Range</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00 – 0.19</td>
<td>Very weak</td>
</tr>
<tr>
<td>0.20 – 0.39</td>
<td>Weak</td>
</tr>
<tr>
<td>0.40 – 0.59</td>
<td>Moderate</td>
</tr>
<tr>
<td>0.60 – 0.79</td>
<td>Strong</td>
</tr>
<tr>
<td>0.80 – 1.00</td>
<td>Very Strong</td>
</tr>
</tbody>
</table>

*Source: [www.statstutor.ac.uk/spearmans](http://www.statstutor.ac.uk/spearmans), viewed 17 November 2015*

The coefficients gained from the Spearman’s correlation analysis are summarised in Table 10 against the independent variables representing various operational capabilities.
Table 10 – Spearman’s Coefficient Analysis

<table>
<thead>
<tr>
<th>Operational Capabilities</th>
<th>Rs</th>
<th>Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Growth</td>
<td>0.954</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Structural Adjustment</td>
<td>0.332</td>
<td>Weak</td>
</tr>
<tr>
<td>Technology</td>
<td>1</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Resource Capability</td>
<td>0.853</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Success Drivers</td>
<td>0.838</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Operational Focus</td>
<td>0.524</td>
<td>Moderate</td>
</tr>
<tr>
<td>Performance Measures</td>
<td>0.896</td>
<td>Very Strong</td>
</tr>
<tr>
<td>Brand Value</td>
<td>0.677</td>
<td>Strong</td>
</tr>
</tbody>
</table>

The coefficients (Rs) displayed in Table 10 reveal a positive strong to very strong monotonic relationship in existence between franchised and non-franchised organisations in terms of their approach and delivery of operational strategy to organic growth as functions of growth strategies encompassing growth specific to the organisation as well as a result of the industry, Australian economy, and internalisation changes, as well as uptake and application of technology and technological systems. In addition a positive strong to very strong relationship between franchised and non-franchised organisations is highlighted by the correlation analysis in the organisational ability to acquire resource such as financial, operational, strategic, and managerial deemed essential for organisational ability to achieve and sustain competitive advantage in the market place.

Furthermore franchised and non-franchised organisations are exhibiting strong similarities in operational strategy in their choice of success drivers. For example both groups place equal importance on values, brand, economies of scale, people, innovation, robustness and appealing to a specific market. Likewise both franchised and non-franchised organisations rely on adoption of the same performance measures. To this end performance is measured through organisational productivity, quality of service, time to market or the length of time it takes for sale of real estate, customer satisfaction and profitability. Lastly the strength of the positive relationship between franchised and non-franchised organisations is also shown in how they perceive the value of the brand. Thus importance on having an organisational culture reflective of identity of the founder as well as self and business values which are essential for attracting top managerial talent as well as create a positive public perception in the market place is equally important to franchised and non-franchised organisations.
On the other hand there is a moderate monotonic relationship between franchised and non-franchised organisations in adoption of operational focus aimed at achieving a healthy return on investment as well as profit, geographical presence and market saturation, nurturing local knowledge, as well as developing appropriate channels for transmission of organisational knowledge and accurate accounting for internal rates of activity. In the same manner there is a positive however extremely weak monotonic relationship between franchised and non-franchised organisations in how they adapt to structural changes brought on by changes in government, changes in budgetary commitments, interest rates, regulation and legislation changes as well as industry related changes such as sales auction rules as an example.

Thus it can be deduced from the correlation analysis that franchised and non-franchised organisations essentially follow similar operational strategy with the exception of their ability to adapt to structural changes brought on by economic factors and to a lesser extent, choice of operational focus. Whilst descriptive analysis confirms the propensity of franchised organisations to be more susceptible to economic factors due to their organisational size as well as business model which substantially limits their ability to grasp new opportunities in the market place, the correlation analysis provides merely a helicopter overview of operational strategy similarity. Thus in order to ascertain a more in-depth view of similarities and differences in operational strategy between franchised and non-franchised organisations, one-way analysis of variance (ANOVA) is applied.

### 4.1.2.2 One-Way Analysis of Variance (ANOVA): Franchised vs Non-Franchised

The one-way analysis of Variance (ANOVA) is a statistical procedure which compares the means of groups of respondents so that inferences can be made about the statistical significance of differences between group means. To satisfy the requirements of this study ANOVA analysis is applied in addition to findings derived from the Spearman’s correlation analysis by way of triangulation of findings. It achieves this by comparing the F-value or the ratio of two mean square values to arbitrary significance levels denoted as α in order to assess the null hypothesis assumptions denoted as Ho (Seltman 2015). Thus if the null hypothesis is true the expectation is that the F ratio is close to 1.0 most of the time. Conversely a large F ratio means that the variation among group means more than expected by chance (GraphPad Statistics Guide, viewed 12th April 2016).

As a rule in the one-way ANOVA analysis, only one independent variable can be considered however there can be two or more levels of the independent variable. This is important for
the purpose of this study as this enables division of the study respondents into groups. Thus for the purpose of this study franchised and non-franchised real estate organisations are considered as levels of the independent variable. Similarly as there can also be only one dependent variable, ANOVA is initially conducted by comparing the means of franchised and non-franchised organisations according to each contributing factor identified under the main themes already highlighted in the correlation analysis. Thus for each contributing factor, the objective of ANOVA analysis is to either accept or reject null hypothesis by analysing the level of risk of concluding that a difference exists when there is no actual difference.

To this effect conducting an f-test on the means of each sample of respondents to calculate the probability of risk at 5 per cent and 10 per cent significance levels when the null hypothesis states that franchised and non-franchised organisations follow similar operational strategy, yields the following findings as illustrated in Figure 42 and viewed in entirety in Appendix 3.

**Figure 42 – ANOVA Analysis – Franchised vs Non-Franchised and differences in operational strategy at α = 0.05 and α = 0.10**

Thus ANOVA analysis shows that it can be concluded that there is a 5 per cent risk that a difference exists in operational strategy between franchised and non-franchised organisations in the organisational ability to adapt to changes in economic structural adjustment. Thus franchised and non-franchised organisations adopt different strategies depending on the changes in fiscal and political policies at the federal government level brought on by changes in the use of government revenue collection such as taxes and expenditure to influence the economy and political instability as a result of changes in government. Equally it can be
concluded from the ANOVA analysis that there is a 10 per cent risk that a difference exists in operational strategy in how organisations deal with adoption of current level of IT, ability to access financial resources and managerial resources, and approach to organic growth in addition to organisational ability to adapt to changes in economic structural adjustment. Thus the differences in operational strategy between franchised and non-franchised organisations are likely to occur at a greater level of risk when it comes to factors such as willingness to uptake and implement technological changes such as state of the art database software for enabling a faster and more accurate access to customer information and preferences.

In the same manner there is a greater tendency for franchised and non-franchised organisations to adopt different operational strategy in accessing financial capital. This is consistent with literature review on franchise funding which states that a franchised organisation uses the injection of capital from its franchisees as a funding source for its operations. On the other hand a non-franchised organisation is more likely to access operational capital through standard borrowing processes such as bank loans. Similarly as a franchised organisation is strategically geared towards network growth, its geographical dispersion enhances and thus strengthens the franchise brand which makes it consistently easier for the franchised organisation to attract and recruit managerial talent required to boost and support its operations. Additionally a greater possibility of risk exists between franchised and non-franchised organisations in their approach to company specific organic growth strategy thereby franchised organisations favour fast growth fuelled by extensive investment from its franchisees, non-franchised organisations instead prefer to grow slowly, organically, steadily and profitably.

Thus performing an ANOVA analysis in addition to Spearman’s Coefficient analysis has largely enabled a more in-depth insight into the extent of likelihood of differences occurring between franchised and non-franchised organisations in operational strategy. In the same manner to further furnish this study with greater insight into the operational differences between franchised and non-franchised organisations, ANOVA analysis is applied specifically on differences arising from organisational journey through different stages in organisational life cycle as well as organisational size.
4.1.2.3 One-Way Analysis of Variance (ANOVA): Franchised vs Non-Franchised and Stage in Organisational Life Cycle

As the extant literature establishes that generally real estate organisations require different resource strategies throughout stages in life cycle, study respondents are further divided into three separate groups depending on their stage in life cycle, namely nestling stage, fledgling stage and beyond adulthood stage. Thus to conduct the ANOVA analysis, the dependent variable remains the same as for initial ANOVA analysis whereby the means of franchised and non-franchised organisations are compared according to each contributing factor identified under the main themes. The independent variable however is extended to include different stages in life cycle.

Thus when conducting an f-test on the means of each sample of respondents to calculate the probability of risk at different significance levels when the null hypothesis states that franchised and non-franchised organisations follow similar operational strategy throughout different stages in organisational life cycle, yields findings which support the original ANOVA findings. These are illustrated in Figure 43 and the full tabulated findings can be viewed in Appendix 4.

**Figure 43 – ANOVA: Franchised vs Non-Franchised and Stage in Life Cycle at different Significance Levels**
Thus ANOVA analysis shows that it can be concluded that there is a 5 per cent risk that a difference exists in operational strategy between franchised and non-franchised organisations at the nestling stage in their approach to organic growth and ability and willingness to deal with organisational change brought on by the current level of IT in addition to how they position themselves in the market place, reliance on achieving dispersed geographical presence, and focusing the operational strategy towards adoption of self-values rather than as a reflection of business values. Therefore franchised organisations are more likely to base their strategy on geographical presence due to their choice of growth strategy. In the same manner non-franchised organisations are more likely to differ from their franchised counterparts in adopting operational strategy which is focused on developing brand awareness within a niche market due to the lower entry barriers which result in positive result in mitigating of negative impacts on organisational performance and sustainability in the market place such as lack of differentiation among customers.

Equally it can be concluded from the ANOVA analysis that there is a 10% risk that a difference exists in operational strategy between franchised and non-franchised organisations in the organisational ability to adapt to changes in economic structural adjustment brought on by changes in government, government revenue and expenditure and interest rates, access to managerial resources, and focusing the operational strategy towards adoption of identity in addition to self-values to achieve brand recognition, their approach to organic growth and achieving brand awareness through dispersed geographic presence, and ability and willingness to deal with organisational change brought on by current level of IT as well as how they position themselves in the market place.

Conversely ANOVA analysis shows that it can be concluded that there is a 5 per cent risk that a difference exists in operational strategy between franchised and non-franchised organisations at the fledgling stage in the organisational propensity to achieving market share whilst there is 10 per cent risk of a difference between franchised and non-franchised organisations in organisational ability to be operationally robust in the market share in addition to achieving market share. Similarly at the beyond adulthood stage in life cycle when the organisation has been fully established in the market place, there is no difference in operational strategy between franchised and non-franchised organisations at the 0.05 significance level however there is a 10 per cent chance of risk that there is a difference between franchised and non-franchised organisations in their ability to acquire financial resources.
Thus it can be deduced from the ANOVA analysis and in collaboration with the descriptive analysis undertaken earlier in this Chapter that non-franchised organisations starting out and thus in a nestling stage in their life cycle are more likely to experience difficulties in attracting and recruiting good managerial talent, taking advantage of technological change due to general lack of resources, achieving a rapid expansion through geographic dispersion as well as establishing a presence in a specific market. In addition it is the non-franchised young organisations which thus have a propensity to be bound within the operational scope of the identity of their founder and the organisational principles are a reflection of self-values rather than business values. Young franchised organisations on the other hand find it hard to adjust to changes in the economy due to pursuing a rapid growth strategy.

Similarly franchised organisations which are in the fledgling stage of their life cycle and have thus begun to establish their presence in the market place have a tendency to be challenged by the speed with which they can saturate the market as well as ensuring that the organisation is able to withstand the inevitable changes occurring in the market place. Likewise well-established franchised organisations in beyond adulthood stage in the organisational life cycle have a tendency to be capital rich, with financial resources are continuously replenished with fees and royalties coming in from their network of franchisees. Thus it is at this stage in their life cycle that these organisations shift their operational focus towards globalisation and internalisation as is the case in the New Zealand real estate agency franchise industry according to Flint-Hartle (2007).

### 4.1.2.4 One-Way Analysis of Variance (ANOVA): Franchised vs Non-Franchised and Organisational Size

In addition to real estate organisations adopting different resource strategies throughout stages in life cycle, reviewed literature also establishes that operational strategy is affected by the variation in resource strategy depending on the size of the organisation. Thus study respondents are further divided into two separate groups depending on the size of their organisation and classified into either a small-medium group or medium-large group. Table 11 explains the method applied to group allocation for respondent organisations.

**Table 11 – Method applied for group allocation**

<table>
<thead>
<tr>
<th>Small-Medium (S-M)</th>
<th>Medium-Large (M-L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 50 offices</td>
<td>&gt; 50 offices</td>
</tr>
</tbody>
</table>
Thus to conduct the ANOVA analysis, the dependent variable remains the same as for initial ANOVA analysis whereby the means of franchised and non-franchised organisations are compared according to each contributing factor identified under the main themes. The independent variable however is extended to include different organisational sizes.

Thus when conducting an f-test on the means of each sample of respondents to calculate the probability of risk at different significance levels when the null hypothesis states that franchised and non-franchised organisations follow similar operational strategy regardless of organisational size, yields findings which confirm the literature and the original ANOVA findings. These are illustrated in Figure 44 and the full tabulated findings can be viewed in Appendix 5.

**Figure 44 – ANOVA: Franchised vs Non-Franchised and Size of Organisation at different Significance Levels**
Thus ANOVA analysis shows that it can be concluded that there is a 5 per cent risk that a difference exists in operational strategy between small-medium franchised and non-franchised organisations in their approach to willingness to embrace and implement innovation as a driver for achieving competitive advantage as well as market saturation and accurate measurement of organisational activity as a choice of operational strategy. Equally there is a 10 per cent chance of a difference existing in operational strategy between small-medium franchised and non-franchised organisations in their ability to access financial resources in addition to embrace of innovation potential as a driver of operational success and market saturation and measurement of organisational activity as functions of operational focus.

On the other hand there is a 5 per cent chance of risk between medium-large organisations that a difference exists in operational strategy in the organisational ability to adapt to changes in economic structural adjustment brought on by changes in government and government revenue and expenditure, ability to achieve and sustain economies of scale as well as the a high profitability factor. Likewise there is a 10 per cent chance of risk that a difference exists in operational strategy between franchised and non-franchised organisations in shifting the operational focus towards adoption of self-values in addition to the organisational ability to adapt to changes in economic structural adjustment brought on by changes in government, government revenue and expenditure, as well as interest rates, ability to achieve and sustain economies of scale together with a high profitability factor.

Thus the ANOVA findings in collaboration with the descriptive analysis discussed in detail earlier in this Chapter demonstrate that small-medium non-franchised organisations have a greater propensity to be more open to embracing of the innovation potential within the organisational scope however face challenges emanating from lack of capital and inability to achieve fast market saturation. On the other hand medium-large franchised organisations are more likely to be affected by the changes in economy as their size limits their ability to adjust to necessary changes in a timely manner. However due to their size these organisations are adept at running the operation as a reflection of well thought out and established business values and thus able to benefit from achieving economies of scale which improves their capability to be profitable.
4.2 Chapter Summary

This chapter outlines the findings derived from quantitative survey analysis carried out on franchised and non-franchised real estate respondents identified from several sources, namely Australian real estate literature such as Real Estate Business (REB) which is dedicated to carrying out research specifically pertinent to real estate industry sector, and independent real estate specialist consultant.

The survey questions were carefully assembled from established constructs extracted from existing literature on franchising research. A pilot study was originally conducted on select few industry participants personally known to the researcher to ascertain the content validity of the questions as well as to ensure ease of readability and understanding by the potential respondents. The survey is composed of three sections, with each section seeking to understand the overall operational structure and strategy adopted by the Australian real estate stakeholder organisations. An extensive descriptive analysis was administered in the first instance with a specific intention to highlight any outstanding outliers between different organisational business models as well as to show areas of similarity and difference between the business models and to assist in exploratory factor analysis.

Descriptive statistical analysis was thus followed by exploratory factor analyses such as Spearman’s correlation coefficient and one-way variance analysis (ANOVA), fulfilling two very important objectives of the study. Firstly adopting exploratory factor analysis serves to confirm as well as further elaborate on descriptive statistical analysis by determining whether there is a relationship between franchised and non-franchised respondents in operational strategy as well as whether independent factors such as stage in organisational life cycle and size of organisation impact on the operational strategy adopted by the franchised and non-franchised respondents. Secondly the adoption of exploratory factor analysis serves to furnish the study with the construct validity which satisfies the requirement of the quantitative research.

Whilst the study is relatively bound by limitations emanating from limited knowledge obtained from the respondents stemming from lack of time and resources by the organisation’s operators, the findings gained from the extensive quantitative analysis performed on the data gathered from the survey clearly establishes a similarity in operational strategy between franchised and non-franchised organisations to a large extent thus confirming there is a strong positive linear relationship in existence between the franchised
and non-franchised organisations. Additionally the findings contend that operational strategy adopted by franchised and non-franchised organisations differs depending on the stage in organisational life-cycle as well as size of the organisation thus confirming that stage in life-cycle and organisational size impact on the resource strategy adopted by the Australian real estate stakeholders.

Furthermore as the analysis and investigation of business modelling strategies is restricted to main business models found in operation across Australia as identified in literature gained from the real estate industry research, the findings gained from the survey serve as a foundation for more in-depth analysis to be undertaken in the next chapter. Thus the following chapter will outline the findings acquired from semi-structured interviews carried out on selected representatives of each identified business model via a case study approach. It is envisaged that the information gleaned from one on one interviews with those individuals who are directly responsible for organisational direction of operational strategy, will highlight emergent themes which can be utilised to recommend an alternative business modelling framework to assist the sustainability of the franchise business model.
CHAPTER 5:  CASE STUDY ANALYSIS
5.0 Introduction

Chapter 4 dealt with the quantitative analysis which established a similarity in operational strategy between franchised and non-franchised organisations, to a large extent confirming there is a strong positive linear relationship in existence between the franchised and non-franchised organisations. Additionally the quantitative findings contend that operational strategy adopted by franchised and non-franchised organisations differs depending on the stage in organisational life-cycle as well as size of the organisation thus confirming that stage in life-cycle and organisational size impact on the resource strategy adopted by the Australian real estate stakeholders.

Thus the aim of this chapter is to build on the quantitative findings by undertaking a qualitative analysis through adoption of the case study approach whereby each case study chosen represents an organisation operating under a specific type of business model found in operation within the Australian real estate agency industry. Thus each business model and its representative organisation embody an individual case study. The franchised group includes franchises and cooperative agency networks. Franchises are bound by franchise contracts where the parties to the contract are referred to as franchisors and franchisees. Cooperative networks, on the other hand, are bound by a licence agreement and the parties to the agreement are referred to as a licensor and a licensee. Where a franchise arrangement involves a total adoption of the brand and the systems provided by the franchisor, a cooperative business arrangement is composed of licensees which are all independently owned and operated real estate agencies unified by a specific service provided by the licensor, for example technology and marketing.

The non-franchised group consists of independent agency networks, boutique networks, and joint venture networks. The main difference between these networks lies in the ownership distribution; independent agency networks comprise of independent real estate organisations or independents as they are commonly known within the Australian real estate industry sector and these agencies are fully owned by an individual operator. Each one of these organisations belong to a specialised network which allows for uniformity within the network through adopting a structure based on, for example, sharing effective business support systems which enables growth of market share, profit performance, and team performance whilst allowing for each organisation to maintain its independence in the market place.
Boutique networks are essentially a large independent real estate organisation. They are owned by a single owner/operator and each unit under their ownership is run by managers. These generally have a high number of multiple units across one state or several. Joint venture networks on the other hand mimic boutique networks however the difference between the two structures is in the level of ownership of the main owner/operator. In this business modelling scenario, the main owner/operator has at least 51 per cent share in each unit, with the remainder of the shares individually owned by the operator of each unit. As such these business models represent the main real estate business models studied in this research.

Data is acquired by means of a semi-structured interview technique. Each respondent organisational representative interviewed has been specifically approved for this phase of the study on the basis that they have essentially satisfied two essential criteria. Firstly each respondent has participated in phase one of this study (survey) and secondly each has officially agreed to participate in phase two of the study (interview).

As the research project is principally centred on the operational areas of strategy within the organisational context, each respondent organisation is represented by an individual who is directly involved in the operational aspects of the organisation. Therefore the individuals are either franchisors (or licensors in the case of a co-operative network), a franchisee (or a licensee in the case of a co-operative network), or an independent Director, CEO or a Managing Director. Individuals in these roles are most likely to be in the position to shed inside knowledge on operations as often it is these individuals who can in fact be responsible for founding of organisation. As such they are ostensibly privy in many respects to witness the expansion or in some case even contraction of the organisational network they represent and the affiliated organisations within the network.

The respondent organisations are loosely divided into two categories; franchised and non-franchised organisations. To this end the franchised category consists of a franchise network, a cooperative agency network and a specialist franchise consultant. The non-franchised category on the other hand consists of three main types of independent business models found in operation across Australia, namely boutique agency, independent agency and joint venture agency. Figure 45 maps out the franchised and non-franchised respondents selected for this phase of data collection. The characteristics of each will be discussed in greater length in Section 5.1.
Whilst two of the franchised and three of the non-franchised respondents exemplify a specific business model, the specialist franchise consultant chosen to typify the third franchised case study does not represent a business model per se. Rather it represents an indirect franchising party. The inclusion of an indirect participant within the franchising category has a twofold purpose. Firstly, a firm specialising in provision of consultancy and advice to the franchising fraternity can shed light on how the real estate franchises fare with respect to the rest of the service based franchise industry and secondly, it serves to even out the number of franchised and non-franchised respondents.

The findings gained from the interviews are envisaged to build on the findings obtained from the survey. Where the survey served to provide a general outline of the real estate industry stake holder organisations and thus highlight the similarities and differences in operational capabilities between the franchised and non-franchised real estate organisations, the interview findings serve to elaborate further by focussing on key strategic themes defined as response to change, innovation, technology, competitive dynamics, resource strategy, and challenges faced by the real estate organisations on macro and micro levels. A detailed outline of interview analysis specifying a summary of key questions and supporting factors and emergent themes to be discussed in greater detail in the next Chapter is shown in Appendix 6.

It is envisaged that the findings will illuminate emergent themes which can be utilised to propose alternative business modelling strategy for franchises.
5.1 Case Studies

Franchised Respondents

Case Study 1  
Respondent - Franchise Network

Franchises are bound by franchise contracts and the key stakeholders are referred to as franchisors and franchisees. Traditionally a franchised network consists of a franchisor who establishes franchised outlets or units run by franchisees. The franchisor provides a brand name and the use of a comprehensive system for the conduct of a business. The system includes elements such as management, resource sharing, appearance and image, location, quality of goods, and business planning. The franchisee pays either annual royalties or continuing fees to the franchisor for the use of the brand and the system and thus alleviates the cost of overheads and capital expenditures across the network.

Franchise network selected to represent this business model is an established franchise with over 50 offices across the state of Victoria under its brand. All offices are independently owned and operate under a franchise agreement. The franchisor is represented by a corporate entity which consists of a board constituting a mix of independent Directors, shareholder Directors and a CEO. The franchise is structured in a traditional way whereby each office pays a percentage of its gross earnings as royalties to the corporate entity in return for the use of the brand and comprehensive systems. The franchise business has in recent times diversified into complementary areas of recruitment, removals, owners’ strata management, broking, and connections with a view to widen its market share opportunities.

Represented by:  
CEO

Years in Operation:  
in excess of 20 years

Stage in Life-cycle:  
Beyond Adulthood

Number of Offices in the Network:  
50 Plus

Geographical Presence:  
Melbourne, Mornington Peninsula, Geelong and the Surf Coast, regional Victoria

Structure:  
Franchise is headed by a corporate entity which consists of a board of independent Directors, shareholder directors and a CEO. The franchise
business has recently been expanded to include complementary businesses under its mantle with a view to gain an additional lead generation channel and referral rewards.

**Case Study 2**  
**Respondent - Co-Operative Agency Network**

Under the Australian legislation, cooperative agency networks fall under the mantle of a franchise and are thus governed by the Franchise Code of Australia. Cooperative agency networks, or cooperatives as they are commonly referred to within the real estate industry, are bound by a licence agreement and the key stakeholders are referred to as a licensor and a licensee. This type of a business model essentially operates on the same structure as a franchise. The licensor provides the brand name and the comprehensive systems for the use by the licensees. The licensees in turn pay an annual set fee rather than an ongoing percentage of the royalties as is mostly the case with the franchises. Whilst uniformity, conformity and standardisation are the hallmarks of a franchise, this is less of a case for a cooperative. This is principally due to retention of individuality at the licensee level to a great extent whilst the benefits of economies of scale apply across the network.

The cooperative agency network selected to represent this business model is an established cooperative with presence Australia wide. All offices or members within the network are independently owned and operate under a license agreement. Each member pays a flat fee to the licensor or the corporate entity which is run by a board of shareholders, with most of the shareholders as active operator/owners of office/s within the network. In return each member receives the exclusive benefits consisting of a full suite of technology solutions and the use of the brand name for marketing purposes. Corporate constitution is such that distribution of profits or dividends to the members is forbidden. The fees collected from the members are used exclusively for the technology solutions and marketing purposes. Additionally each member can operate under the mantle of their own business name as well as the cooperative brand name however all marketing must be effected under the cooperative brand.

Represented by: Secretary of the corporate entity representing the Licensor and Director of an independent agency within the network at large

Years in Operation: In excess of 35 years
Stage in Life-cycle: Beyond Adulthood

Number of Offices in the Network: 300 Plus

Geographical Presence: AUS Wide - NSW, NT, QLD, SA, TAS, VIC, WA

Structure: Cooperative is headed by a corporate entity which consists of a board of shareholders. All offices within the network are independently owned and operate under a licence agreement back to the licensor. Each office constitutes a member and pays a flat fee to the corporate entity or the licensor and in return each member receives the benefits of a full suite of technology solutions and the use of the brand name for marketing purposes. Distribution of profits or dividends to the members is forbidden.

**Case Study 3**

The business modelling mix adopted for the case study approach was made complete by introducing an independent consultant stemming from the franchise arena into the franchised group of respondents with an objective to illuminate a view of the franchise industry from an indirect yet knowledgeable perspective.

The specialist franchise consultant elected to represent this category is a fully integrated consultancy firm specialising in developing, growing and marketing franchise systems. The firm provides specialist advice to franchise businesses in hospitality, real estate, retail and banking sectors to name just a few. Areas of expertise include system development, business operations, marketing communications and PR, HR solutions, training solutions, business structure, and manuals and documentation.

**Respondent:** Specialist Franchise Consultant

Represented by: Director of an independent franchise consultancy business
Australian Real Estate Agency Design: Strategies for the Franchising Business Model

<table>
<thead>
<tr>
<th>Years in Operation:</th>
<th>In excess of 16 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage in Life-cycle:</td>
<td>Mature</td>
</tr>
<tr>
<td>Number of Offices in the Network:</td>
<td>1</td>
</tr>
<tr>
<td>Geographical Presence:</td>
<td>Melbourne (VIC)</td>
</tr>
<tr>
<td>Representative’s Background:</td>
<td>Franchise consultancy firm providing specialist consultancy expertise to franchises in the areas of system development, business operations, marketing communications and PR, HR solutions, training solutions, business structure and manuals and documentation.</td>
</tr>
</tbody>
</table>

Non-Franchised Respondents

Case Study 4

Respondent: Joint Venture Network

Joint venture networks are also commonly referred to as ‘branchises’ within the Australian real estate industry landscape. The term ‘branchise’ was derived from a combination of two business models, namely a boutique independent and a franchise otherwise known as ‘boutique franchise’. The term rose to prominence through adoption of an entrepreneurial practice exhibited by select few estate agents whose mission was to develop a business model which essentially provides all stakeholders within the network with the essential benefits offered by a franchise however the owners of the network are able to retain the total control over the network. Thus ‘branchise’ is a fully independent network and differs from other independent networks in its ownership direction whereby in this business modelling scenario, the main owner/operator has a 51 per cent share in each office within the network, with the remainder of the shares individually owned by the operator of each office.

The joint venture network representing this type of business model is an established real estate agency operating throughout Melbourne, Victoria. The agency was originally operating under a different model which was radically modified approximately ten years ago prompted by ownership change. The joint venture network is owned by five Directors and the
organisation is controlled through a trust and a trustee. The trust is set up in a way so that it owns at least 51 per cent of the shares in each office within the network thus retaining the majority of the shareholding and voting rights. This structure enables the owners of the business with free decision-making abilities.

Represented by: Director
Years in Operation: In excess of 10 years
Stage in Life-cycle: Mature
Number of Offices in the Network: 13
Geographical Presence: Melbourne
Structure: Structure encompasses one single team spread across 13 offices, each of which are managed by senior partners who are actively participating in real estate transacting process.

Case Study 5

Respondent: Boutique Agency Network

Boutique agency networks are essentially a large independent real estate organisation. These networks are owned by a single owner/operator and each office in the network under the owner’s ownership is run by managers. These generally consist of a network of a high number of multiple units across one state or several.

The boutique agency network selected to represent this case study is an independently owned real estate agency with 21 offices in its network and with presence in four main cities across four Australian states. The boutique agency represents the real estate arm of a bigger entity and as such counts for only one in a range of varied businesses across several different industries owned by the same entity. The real estate arm was formed from a serious of real estate acquisitions with an aim to offer an alternative and different approach to real estate.

Represented by: CEO
Years in Operation: 9 years
Stage in Life-cycle: Nestling Stage

Number of Offices in the Network: 21 offices

Geographical Presence: Sydney (NSW), Melbourne (VIC), Perth (WA), Brisbane (QLD)

Structure: Independently owned real estate agency spanning a network of 21 offices. Structure involves business diversification into property development.

Case Study 6

Respondent: Independent Agency Network

Independent agency networks are substantially clusters of independent real estate organisations or independents as they are commonly known within the Australian real estate industry sector. All the agencies populating the network are fully owned by an individual operator. The network is usually run by an incorporated entity consisting of a CEO whose role is to oversee the network operations. Each agency retains its operational independence and operates wholly under its own brand and systems. The network merely provides an elaborate platform for like-minded agencies to have a forum for ideas exchange and which allows for uniformity within the network through adopting a structure based on, for example, sharing effective business support systems which enables growth of market share, profit performance, and team performance whilst allowing for each organisation to maintain its independence in the market place.

The respondent independent agency network is a well-established network consisting of approximately 20 independent agencies and spanning in excess fifty offices located all over Victoria. Majority of agencies within the network are essentially ‘mini’ boutique networks comprising of a cluster of a few offices, usually less five in total. Each agency is exclusively independent with its own operations, brand name and systems. Each agency or member represents a different suburb or region in which they operate and possess a market share. The network is overseen by an executive committee of independent agency directors and a CEO whose role is to drive the network’s initiatives and agenda.
5.2 Case Study Findings
In a fast evolving modern world, management of organisational change is suggested to be fast becoming a managerial skill (Senior 2002). Indeed statistics within the organisational management field show that effective change implementation is severely lacking within most organisations (Bennebroek et al. 1999) where the management emphasis fails to be focussed on effective leadership of organisational change (Graetz 2000) and the management of change is reactive and often triggered by an organisational crisis (Todnem By 2005). Furthermore the advent of technology together with all its positive and negative applications is argued to be the biggest responsible factor in the organisational change (Eason 1998).

To this effect the majority of representatives of respondent organisations concurred that the organisational change within the real estate industry indeed generally happens on an ad-hoc basis, with many organisations responding to change in a reactive rather than proactive way. It also appears that this is largely due to factors such as the strength of leadership, layers of management, and lack of time spent on research and development.

When it comes to dealing with change, organisations are reactive .... There are very few fine leaderships in businesses, that are thinking ahead and are leading edge and therefore proactive and prepared to take a risk with investment and time and priorities. And so therefore you find a lot of businesses and a lot of leadership think
tank groups are reactive to things that are happening and I believe it is a time issue and it’s also a leadership or a lack of leadership issue. You’ll find organisations that will be able to if you were to use an example of someone leaving a company and replacing that executive or that team member, there are some organisations that diddle around and you don’t have a replacement for 12 weeks. And that’s a combination of not getting their processes in place, not pushing forward on it and then obviously the market place and what’s available in the market place. So overall businesses are reactive and they’re reactive because of layers of management and they’re reactive because they essentially don’t spend enough time in R and D as businesses (Specialist Franchise Consultant)

The findings suggest that this lack of research and development transcends into the majority of change brought into the organisational fold to be on the basis of “gut feel” rather than due to careful research and development policy and planning.

*I think in a perfect world, certainly it would be nice to be able to test and measure on a more regular basis how all your systems are actually working. But I think from a real estate point of view, we have this thing called a gut feel and I think most principals and directors actually operate on that gut feel* (Director, Independent Agency Network)

Despite the obvious reactivity, respondent real estate organisations such as a franchise network, joint venture network, and boutique agency network appear to display a well thought out and planned change management strategy. In such cases the inherent factor appears to be ingrained in the amount of control the top layer of management can exert over the rest of the organisation and its network of offices as well as the overall management strategy adopted by the organisations.

*Our ability to react to change is probably better than most. I believe our reaction to change would be better than many other structures and that is because we have ultimate control ..... our business is controlled is through a trust and a trustee. The trustee has ultimate control over business decisions. In a group like a franchise group you’d have to get a buy in from each of the business owners and if they were being told what to do, they may feel funny about their relationship. So our ability to do this would be the same as a one office operation, although we’re over many locations. Now it’s not that we’re not consultative, it’s not that we’re not inclusive, but*
ultimately the five of us have the responsibility to run this company and run it profitably and safely.... (Director, Joint Venture Network)

....we create ten year trends, look at five year plans, create five years plans and plan one year at a time towards that five year plan. So we enact change thoughtfully. So our change is 90 per cent proactive thinking as to what we should change, 10 per cent to what’s happening in the market place. So we’re very considered in our change. Some may think that’s too slow. I think that’s an efficient use of resources because if you’re responding to every shiny button that’s coming your way then you just waste, and you’re not thinking strategically for five to ten years out, then what you’re doing is you might get a 40 to 50 per cent hit ratio of good to bad. That’s not acceptable to me. I want 80 or 90% hit ratio (CEO, Franchise Network).

Our structure allows us to change things and so we can enforce better standards across the business ..... we can ensure that people actually get leadership and management training they wouldn’t get elsewhere, and we also put in company policies and processes that actually comply (CEO, Boutique Agency Network)

Furthermore to process change an organisation is argued to must have the access to resources necessary to develop organisational capability to implement change as suggested by McGuinness & Morgan 2005). This notion is strongly supported by the respondent real estate organisations.

It’s just really about resources if you want to achieve change (CEO, Boutique Agency Network)

Additionally it is suggested that the delivery and implementation of the change is greatly dependant on the managerial skill of top layer of management as suggested by Senior (2002). The hands-on approach by the Franchisor is strongly supported by the respondent franchise network as is the presence of clear strategy which differentiates between the operational discrepancies in the franchisee and franchisor markets as suggested by Cox & Mason (2007).

It’s a challenge because real estate agents are on a whole change resistant. So it’s not that they’re not used to change because there’s so much happening cold face that to implement change when you’ve got a certain structure in your own business is really difficult to do. So you’ve got to stop and really show strongly the benefit to them of pausing and making that change happen and really piloting it through offices
that can do it, that are better at change. And then once they show benefit to them, face to face, rather than the concept of it, show the actual benefits to them, then they actually embrace the change faster. For this reason I think we’re more nimble than most ….. we’re very hands on with our franchises. So we hold their hand through change. We don’t expect them to change without help (CEO, Franchise Network)

Whilst implementing a change may present a challenge on an organisational level, some respondent organisations opt out of implementing change altogether by adopting a philosophy “if it works, why change it?” and thus not incorporate change at all.

If they’re comfortable with it and they’re happy with it, you’ve got to ask yourself, and it’s inexpensive, why would we change? (Director, Joint Venture Network)

Despite some organisations exhibiting some form of change management strategy, many others are argued to be more reactive to change mainly due to the top management layer and their inherent character flaws.

The agents respond to change in a timely fashion due to non-understanding and fear. They’re lazy, they’re making all this money and they don’t have to work too hard ….. They don’t want to rock the boat because they’re making a lot of money and most of the senior ones are at the end of their careers and they quite frankly don’t want it to be rocked too hard until they’re ready to get out. So there’s a barrier to change, they don’t understand it, they don’t want to understand it, they won’t put the time and energy in ....(CEO, Boutique Agency Network)

Technology and its vast applications are argued to simulate commodity like nature of labour whereby technological advances have been applied to developing systems which are specifically designed to run and manage all major functions of an organisation (Dewett & Jones 2001). In essence technology is said to have been revolutionary in improving the efficiency of an organisation through enhancing internal and external communication gateway and thus facilitating organisational performance. In more recent times technology has been shown to be an important link between organisational performance and organisational outcomes such as innovation.

It is difficult to dispute the significance of the role technology plays within the organisational scope. It therefore also comes as no surprise that technology and innovation are generally often thought of as going hand in hand. This notion however is not supported by case study
findings as the general response from the respondent organisational representatives alluded to technology and innovation essentially representing two separate organisational outcomes.

_Innovation and technology I see as two separate things, absolutely. Innovation is a change of process, it can be change of mindset, change of habit, change of practice, change of style, change of engagement, change of all manner of things, it has nothing to do with technology_ (Director, Joint Venture Network)

_I think too many people get caught up on technology being the innovation_ (CEO, Franchise Network)

_Innovation and technology are completely unrelated. The innovation actually comes from what service you want to change, what offering you want to make. Yes, it might involve some technology solutions and that actually enables some changes to happen, but innovation comes from outside. It comes from the idea of something’s got to be better or there’s a new way of doing things. I think in real estate the problem is everyone sees innovation as applying technology_ (CEO, Boutique Agency Network)

This is not to say however that a plausible link between technology and innovation does not exist. Technology is seen as an important part in facilitating efficiency of the communication process between the organisation and the general public by enabling timeliness and quality of the organisational output with the public’s search for a suitable product match.

_As I see it technology is just an enabler. Real estate is still about human interaction. So in essence all technology does is accelerates the search process for buyers and potential buyers and potential tenants. So offices which employ technology and don’t have a slower process reduce inefficiencies in their process. So as an enabler, we’re still matching buyers to sellers. Still helping nurture vendors through the process of sale which can be quite confronting, and still helping landlords feel comfortable that the home they’ve invested money in is being managed and being leased to a tenant who is reliable. And so the offices that don’t embrace technology therefore will not provide their consumers with the acceleration they are looking for and with inefficiencies in the back end means that their profitability and their competiveness will decrease over time_ (CEO, Franchise Network)
Technology is basically a tool, it allows you to do certain things (CEO, Joint Venture Network)

In a real estate agency sense technology is also seen as somewhat of a deterrent to the main focus of the real estate business which in essence is centred on the relationship building between different internal and external stakeholders such as property managers and landlords, sales agents and vendors and buyers. Real estate agency practice is thus not seen as a technology hub even though it often resembles one; rather it is seen as a service which provides accommodation solutions for the public.

The relationship may be enhanced by the various IT systems that you employ, but generally speaking, it’s not a better system than actually picking up the telephone and actually having a decent conversation with the person on the other end and finding out their needs and trying to adapt what you do to their needs. And that’s all about relationship. Certainly IT plays a major part in that, but I don’t think it’s the primary part of it. (Director, Independent Agency Network)

…. we are in a people to people business and I think there are people who spend their life looking for an answer that’s not there. We are in the accommodation solution business. So our customers and our clients have accommodation issues, somebody has a house they don’t want and somebody has a house they don’t have, somebody is without a house, and we are the conduit, that’s basically all we do. And, in that, it’s communication with people which is the key element, and technology then comes into that. So we can’t lose sight of the fact that we are just suburban real estate agents and our job is to engage with people and help them with their accommodation issues (Director, Joint Venture Network)

I think there are some great systems out there….. I think sometimes it’s overstated and I think the importance of the relationship between the agent, and the agency of course on behalf of the agent, and the actual client needs to be the forefront and the No. 1 priority of getting business (Director, Independent Agency Network)

Uptake and implementation of new technology is often associated with the quality and ability of the managerial talent within an organisation to use the pool of knowledge effectively
within and across the organisation to provide solution to problems and to facilitate decision-making processes which are essential for achieving competitive advantage (Leavy 1998). However the process of knowledge utilisation is more often than not fraught with challenges. In some instances the knowledge is not funnelled down the network chain in a timely manner as a result of poor internal communication strategy. In other instances the organisation is lacking in strategic practices to effectively deal with newly acquired knowledge and the integration of new knowledge is thus not utilised at all.

New knowledge that comes into the organisation is generally not successfully integrated. And the reason being is that you’ll find again it really comes back to the prior strategic goals of the business. It comes back to the culture of the way we actually impart that knowledge or the way we adopt that knowledge to our own culture and our own brand, and many instances you’ll find that somebody will come back to an organisation with the knowledge and then it’s the job of that individual because our budgets are limited in the franchise space to then be able to spin it and re-communicate it back down. And I think it gets diluted through the chain of network by poor communication strategy. So the integration when we need it should be happening very quickly but what you find is that by the time it pushes through 100 franchisees or a 150 franchisees it is diluted and it takes time to integrate into the business philosophies and practices (Specialist Franchise Consultant)

In the instances where the organisations have a clear technology strategy, new knowledge is carefully disseminated according to the best and most appropriate use for their market place. For organisations which are active in sourcing from strategically placed external resource markets, the pool of knowledge is often vast. The organisation thus must be equipped with an ability to disseminate the pool of knowledge and to strategically apply what is most relevant for its immediate market. This notion is demonstrated by the independent agency network which through its innovative operational structure possesses an innate ability to promote innovative processes within the network of its independent agencies via knowledge leveraging as suggested by Venkatram (1994). The independent agencies thus are able to apply operational flexibility to use the network to source out the best service providers according to their internal set up as well as their customer base. The operational flexibility additionally allows for quick and fast decision-making process and thus greater adaptability to the market forces. Indeed operational flexibility is viewed as a great positive as it enables
an agency to compete effectively in ever changing environment affected by economic volatility as suggested by Halal (1989).

The network provides a platform for the members to find out what other members are using or have used and the benefits, so that the members get some honest feedback in terms of the pros and cons of a particular IT application or service or a supplier that someone is using. In terms of taking ideas and specifically IT ideas back into our agency, yes, we do to a certain extent. Again, you pick things up that are suitable and implement them. And again, it comes back to a bit of R & D, what actually is adaptable to your agency in your marketplace at that time. The demographic in my marketplace is very young, so generally speaking, my vendors and my purchasers, my tenants, my landlords are very much that 25/35-year-old age group. They’re obviously very IT literate, so again I place great emphasis on our website, our ability to communicate electronically by email and SMS, and just obviously all that involves our IT systems (Director, Independent Agency Network)

Whilst the majority of respondent organisations readily concur that technology forms a significant part in their operational strategy, the findings suggest that most organisations are not necessarily at the forefront of technological advances. Out of the respondent organisations interviewed most readily indicated their tendency to let someone else be the ‘guinea pig’ before they decided as to whether to take up a particular application.

.... as an organisation, we’re not technology phobic but we are not cutting edge and we, by design, see ourselves sitting one out and one back. We see a lot of our competitors striving very hard to be innovative and using the latest technology and they seem to pedal long and hard into the wind before they get a result. Through sheer bitter experience we recognise that allowing somebody else to make main practice of technology and picking it up at stage 2 is so much easier, so much cheaper and so much more effective. Yesterday’s technology used effectively is so much more effective than today’s technology used poorly. Those people who keep chasing cutting edge technology we see for us, is not our objective .... (Director, Joint Venture Network)
On the other hand some interviewed respondents expressed their concerns regarding the negative consequences on the industry as a whole by suggesting that the role of the agent is fast becoming irrelevant in the real estate transaction. Where the agents previously were the ‘go to’ people concerning all matters related to property, this is now no longer the case. This change looms over the future of the industry unless the agents find a way to adequately address the threat and collectively come up with ways to combat the problem.

_We really as an industry haven’t properly grappled with information technology. It is interesting that we as the agents used to be the repositories of all the information. The internet has provided a facility where the public can now become very skilled. They can google virtually anything. So what you find now is that a person makes an inquiry specifically just to have a look at that property. They don’t want to know any of the ancillary information around the property because they have done their research about it online by looking up past sales, property photographs, they have gone onto google earth, and they have been able to obtain council and shire information from council websites. So they are a pretty well informed purchaser and we sort of have to find a way to adapt to that_ (Licensor, Cooperative Agency Network)

Additionally it is suggested that real estate agencies readily adopting new technology is instrumental in opening a channel for external organisations directly affecting the real estate industry such as portal website providers to freely use the information gained from the agencies to further their own profits as well as free enterprising entrepreneurs looking to feed off the industry such as software providers.

_I get submitted a whole range of software programs.... And what they’re actually offering is a carrot to get the agents’ data, because the data is the critical aspect. And once they’ve got that, then they embed it into their program and then sell it back to us_ (Licensor, Cooperative Agency Network)

Another challenge faced by the real estate organisations is embedded in the principle of adoption of new technological advances within the organisational scope of operations. The Franchise Consultant interviewed suggests that factors such as the size of the network and investment as well as the little known and understood negative effects of new marketing strategies are often to blame for poor adoption and implementation.
Technology is at the forefront of everything we do and from an innovation point of view it’s probably the greatest one that people put time, scope and investment into, and there are some franchise systems and real estate is probably a good example that sometimes can be on the cutting edge and can be ahead of time. But the general gist is that many franchise systems are actually slow to adopt and the reason that they’re slow to adopt is because it takes investment, time, and implementation with a lot of change and commitment.....(Specialist Franchise Consultant).

Some interviewed respondent organisational representatives claim that technology should be viewed as a significant factor in bringing about a sweeping change across the real estate industry. There are already many instances of new ways of doing things skimming the surface yet the experienced and established stakeholders are slow to embrace the changes.

Technology will change things. I think that probably none of the established agents are prepared for virtual reality and I think that will take over. You have to actually be going well beyond that point what real estate doesn’t have that I think virtually reality will affect. I think people will buy investment properties on virtual reality or people don’t understand they actually already are. More properties have sold by a virtual than physical and people go, “that’s not true, it’s nowhere”. Well, I can tell you it is and it is called off the plan and all those investors are buying off the plan and all those first homebuyers are running to buy off the plan and guess what? They just got used to the norm not seeing the property before they bought it. It’s happening but agents don’t see it coming.

If you can buy a million dollar piece of art over the phone, why wouldn’t you buy a property for $600,000 based upon the photos? (CEO, Boutique Agency Network)

I think it will ultimately go to virtual reality down the track. And the physical office requirement for exposure is in fact disappearing (Licensor, Cooperative Agency Network)

This finding suggests that technology is enabling the real estate industry to enter a new era where the old and tested ways are slowly being replaced with not only new ways of doing
things but also an environment where better understanding of the essence of the real estate practice prevails.

_Most of the younger agents coming through embrace technology and see the benefits of it. This is because they haven’t had any other way to operate and so therefore find a way to and are happy to embrace it and lead the way if you like from a technology point of view (CEO, Boutique Agency Network)._}

From the innovation perspective technology is seen as a useful tool for facilitating innovative practices (Dewett & Jones 2001). Innovation is said to be crucial to business performance and as such it represents a means of survival as well as growth as explained by Han et al. (1998). It is further suggested that organisations tend to exhibit a propensity to deploy technological resources to help build and sustain competitive advantage (Hambrick et al. 1983).

This notion is generally supported by this study’s findings as the majority of respondent organisations exhibit a tendency to utilise new technology to gain an edge in the marketplace. On the negative side there are some respondent organisations which argue that this type of practice cannot be classified as innovation. They reason that the agencies merely use technology to change the technique of carrying out certain operations and thus improve the efficiency of the organisation rather than to change the real estate experience. Boutique agency network claims that the agents have not used the technology to change the real estate experience for customers for example. They also claim that agents are concentrating too much time on advertising real estate and less time on core elements of real estate practice which are unquestionably selling and listing.

_They’re doing the same things they were doing 30 years ago, they’re just doing it on a computer. The process hasn’t changed. No-one’s actually changed the experience…. For us, innovation is around things which change the experience. Our view is different, we want to come in and disrupt it because the single largest asset class in Australia, three and a half times the value of the stock exchange is residential real estate…Three times everyone’s superannuation value is sitting in real estate. People deserve better service ... (CEO, Boutique Agency Network)
We actually have to get back to what we’re actually doing. We have to actually sell and market, not advertise, but when the market’s hot it’s too hard and there’s a conflict for the public (CEO, Boutique Agency Network)

Similarly franchise network demonstrates their take on the innovation by claiming their strategy is to gather public feedback on the level of their service so that they can use the public feedback to improve their service delivery and thus deliver a better real estate service.

I think too many people get caught up on technology being the innovation, the only innovation angle if you like, and as most of us aren’t technology companies, it doesn’t make sense to me. So we look to innovate through what products and services we offer and how we offer those services. So for me innovation can be doing the very basic things better. Rather than always coming out with a new app or a new way to capture or a new connection between two bits of data, in my view innovation is really more about doing those little things better. So improving things by 1% is better, which doesn’t sound like innovation, but if you combine all those one percenters, 1% becomes 10 per cent, and they become 20 per cent (CEO, Franchise Network)

Joint venture network on the other hand displays a tendency to focus their innovation strategy on finding ways and means to tweak the real estate practice whilst not deviating too far out from the tested and established ways of real estate practice. Their belief is that it is the little things done slightly differently can add much to providing the organisation with a competitive edge in the marketplace.

We really do look for a change of practice habit, standard, response, engagement as a competitive advantage and then we sometimes see it in our competitors, worst case scenario you wake up one day and you see them doing something that we’re not doing by way of innovation… (Director, Joint Venture Network)

Cooperative agency network explains that innovation in real estate is linked with the notion of best practice within the real estate industry as a whole. They claim that innovation really emanates from the entrepreneurial industry leaders who are not necessarily intent on changing the real estate experience. Rather their intent is to develop alternate business models with a structure which supports operational flexibility. They argue that alternate business
modelling is the way of the real estate industry future rather than standardisation and uniformity offered by a franchise model.

Both individuals and directors and partners, are in fact using their entrepreneurial skills and going out and creating a new environment within which to operate as far as the business model is concerned .....(Licensor, Cooperative Agency Network)

This link between innovation and entrepreneurship is supported by the specialist franchise consultant. Indeed the franchise consultant goes on to explain that this link is stronger in the conception stage thus proving an indelible connection between entrepreneurship and stage of growth as initially suggested by Oxenfeldt & Kelly (1969).

People that start a franchise system are quite entrepreneurial .... therefore in my opinion they’re loose cannons a lot of the times. So being able to embrace innovation and change and be a little bit leading edge, in the first period of their lifetime as a franchisor they are really good at it because there’s a lot of excitement, it’s new and it’s about trying to get your service, your product to the market. Part of that innovation is also acquiring franchisees and having them believe in your vision, your passion and being able to distribute the product through that. So innovation at the beginning is quite clever and it’s quite embryonic ....(Specialist Franchise Consultant)

Interestingly specialist franchise consultant claims that innovation does not necessarily decline with the organisational growth in contrast to the popular belief. The desire for innovation is still present however it is the implementation of innovative principles and practices which becomes difficult as the organisational network grows.

So what you find in a lot of franchise systems as they grow and they mature, innovation becomes more difficult to implement and you find that a lot of franchise systems and their franchisees have probably got innovation happening but they don’t see it as being innovation because it’s just day to day... If you’re going to come up with innovation or a new way to do something you’ve got to be able to embrace, engage, and empower your franchisees to jump on (Specialist Franchise Consultant)

Literature on management strategy expounds that innovation for best part comes from research and development (R&D). Cooperative agency network and independent agency
network respondents interviewed allege this is often greatly neglected by many agency principals regardless of the size of the network and lack of resource constraints. In reality they reveal that the majority of agency principals subscribe to a ‘rip off & duplicate’ scheme hence suggesting that the real estate industry is based on a pack mentality where most tend to follow innovative principles and practices after their competitors have done so. The major problem with this strategy is that by the time a particular innovative practice is deployed by an organisation which decided to wait it out, often it becomes too late and the competitive edge has been lost.

In regards to R & D, some people say it’s “research and development”; in real estate, I tend to say “rip-off and duplicate”, because I go out to conferences and whatever and I keep seeing the same type of ideas that come up from time to time. Mind you, there are new ideas that come on and we can certainly adapt and fine tune those for our agency which we do readily (Director, Independent Agency Network)

.... in essence we have a pack mentality. We rip off and duplicate. And so often I say to my board that the competitive edge with a market strategy is no more than six, and no less than three months because if it works, as a new idea or a new thrust, then very quickly it’s going to be reviewed and adopted. And then you’ve lost that competitive intelligent break. (Licensor, Cooperative Agency Network)

The specialist franchise consultant argues that the lack of investment in research and development largely emanates from lack of strategic goals, capital constraints as well as delivery of new knowledge across the organisation as the knowledge is essentially diluted down the network chain (Refer pp. 216). Conversely franchise network respondent claims that this issue of integration of new knowledge can be successfully eradicated if the organisational structure allows for effective implementation strategy.

There’s so much information that comes at you in business and real estate in particular. So the challenge is in chunking down all this new information. I think, this is the benefit of real estate franchisors where you have a group of people that can spend time reflecting, looking, exploring, collating, filtering and getting to know and recognise what could be helpful, versus real estate agencies that operate independently and don’t have that structure where they try and build both ...... So the
structure of an organisation becomes really important in this (CEO, Franchise Network)

Independent agency network respondent discloses a slightly different strategy when it comes to implementation of innovative practices. They explain that as independents the freedom of operational flexibility allows for a fast uptake of innovative practices and it is the strength of the managerial capacity inherent within the agencies and strategic alliances with other likeminded agencies within their network which is greatly responsible for successful implementation of innovative practices.

My team members are generally young and certainly far more literate than I am with IT, so I tend to rely on them as to if we can actually implement ideas and whether they’re willing to take it up. I might have the general overall helicopter view of “Yes, I can see this is going to work and the outcome is going to be very successful”, but I may even personally myself not be fully au fait with actually how it works internally, and that’s why I always like to get my sales person or the operational manager to go and speak to another operational manager in another agency within our network. (Independent Director, Independent Agency Network)

Cooperative agency network and boutique agency network claim that synthesis of new knowledge is certainly not done to its full capacity. They independently state that this is predominantly due to factors such as fear of change and a closed mind as well as protection of ‘status quo’.

Real estate organisations do not synthesise new knowledge internally at its maximum capacity. It can be done better and it is closed mind and fear of change that prevents this from happening (Licensor, Cooperative Agency Network).

Do I think that anyone in real estate really wants to innovate? No, they want to protect the status quo. This is especially true of industry body. Why would they want to change it, you know, they’re all, quite frankly fat and happy (CEO, Boutique Agency Network)

The extant literature reviewed suggests that an effective and well thought out resource strategy lies at the heart of an organisation being in the position to achieve as well as sustain its competitive advantage. Furthermore the proposition is that organisations can coordinate resources more effectively and efficiently within the organisational scope by developing
operational routines and allowing for flexibility in managerial decision-making (Conner & Prahalad 1996, Teece et al. 1997, Kogut & Zander 1992). Thus it is managerial capability in effectively knowing how to use the organisational knowledge base and operational capabilities established by the organisation which enables the organisation to acquire resources necessary to achieve and preserve competitive advantage (Combs et al. 2004).

Respondent organisational networks state a number of important factors required for competitive advantage in their respective marketplaces. For example factors such as retention of key managerial staff, business profile diversification, and provision of exceptional service are said to be the key elements in franchises achieving the competitive advantage according to the specialist franchise consultant.

\[\text{I am aware of real estate brands that are competitive and they're competitive by the energy that they place into their people retention and so the competitive edge therefore is to hold onto their sales people and their guns as they call them and provide education, great employment of choice and flexibility to retain them and be competitive in comparison to other brands. There’s some brands out there that have become quite competitive to chase that extra dollar or that extra revenue stream where they might be a real estate agent as a first core business, but they also might be running multiple brands that’s about connecting peoples’ utilities for example. (Specialist Franchise Consultant)}\]

Organisational networks such as independent agency network explain that for them it is their unique structure which enables them to be proactive in seeking out new practices which can make their businesses stand out from their competitors as well as more commonly known factors such as the strength of the brand, market share, and internal systems.

\[\text{The key to success is basically always changing and trying to improve. A lot of my competitors tend to, I would believe, put their head in the sand and don’t spend both time and energy and cost to go and actually search out best practices and try and be strategic... We have a philosophy that we’re always trying to improve and to do that we need to take our head out of the sand and actually go out and investigate what’s happening with other agencies, both here in Melbourne and also interstate. So I believe that to be ahead of the game and to be a dominant player in your marketplace, whether in country Victoria or inner city Melbourne, you need to employ these practices of trying to be strategic and go out and find out what’s happening in other}\]
markets and other firms. But to do that, of course, you need to obviously allocate some time and resources and energy because obviously all that takes your time away from listing and selling and managing your real estate agency. It is only because of a network like ours that you might go away and strategically think of ideas like that where you’re actually taking time away from your day-to-day running of the business, and obviously have discussions with various colleagues about that and then try and adapt it back into your little patch and your little marketplace (Director, Independent Agency Network)

To be successful you need to also focus on the market share, your brand, and your status in the community. But I think most importantly it’s your internal systems that obviously make you successful. So for example, you’ve got a number of systems when a person lists a property, the touch points that you have with those clients throughout the process, whether it’s a landlord or a vendor, those internal systems have to be spot on, and we certainly take great pride in having really good systems here (Director, Independent Agency Network)

Cooperative agency network respondent further expounds the virtues of innovative business modelling undertaken within real estate industry. They claim that the operational freedom which emanates from being an independent operator is highly attractive to many small operators. The operational freedom lends them an ability to act fast on innovative practices without having to deal with the constraints placed upon them by layers of management.

Why have, not marketing groups like ours, not franchises, but little cliques of agents sort of got together in a very loose type of association for the interchange of ideas, and just chewing the fat or a bit of blue sky, because they can take something back and do it straight away. If they’re in an organisation, then it’s the organisation which has to be motivated, and that’s fairly difficult to achieve…. it takes a lot of negotiation (Licensor, Cooperative Agency Network)

Similarly joint venture network respondent reveals that the secret to achieving competitive advantage for them lies solely in their structure and the control they yield at the top management level across the offices in the network.
Australian Real Estate Agency Design: Strategies for the Franchising Business Model

I would say the business has evolved and changed significantly from its original structure. We are, we believe, quite different to every other model out there.... we look and behave like a franchise however we operate like a single office competitor. It’s one of the big advantages, the control we have. For us and from where we are standing it’s a very, very safe plinth to be standing on from our perspective (Director, Joint Venture Network)

Franchise network on the other hand states that it is their unrelenting focus on monitoring activity across the network which can be attributed to their competitive advantage as well as their overall business strategy.

We are proud of what we call our superior connections which come from our vast rent roll we manage across our network and from which we sell about 7000 homes a year. So how we leverage those connections for the benefit of our vendors and our landlords is to obviously get more buyers, and obviously get more tenants into our properties and service them better than anyone else. We measure our success by our feedback from our customers. So for the last six years we have been doing net promoter score. We call every vendor and ask them would you recommend our offices to friends or colleagues to sell your home. So unlike other groups we look to achieve something and then measure it and then see how we go. And if it’s not working try something else. Most other groups measure their success by way of their financial performance only, which is like looking at the rear vision mirror. You only see what’s happening and not see what’s coming. So we’re trying to predict the future by checking out the service we are providing over and over again and how the feedback from new customers is going. So I think we’re really unique in that regard (CEO, Franchise Network)

Cooperative agency network explains that it is undisputedly the strength of their brand and marketing which puts them on the ‘shopping list’ when people are looking to either rent or sell their home.

We’ve done extensive market research on our logo, and in New Zealand it’s the most readily recognised brand. In Australia the research has shown us that we’re about number three. And with that comes a very, very powerful facility to go on the shopping list, and that assists from a perspective vendor’s point of view, prospective purchaser, landlord, tenant, right through, because of brand recognition and the
degree of research and resources that we throw at that is to ensure that the operation sitting behind the brand is in fact measuring up to what consumers actually think it should. So it’s something that has to be very well guarded and researched (Licensor, Cooperative Agency Network)

Boutique agency network also prides itself on its structure which allows for greater flexibility in managing managerial resources across the network of offices as well as to enforce better standards across the network. Additionally they claim that their focus is almost predominantly centred on their employees where the goal is to create a better and more attractive place to work.

We certainly have advantages in that we can offer a network basis to our employees. We can refer people backwards and forwards, offer more training, and provide consistency for clients. So we have the competitive advantage in that we can change things, we can enforce better standards across the business, we can ensure that people actually get leadership and management training they wouldn’t get elsewhere, and we also put in company policies and processes that actually comply. For example we offer our staff things such as like boot camp training where every office has access to two boot camps per week, so the teams can go and do that but not everyone does it. We offer yoga classes and flu vaccinations. We have an employee assistance scheme which has a 24 hour call centre for ensuring if they have any personal crisis they get up to three free counselling sessions and then beyond that we work through. (CEO, Boutique Agency Network)

The franchise network respondent further explains that as franchises are relatively all operating on the same level, it is thus relatively difficult to acquire a competitive edge over another. They all have the same structure in as much that there is a franchisor providing a brand name and systems and franchisees paying a fee to the franchisor for the use of the brand name and systems however they do differ substantially in their market entry which can and often does affect how they are viewed by the public. It is thus public perception of an organisation which drives the brand awareness which ultimately leads to competitive advantage.

Generally speaking there’s very little competitive advantage across franchise groups. The way it works is the lower you pay on a franchise fee or marketing fee or a marketing levy or a corporate fee, the lower the brand positioning and the lower the
support provided to the franchisees. So there’s a perception of this brand versus its competitors. There might be actually no franchisor difference but there’s actually a perception difference. So I think what you’ll find is even though there’s a huge difference between cooperatives to full franchise models the reality in the real estate, from the real estate agent’s perspective, is they don’t understand those differences. What they do understand is the public’s perception of a brand and what they could leverage. It’s only when they come on board with a different brand that they realise the difference between point A and point B. But most times it’s really hard to communicate what the differences are because really their focus is on the next three months of listing and selling (CEO, Franchise Network)

The majority of interviewed respondents indicate a general lack of anti-competitive behaviour in the marketplace. Independent agency network representative claims that the independent agents generally do not have the luxury of time or resources to think strategically.

In terms of being reactive and opening up offices to block other people coming to your market or your patch and that type of thing... don’t think real estate agencies, generally speaking, are that strategic or actually have the time or even resources and money to do that. I think we tend to probably, from an industry point of view, be a little bit restricted in terms of our thinking strategically, and I think we’re just so flat out, to be honest, just on the operational day-to-day that, from a strategic point of view we occasionally spend a bit of time and effort concentrating on strategic issues, but generally speaking in real estate I believe most managers and owners are just absolutely flat out with their time just trying to meet the day-to-day and week-to-week demand that are ever present in a real estate agency (Director, Independent Agency Network)

Joint venture network representative states that opening up new offices is very unlikely to occur for them without a solid reason as they are essentially driven by profit making. Opening up an office which is likely to not be profitable just so that they can have a presence in a particular geographical location is simply not commercially viable.

I think it would be really unlikely for us to make the decision to open an office that is unprofitable. One of our very highest business principles is making a profit, so we see it as our duty of running a business to be able to pay wages next month, and we
can’t do that if we make unprofitable decisions. So we are unlikely to open an office that we think we might one day close (Director, Joint Venture Network)

On the other hand the joint venture network representative states that growth for the sake of growth is more likely to occur with franchises. They argue that this could be possibly due to their higher risk profile.

Most franchise groups’ objective for growth is sometimes higher than their objective for quality or for sustainability in our opinion. I don’t know whether they just have a higher risk profile because they’re really not putting in the money, whereas, in our business we have a greater attachment to the outcome where it is possible to follow the money trail. Opening a new business for us is really about a marketplace but more importantly about the key drivers, if we can find the key drivers we’ve got ourselves a marketplace generally speaking. So if we find the right people and we think we can run a business there we’ll open an office because we think we’ll make money out of that (Director, Joint Venture Network)

Franchise network respondent however disagrees with the opinion provided by the joint venture network representative. They profess that their growth strategy is all about seeking out opportunities and then sourcing the best people to run the new offices.

It is process identification, opportunity and then source. I don’t see that as being anti-competitive really. That’s just being smart. We’ve identified 12 areas we want to go to in the next five years. And so we’re actively seeking good people in 12 areas. So we’re again proactive versus reactive. So it’s not anti-competitive, it’s competitive (CEO, Franchise Network)

The specialist franchise consultant agrees with the franchise network representative by claiming that growth for the sake of growth would be ultimately at the disadvantage of the franchisor. However she states that growth for the sake of growth as such would also be at a franchisee’s disadvantage as they are likely to lose capital by investing in an unprofitable office. In her opinion though the franchisor would be ultimately at a greater disadvantage for placing a franchisee in an office which is not likely to survive as having to close an unprofitable office can have serious backlash on the brand perception in the local community. She claims that a franchisor is most likely to encourage growth through current franchisees.
A franchisor with their ethics hat on, working under the code of conduct will never purposely place a franchisee into a risk area where the financial outcomes are not positive for both parties. Because ultimately if a real estate office opens with a potential long term loss on the bottom line, the franchisor will become responsible for that and then will need to manage the people factor, the brand protection factor and everything else that comes with it. The only time that we would see an office open in another area would be that you might have a territory and you might have a successful franchisee in a territory, and they might be seeing that within their territory there might be another part of that territory that’s become a growth area and so what might happen is the franchisee might open a sub-office in that territory and then potentially maybe run that at a loss, but when they add the two together they’re both running profitably as a consolidated entity. But I’ve never yet seen a real estate agent touch wood, open an office for the sake of brand positioning and brand statement at the cost of a franchisees’ life savings (Specialist Franchise Consultant)

This opinion is largely shared by the franchise network respondent.

Opening and closing offices pretty quickly is not a good look for your brand. It’s not a good look when you open with someone who doesn’t reflect your brand….. I’d rather have culturally the right people in and not quite the size (CEO, Franchise Network)

On the other hand the boutique agency network respondent points out that the practice of growth for the sake of growth is still very prevalent amongst the franchises. He states that it is a short term strategy which only puts the franchisor at an advantage.

In more recent times research into strategy points to the significant role of resources in underpinning organisational strategy. Whilst early research focused predominantly on theories of profit and competition (Penrose 1959), in more recent times it is the relationship between resources, competition and profitability which are said to contribute the organisation’s ability to acquire and sustain competitive advantage (Grant 1991). In essence this modern line of thinking where resources are incorporated into the organisational strategy, attest to the principles of resource-based theory.
Hence it is through application of the resource-based theory to acquisition and distribution of resources that an organisation can improve its performance and thus acquire competitive advantage through monopoly as explained by Wernerfeldt (1984). The findings from the case studies show that the respondent organisational networks utilise a number of resource strategies within their operational scope. For example there are organisations which form alliances with other businesses in the initial stages of growth when the capital resources are constrained and then revert to utilising their own capital when the growth reaches the point where capital is no longer constrained so that they can accumulate resources internally. This is most likely to occur with the franchise networks as explained by the specialist franchise consultant.

Most businesses, most franchisors will accumulate through both means. They will actually accumulate their resources from having alliances with other business partners and the reason they would align themselves with other business partners is to support their strategic goals. And so if they can do that rather than invest in the actual resource themselves and tie up their cash flow, then that will be a win-win for them. They utilise that alliance during the time they require the strategic deliverables to be positioned, and then they’ll remove themselves from that alliance. The second part is that most franchisors are not what I call cash flushed. A lot of them run on very much small capital budgets and so therefore they don’t acquire a lot of resources from a wealth position perspective. So you’ll find it’s only the mature franchisors within the Australian market that will actually be able to do that. And by mature what I mean is those that have probably got to two to three hundred or more units or outlets. So they will be what I call a good mature system, and they would most likely be able to finance resource acquisition by their own means (Specialist Franchise Consultant).

The independent agency network respondent discloses that their strategy is to generally acquire resources from external resource markets.

We engage consultants here. We bring in the expertise from outside. We have an HR consultant who comes in on a part-time basis. We also have a chief financial officer who is based in Byron Bay whose role is to hold a monthly accountability and reporting meeting with us via a conference call. We use our network, a group of 27 independent agencies throughout Melbourne, as a resource to tap in to best practices.
happening in the marketplace and trends that are happening in both the Melbourne and Australian and international marketplace (Director, Independent Agency Network)

The joint venture network respondent reveals that they follow in the resource strategy demonstrated by the independent agency network however they have a greater ability to centralise most of their operations internally which allows them to eventually bring in external sources which were previously outsourced.

We have the ability to centralise a lot of the admin side of the business and there are some economies of scale gained there. So rather than having a trust account for each of the offices we have four rental trust accountants that sit in one location. So all those other offices become receipting centres rather than production centres by way of the financials. It is all centralised and all monies paid in and out is really paid out of head office. So when we’re seeking resources for that, we would resource through the head office. For example IT, we had contractors from the property management platform working for us and keeping our systems running and so forth. We got to a scale where we thought that it would be appropriate to insource so we actually ended up hiring a person with the property management platform experience as well as history with working with our company through the property management platform provider, to actually come and work with us. That person is hired by head office and the cost of that person is spread across the offices as per use (Director, Joint Venture Network)

The franchise network respondent divulges that their resource strategy is to a great extent synonymous with a traditional franchise resource strategy. Thus there is a propensity to accumulate resources internally so that the franchisor can retain full control of systems and operations within the network so that the resource strategy is always fully aligned with the overall business strategy.

In terms of human capital, we have a mix of sourcing from the real estate network and a mix of sourcing from the corporate arena and a mix of sourcing from the franchise arena so we employ a three way mix. I think all three skill sets are essential, but we acquire from within our group, resources that come through our corporate entity or from other real estate brands. When we go looking for potential managers who will eventually become directors we generally look to the corporate arena as I don’t find
the process and the temperament within real estate for what’s required in a franchise business. It’s just quite unique in terms of being fairly resilient and they also must have a good process to follow when looking at running an office within a franchise network. Training, there’s three aspects or three critical aspects to success in real estate franchise in my view; marketing, training and development of staff. For marketing we have a combination of in house marketing resources, three in house marketing resources as well as retainers with an external creative agency and retainers with an external PR agency. So a combination of both in terms of how we acquire resources required for marketing. In terms of training, about 90% of what we train is developed internally. We bring in external trainers who are going to deliver the training to help through that process to make sure that they are across our content. So rather than outsource our training to a third party that trains on something that our network can’t leverage, in our network we believe we have certain ways we do things which are unique. So we train on those things internally. We develop the training, but to keep it fresh we have different trainers to deliver it our way if you like. Yeah, so most of our resourcing, if you look at that, we balance between internal and external a fair bit. IT is completely outsourced (CEO, Franchise Network)

When it comes to acquiring resources essential for acquiring and sustaining competitive advantage, it is evident from the findings that the majority of respondent organisations list managerial resources at the very top of the list.

For us we see a lot of advantages in our structuring ……. it gives us a lot of control, a lot of flexibility and it allows us to create an environment in which people want to work. For us, culture is an enormous focus for us in leadership, the culture of how the place feels to work (Director, Joint Venture Network)

The secret of competitive advantage is due to a number of things. I would think it’s you being proactive on a range of fronts, and obviously once again it comes back to your biggest asset, and the biggest asset in our company is our people, so making sure we’ve recruited exactly the right type of person, we’ve trained them well, inducted them well, and obviously keeping up the monitoring and keeping them accountable to ensure all their activities are what we believe are the best activities to bring success and profit to the company (Director, Independent Agency Network)
Boutique agency network alleges that whilst the managerial resources are the single biggest resource, acquiring the right talent is often fraught with many challenges.

*The most significant resource we have is people. Acquisition of those people is incredibly difficult because the industry, itself, is focussed on short term transactional arrangements. To actually build a business of scale you need layers of management to be able to achieve that across broad geographic bases which is why you find many of the really successful agencies haven’t been able to branch outside of one or two suburbs outside of their adjacent areas, where they can actually control it and because they don’t have the level of people on board. That is probably the greatest constraint on resources (CEO, Boutique Agency Network)*

The cooperative agency network representative on the other hand asserts that in addition to finding good people, the biggest resource constraint they face is capital. Their strategy thus involves looking at alternate ways to generate capital necessary for survival of the organisational network.

*....The thing with a Group such as ours is that we are cash poor. We have a fee structure, and each of the states or regions varies. But for argument’s sake, an operation such as mine would pay $xxxxxx a year and that goes into a kitty which is used to provide the web, development of the web and that sort of thing. That money in the kitty is also used to provide some facilities for online training and that sort of thing. I think if you’re looking at where our group is, the organisation itself at the higher echelons, we’ve acknowledged that we do in fact have a lack of capital compared to a franchise. So we’re sort of going down the track of trying to develop alternative sources of funds, and we’re just in the throes of establishing our own finance group, at a national level, and we believe that we will be able to generate funds out of that (Licensor, Cooperative Agency Network)*

Interviewing the selected respondent organisations raised several challenging aspects associated with operational strategy within the real estate industry. These are worth recognising within their own context by virtue of the significance of broader implications placed upon the real estate industry on the whole.

The greatest challenge appears to be associated with the perception of the agent in the marketplace. Indeed some respondents go as far as to state that the public perception of the
agent is on the whole negative. The cooperative agency network respondent claims that this is generally attributed to the lack of necessary skills required of an agent to carry out his or her duties in the field. They also question the licensing requirements which they believe are essential for elevating real estate industry to a professional status. It is also attributed to a lack of stricter educational requirements placed upon individuals as pointed out by the boutique agency network respondent.

The public perception of real estate agents is still we’re down at the bottom end with car sales people and that sort of thing.... So I believe we really have done nothing as an industry to differentiate that. Do we get rid of the licensing of agents’ representatives, so to speak, but require them to undergo additional training? Do estate agents actually have to undergo additional non-voluntary CPD? It’s happening in some Australian states but it’s not being done properly, because you can avoid it by all sorts of ways. I don’t think that we have the industry elevated to a profession as yet (Licensor, Cooperative Agency Network).

The industry has a negative perception in the marketplace. Many people come into the industry because they can’t get work elsewhere... If you’re successful at it they never turn around or look back, they just keep going and they end up owning businesses and they have the same philosophy, they’ve no formal training in management, leadership, finance skills and things, and an awful lot of them actually get into financial trouble over time, and they certainly don’t train their teams well. So the people who are around with any experience are highly untrained and really don’t have leadership or management capability (CEO, Boutique Agency Network)

Both cooperative agency network and boutique agency network respondents independently allege that the real estate industry consistently ranks low in professional rankings. This paints a rather disturbing reality of the serious lack of professionalism which the industry has yet to address.

The fact that the industry has the reputation and the third lowest profession ranking, just above used car salesmen and prostitutes, is horrific. AC Nelson does a survey every year and for 22 years or 24 years or whatever it is, it’s always ranked in the bottom three with those other two. Also note that in Victoria those other two, along
with the real estate agents are licensed by the same government authority. It says something about the industry (CEO, Boutique Agency Network)

The public perception of real estate agents is still we’re down at the bottom end with car sales people (Licensor, Cooperative Agency Network)

The cooperative agency network respondent concludes that an effective solution to eradicating negative public perception of the real estate agent may lay in revising and enhancing educational requirements within the industry so as to align it with today’s practice.

Another interesting point of contention illuminated by cooperative agency network respondent concerns the real estate agent relevance in the real estate transaction at present and moving forward into the future. The argument is that technology has been instrumental in reducing the agent relevance on the basis that it has enabled the public to access all information pertinent to property on the internet rather than rely on the real estate agent. In the process the real estate agent’s role has diminished substantially, they argue.

....what do we have to do to remain relevant in the transaction, and that’s the thing that’s exercising my mind our job is to look after our members and to ensure that the real estate industry/profession remains a constant source and remains relevant to the transaction (Licensor, Cooperative Agency Network)

The cooperative agency network interviewee suggests that the agencies must focus beyond the transaction and instead concentrate on how they can add value to the customer.

I see it as a real reluctance to embrace technology, a real reluctance to embrace innovation because of the fear of what that could do to them and you hear it all the time, people complain about realestate.com and domain.com, “oh they’re taking over our businesses”. No, they’re taking over the transaction because all you’re doing is transacting. If you actually had a value in what you did and advice and support and extra services, people would not move away, but they don’t, they want to just do the transaction which is easy to automate and easy to put technology into to remove the need for them (CEO, Boutique Agency Network)
The rapid rise of technology has also been associated with innovation to a large extent by the real estate industry at large. The respondents claim that whilst technology has been conducive to improving the organisational efficiency, it does not equate to the definition of innovation. In essence they argue that technology is merely an enabler, a useful tool which is useful in assisting in carrying out tasks faster and in a more timely fashion. Innovation, on the other hand, is said to largely involve a change of practice, habit or standard as succinctly summarised by the joint venture network respondent.

Another debilitating factor experienced by the real estate industry stakeholders is resistance to change. The industry is described as being very slow to innovate as well as adopt new innovative practices. Some respondents blame the layers of management and the size of the organisational network whilst others argue that it is the protection of status quo due to fear and lack of understanding.

*The reality is, for us and for anybody that I talk to, certainly if we leave it at real estate, our industry, most people are resistant to change (Director, Joint Venture Network)*

*They don’t want to rock the boat because they’re making a lot of money and most of the senior ones are at the end of their careers and they quite frankly don’t want it to be rocked too hard until they’re ready to get out. So there’s a barrier to change, they don’t understand it, they don’t want to understand it, they won’t put the time and energy in because, again, they did a three day course, they accumulated a sizeable rent roll, they made themselves huge money for their age and continued to the point where they built businesses out of it. So why would they want to disrupt it? (CEO, Boutique Agency Network)*

*The bigger organisations, as you get further removed from where it’s happening, I think it’s harder to get that change affected because it is a bit like Chinese whispers. The intent up at the top is lost by the time it gets down to the bottom. So when you’ve got three, four or five, or even 800 offices, then the change is almost impossible to achieve. There might be a best practice process in those businesses, but in terms of affecting change at the cold face, it doesn’t happen very well, because it’s only as good as the quality of people at the cold face that help make that change happen. And*
it’s hard enough at our size to get four or five good field agents to help affect change in a really good way. So to get 40 or 50 of good field agents around Australia would be a real challenge (CEO, Franchise Network)

Extrapolating further on the notion of resistance to change, it is the role it plays in recruiting and retaining good, quality staff. The boutique agency network interviewee claims that any newcomers into the industry with fresh ideas are promptly squashed by the industry fraternity on the grounds that it may alter the status quo.

If you’re new and you’ve got fresh ideas and you come into the industry, you’ve got to work with someone who is essentially old school. And so what happens is that individual or organisation will crush you and you’ll leave because you say, ‘why would I bother’, or you’ll bend and fit in. Most of these, even franchise groups, they’re owned by a small business........ In a corporate world they would have been sued several times over gone broke, but they don’t care, they’ve got so much support which is why they’re good at real estate because they go out and just knock on doors and they get listings. People like to sell through them because they know they’re just like that and they’re going to push their property more so that they can be successful....So where do people who are good, who really believe that you can actually deliver service and care about what you’re doing... where do they go? (CEO, Boutique Agency Network)

Lack of synergism within the real estate industry is generally blamed for scarcity of consistency across the industry. Some respondents go as far as to assert that the industry resembles a farming community whilst others more commonly refer to the industry in terms of a ‘cottage’ industry.

I think we’re terribly fractured. We’re like the farming community. We say “Yes, we support that”, and then come back to our office and sort of do our own thing (Licensor, Cooperative Agency Network)

Generally speaking in real estate, there’s no scale, they are mostly all small businesses. It’s a cottage industry (CEO, Boutique Agency Network)
It is the shortage of consistency across the industry which is essentially responsible for general absence of best practice. Cooperative agency network representative blames the deficiency of resources to establish an effective industry structure which can invest time into undertaking continuous research and development to aid the industry as a whole. They explain that the notion of best practice within the industry comes in at the individual organisation level and is driven entirely by individual operators entrepreneurial enough to be innovative.

_I think if you’ve got resources you can develop, a lot of best practice is in fact developing systems and procedures. It’s only going to be with continual research, continual resources applied that we’re going to be able to employ best practice_ (Licensor, Cooperative Agency Network)

_There will always be what I call the innovators….. people who by default embody best practice which comes out of their assessment of a situation and a business opportunity. Both individuals and directors and partners, are in fact using their entrepreneurial skills and going out and creating a new environment within which to operate as far as the business model is concerned. (Licensor, Cooperative Agency Network)_

_It is the innovators in the industry that are the pacemakers, not an industry body. The industry body is frustrated as well as frustrating to the real entrepreneurial innovators because they can’t move quickly enough_ (Licensor, Cooperative Agency Network).

_Best practice in the industry really doesn’t exist. Huge number of people exits the industry every year because they’re unsuccessful …….. therefore, you have to be constantly filling from the bottom at a reasonably low level. We’ve looked to recruit people from outside of the industry….. which have a high service mentality, and also a focus on the fact that it’s the human capital which is the majority of the service offering. It is a very difficult transition because often they are faced with just negative situations…_ (CEO, Boutique Agency Network)

The cooperative agency network respondent additionally makes an interesting allegation
relating to data ownership. They explain that the agents have always historically been the cache of property information such as sale prices. If a member of the public wanted to sell their home, they would refer to their local agent to obtain an assessment of the market value of their home. Sale prices thus were historically accumulated by the industry body and the agencies paid a subscription to access the sale price data across the suburbs constituting their market share. With the advent of technology the rise of portal websites such as realestate.com.au especially this information is now readily available on the internet and has thus enabled the public to access this information directly cutting the agent out of the process. The biggest issue rests in the ownership of this valuable sale data as the agents are the originators yet they pay to access that data from the industry body whilst the portal websites collect the data freely concurrent to charging a fee to the agencies for exposure on their website.

.......... they’re actually offering as a carrot to get the agents’ data, because the data is the critical aspect. And once they’ve got that, then they embed it into their program and then sell it back to us (the agent). So what we’re doing is we’re selling the farm of data to external providers who are marketing that data and becoming the go-to place (Licensor, Cooperative Agency Network)

5.2 Chapter Summary
This chapter outlined the findings gathered from the interviews performed on selected respondent organisations within the Australian real estate industry. The findings provide a comprehensive outlook on how each real estate business model operates within the industry.

The findings expose a general propensity at large amongst the real estate agencies to respond to organisational change on an ad hoc basis rather than subscribe to a well thought out change management strategy. The respondent organisations argue that this is mostly due to factors such as strength of leadership, layers of management as well as lack of time and resources spent on research and development. As such there is a prevailing mentality which promotes and encourages change resistance which some organisations such as franchises have learnt to manage, if not fully eradicate, in order to implement innovative practices within their networks by implementing integration strategies to ensure that new knowledge coming into the organisation is synthesised at maximum capacity.
To this effect, innovative practices in combination with application of new technology are suggested to be significant in organisational pursuit of competitive advantage in the market place. Described by respondent organisations as two separate and distinct concepts whereby innovation is purported to be a change of all manner of things such as processes, mindset, style of management or even habit, technology is merely seen as an enabler or a tool to perform organisational functions faster rather than better. In an industry such as real estate the focus is on people and as such it is the development and sustainability of relationships between the real estate agents and the customers which is believed by the respondents to be at the forefront of innovation.

Despite its positive application within the real estate agency practice, technology and potential benefits from technological advances remain relatively untapped according to the respondent organisations. Indeed it is suggested by the respondents that the industry is floundering in the wake of the negative spin offs from the application of information technology such as loss of data to web based subsidiaries as well as the loss of agent relevance in the real estate transaction. Moreover the findings point to the negative impact on the real estate agency industry brought on by negative public perception of the agent.

As the real estate agency market place is a competitive environment, it is expected of the franchised and non-franchised organisations equally to be continuously focussed on sustaining and preserving competitive advantage. To this effect retention of key staff, business profile diversification as well as provision of quality customer service are rated as top priorities for respondent franchised organisations. On the other hand, it is the application of innovative practices in resource acquisition from external strategic markets and adopting innovative business modelling which is shown to be a viable competitive advantage strategy employed by the non-franchised respondent organisations.

In the light of the extensive analysis of quantitative and qualitative findings presented in Chapter 4 and in this chapter, the following chapter’ objective is to synthesise the key findings gained so that new business modelling framework can be conceptualised with a view to assist the franchise model to be sustained into the future.
CHAPTER 6: DISCUSSION AND NEW BUSINESS MODELLING STRATEGISING
6.0 Introduction

This chapter aims to present a synthesis of findings from two phases of data collection covered in Chapters Four and Five respectively – survey analysis followed by individual case study analysis – with the key extensive literature review from Chapter Two. As each phase of data collection proved to be instrumental in providing an insight into the operational scope of franchised and non-franchised real estate organisations within the Australian landscape, it is envisaged that this approach will achieve two important outcomes. In the first instance the emergent themes emanating from both strands of data analysis will be exposed and secondly, the ensuing emergent themes will be used to conceptualise new business modelling framework with a specific purpose to assist franchises in remaining a successful business model within the Australian real estate industry.

The chapter will thus commence with an in-depth discussion based on findings from each phase of data collection. Initially key findings from descriptive and exploratory analyses will be outlined to affirm the parallelism in operational strategy adopted by franchised and non-franchised real estate organisations as well as determine whether organisational life cycle and organisational size create an impact on the resource strategy appropriated by franchised and non-franchised real estate organisations.

Whilst the survey findings portray many similarities in operational strategy exhibited by franchised and non-franchised organisations, there are a number of questions which remain unanswered. Hence case study approach is utilised to fill the gaps in research findings left open by the survey whereby responses are sought via a semi-structured interview from a designated spokesperson from each selected respondent real estate organisation representative of identified business models found in operation throughout Australia.

To this effect case study approach offered explanations as to the intricacies of resource strategy adopted by real estate organisations by attempting to explain in greater detail as to whether the real estate organisations tend to favour internal accumulation of resources required for operational mobility or instead choose to acquire from external strategic resource markets. In addition the case studies provide clarification on how real estate organisations are able to assess the effects of change as well as deal with the effects and impacts of innovation and technology.
The chapter culminates in providing a conceptual framework for a new franchise business model by extrapolating on emergent themes stemming from strategic management and technology fields.

6.1 Parallelism in Operational Strategy

The descriptive statistical analysis was initially used to obtain an overall helicopter overview of franchised and non-franchised real estate organisations with respect to their operational structure and strategy. As there is such a distinct lack of research conducted into the operational strategy within the Australian real estate agencies and real estate agency franchises, it was imagined that adoption of a survey instrument populated by key themes emerging from the extant literature would yield valuable information from respondent organisations for filling the gap in research.

To this end the survey establishes several important findings. In the first instance the findings illustrate an almost parallel existence in operational structure and strategy between franchised and non-franchised organisations. For example when it comes to structure, the findings do not outline any specific difference between the two groups when it comes to explaining the motivational drive behind being involved in a specific organisational type. The case remains the same for recruitment strategy and strategy for acquiring competitive advantage. The latter especially has risen to extensive prominence through the onset of technological advances which have substantially enabled non-franchised organisations to compete in the same manner as their franchised counterparts whilst the former is hailed as one of the most sought after type of resources vital for an organisation to acquire and sustain a competitive advantage.

Correspondingly, when it comes to operational strategy, the findings highlight an affinity in design and approach between the two groups of respondents. Factors such as resource strategy, organic growth strategy, the value of the brand, operational focus, value and application of information technology, response to change, and adoption of similar performance measures are all noted as having equivalent importance in organisational operations. On the other hand, the point of difference is identified in the level of importance each group places on organisational structural adjustment. Specifically the findings reveal that franchised organisations are far more likely to place greater significance on this factor than the non-franchised which can only be speculated to be due mostly to their sheer size and regulatory conditions such as compliance with the Franchise Code of Australia.
Adopting the exploratory factor analyses such as Spearman’s correlation coefficient and one way ANOVA analysis further serves to validate the findings presented by the descriptive statistical analysis. Ranking the survey data values gathered from franchised and non-franchised respondent organisations illustrate a strong increasing monotonic relationship between the two groups of respondents in all aspects of operational strategy with the exception arising out of how the respondents rate the organisational structural adjustment, which shows as being relatively weak and various aspects of operational focus which are moderate. Thus the Spearman’s correlation analysis establishes a positive linear relationship in operational strategy deployed by the franchised and non-franchised real estate organisations.

Application of ANOVA analysis extrapolates further again on the Spearman’s correlation analysis by comparing the means of the two groups of study respondents obtained from the data sets in order to make inferences about the franchised and non-franchised population means. To this end conducting an f-test on the means of each sample of respondents to calculate the probability of Type 1 error at different significance levels when the null hypothesis is set at equal operational strategy, shows that organisational structural adjustment specifically in relation to federal government fiscal and political policies is highlighted as an area of significant difference between the two groups of respondents. Additionally financial resource capability is starred as another point of difference as are factors such as the way each group of respondents approach company specific organic growth strategy, technology strategy and managerial capability in relation to the brand value, although to a lesser extent.

6.2 Organisational Life Cycle & Organisational Size
These findings signify that whilst there is a presence of a strong similarity in operational strategy overall between the two groups of respondents, there are specific areas within corresponding operational fields which attest to a slight deviation in strategy between the two groups. Extrapolating further on this notion of difference, undertaking ANOVA analysis on operational strategy exhibited between the two groups of respondents throughout different stages in their respective life-cycles and size of organisation evaluates the relevance of prior research findings which claim that there is a similarity between small business growth and a franchise system on the basis that both show a predisposition to follow a concurrent path throughout their respective life cycles (Floyd & Fenwick 1999).
Furthermore the literature suggests that each stage throughout the organisational life-cycle is directly affected by changes which can be largely attributed to ownership direction and allocation of resources. In the early stages of organisational life cycle the resource focus is often very different due to challenges associated with start-up businesses such as lack of capital for example. Later on in the organisational life cycle, the organisation overcome its financial constraints only to be faced with gaining resources which combat another set of challenges such as establishing an effective and working franchisor-franchisee relationship, thwarting opportunistic behaviour in franchisees, dealing with competitiveness in the market place and between the franchisees, and ensuring that the franchisees are effectively supported at all times as an example.

Therefore it follows that as the organisation grows in size throughout its life-cycle, and provided that its business strategy is geared towards growth, the operational strategy deployed by the organisation is likely to change as the organisational emphasis largely depends on the ownership of necessary resources to achieve and sustain its competitive advantage in the market place (Brush & Chaganti 1999). Hence it is generally in the mature stage of the organisational life cycle that an organisation has abundant resources to sustain its operations and plan future growth as suggested by Flint-Hartle & de Bruin (2010).

Thus when conducting an f-test on the means of each sample of respondents to calculate the probability of Type 1 error at different significance levels when the null hypothesis is set at equal operational strategy throughout different stages in organisational life cycle, the ANOVA findings largely confirm the extant literature on operational life cycle as well as support the findings revealed by the analyses undertaken in this study thus far. As such the findings show that the greatest disparity in operational strategy between the two groups of respondents indeed occurs in the early stages of life cycle. For example it is at the early stage of operations that the two groups will differ significantly in terms of how they configure their company specific organic growth strategy which is shown to be more favoured by the non-franchised respondents as illustrated by the descriptive analysis. Similarly structural adjustment is highlighted as another area of significant difference between the two groups which in this instance is shown to be more of a strategic issue for the franchised respondents according to the descriptive analysis. In the same manner the significance placed upon the application of technology within the organisational strategic context, emphasis on attaining and retaining quality managerial staff, widening the geographical presence, establishing a
foothold in a niche market as well as creating a brand with an emphasis on identity and self-values point to deviations in strategies engaged by two groups of respondents.

Respondent organisations in the latter stages of the life-cycle instead show less of a disparity in operational strategy between the two groups with the findings showing slight deviations in strategy between the two groups in relation to factors such as organisational robustness and market saturation. Financial resource capability on the other hand is featured predominantly as a strong point of difference between the two groups for the organisations which are in their final stage of life-cycle, which appears to be more of an issue for the non-franchised respondents as shown by the descriptive analysis.

In the same manner existing literature shows that size as well as the age of an organisation may strongly impact on the organisation’s resource bank and performance output (Aldrich and Auster 1986, Venkataraman & Low 1994). Additionally the literature also stipulates that as organisations expand in their size, the tendency is to rearrange their resource bank as well as resource combinations in order to remain competitive (Penrose 1959, Miller and Friesen 1984). To this end a small organisations’ size can negatively impact on its access to financial, human, and organizational resources, thus resulting in a severe handicap in its performance (Cooper and Dunkelberg 1986).

To this effect conducting an f-test on the means of each sample of respondents when the null hypothesis is set at equal operational strategy regardless of the size of organisation confirms the prior literature to a large extent. Small to medium group of respondents demonstrate a different set of deviations in operational strategy to medium to large group of respondents. For example small to medium group of respondents differ in the access to the financial resources as stipulated by the prior literature. They also show a disparity in the innovation strategy as well as their strategy to saturate the market and measuring the rates of organisational activity. Medium to large organisations instead are more prone to being affected by factors directly affecting their structural adjustment such as monetary, fiscal and political policies as well as economies of scale and profitability factor, and brand value reflecting the business values to a lesser extent.

In summary it can be deduced from different analyses that whilst the franchised and non-franchised respondents show great similarities in operational strategy, it is medium to large organisations which are shown to be affected by a greater disparity in operational strategy between the two groups of respondents in the early stages in the life-cycle. On the other hand
small to medium organisations differ between the two groups of respondents in access to financial resources in the latter stages of life-cycle when they reach beyond adulthood stage and market saturation when in the adult stage of life-cycle. Thus the findings clearly demonstrate a presence of a strong relationship between the two groups of respondents as well as establish a link between organisational strategy and stages in life-cycle and size of the organisation.

6.3 Resource Strategy
Whilst the survey findings attest to a high strike rate in organisational capability to respond to changes related to innovative practices or adoption of technological advances with the majority of respondents indicating a moderate to immediate response approach, there are a number of questions it fails to answer. For example the findings fail to elaborate whether there are factors which real estate organisations possess in order to be able to effectively assess the effects of change such as leadership, communication, and ability to reinforce change with incentives for example as suggested by McGuiness & Morgan (2005). In addition the survey findings fail to effectively portray the intricacies of resource strategy adopted by real estate organisations by attempting to explain in greater detail as to whether the real estate organisations tend to favour internal accumulation of resources required for organisational resource strategy or instead opt for tendency to acquire from strategic resource markets. In the same fashion the survey findings fall short of providing a studied view of the effects and impacts of innovation and technology have on operational strategy.

To this end the survey findings illuminated several outlying areas for further study. Thus in order to undertake the additional examination of key areas of interest, a case study approach was adopted whereby a response to each emergent area was sought from a respondent real estate organisation representative of each of the identified business models found in operation throughout Australia. As the information was obtained from the representatives of each respondent organisational business model on emergent areas via one on one semi-structured interviews, it serves to provide a candid account furnished with richness of discourse on operational strategy.

The foundation of the resource-based theory is steeped within an established pretext that organisations use available resources to acquire competitive advantage in the market place. Hence it can be advocated that the resource-based theory focuses on the internal structure of the organisation whereby organisations are made up of bundles of resources as suggested by
researchers such as Barney (1991, 1995), Conner (1991) and Peteraf (1993). Thus for an organisation to make the most of the available resources, it is proposed that there must be flexibility in managerial ability to enact effective coordination of resources in place at the organisational level which an organisation can achieve through competent positioning of entrenched operational strategies. Research conducted in this arena points to an existence of an organisational capability being able to coordinate resources in this manner successfully within its network rather than across the network mainly because coordinating resources across the network involves costly bargaining and negotiating (Conner & Prahalad 1996, Teece et al. 1997, Kogut & Zander 1992).

In essence it can then be established that there is a connection between managerial capability to use an organisational knowledge base and operational proficiencies to acquire resources necessary for achieving and sustaining competitive advantage as proposed by Combs et al. (2004). Auxiliary to resource-based view of interdependent organisations within a specific network, prior research also suggests that the organisational competence to achieve competitive advantage is also reliant on the organisational ability to create and preserve relationships with their alliance partners (Lavie 2006). It then follows that an organisation can be successful in attaining competitive advantage in the market place in the traditional way which follows the resource-based theory as well as when it adopts diverse approaches such as creating alliances with external organisations.

Thus the more recent research points to resource acquisition from strategic markets and internal resource accumulation as basis for more in-depth research into the resource-based view (Maritan & Peteraf 2011). This theoretical diversity appears to be supported by the case study findings on Australian real estate stakeholders. The respondent franchise organisation for example shows a propensity to apply the traditional resource-based view later in its operational life. At the beginning of its life when the operational focus is on establishing operational routines and growing the network its resource strategy incorporates formation of alliances with other business partners as it is at this time when the capital resources are constrained and the franchise possesses relatively undeveloped internal systems (Churchill & Lewis 1983, Saqib & Saqib 2013). As it embarks on growing the network and gaining in size, it becomes infused with capital resources from newly acquired franchisees. Thus in later stages of its life, the direction of its resource strategy rapidly changes as suggested by Penrose (1959). It severs ties with alliance partners and develops an internal capability to
accumulate operational resources. Essentially this finding points to an association between size of an organisation and resource-based view of achieving competitive advantage.

On the other hand, non-franchised organisations such as independent agency network respondent shows that the resource strategy employed by small independent real estate organisations varies considerably from the one exhibited by a franchise respondent. The majority of independent real estate organisations are small in size according to ABS as exhibited by the survey respondent sample and their access to operational resources such as capital, managerial and organisational resources tends to be very limited (Cooper & Dunkelberg 1986). As such their resource strategy has developed into adopting an innovative approach to acquiring necessary operational resources through tapping into resource-rich external resource markets. Essentially they have been able to do this by entering into an alliance with other like-minded real estate organisations and thus creating a network made up of an array of organisational knowledge.

The independents are small in size, lack of layers of management and operational control has enabled these organisations to diverge from the traditional view of resource-based theory where ownership and control are the main key indicators of strategic success. Instead the case study findings attest to a growing body of the Australian real estate industry’s stake holders are now seeing potential value to the organisation brought on by acquisition of external resources which are not owned by the organisation in question, but where these resources none the less create value for the organisation in question as suggested by Chesbrough & Appleyard (2007).

Other respondent non-franchised organisations such as joint ventures and boutiques are different in their resource strategy yet again. Whilst they are relatively small in size as are most independent real estate organisations, they tend to exhibit a resource strategy which is relatively similar to a franchise strategy. Thus whilst they will tap into external resource markets to find necessary operational resources such as knowledge to operate certain internal systems, the general indication is that this exposure to external sources weakens their ability to exert and retain control over the organisation and its network of offices. Therefore the general propensity is to mitigate the risk of exposure by accumulating operational resources internally so that the owners of the organisation can retain full control of systems and operations within the network. This ensures and maintains a constant alignment of resource strategy with the overall business strategy as is indicated by the franchise respondent.
The case study findings also highlight a heavy emphasis on certain type of operational resources. Specifically it is the managerial or human resources which star as significantly important in the organisational quest for acquiring competitive advantage amongst the non-franchised respondents. Access to exceptional talent which is able to produce substantial income for the organisation as well as possess exceptional business nous to be groomed into a managerial position poses a major challenge for the non-franchised organisations. This confirms the theory proposed by Chaganti (1999) which states that organisations which are at the end of the value chain as most independents tend to be, type of strategy appears to be less important than the resource combinations to achieve certain type of performance. In essence this implies that the organisational business strategy is directly responsible for the resource strategy adopted by the organisation. For example if an organisational objective is to grow as is the case with franchises then the objective is most likely to be achieved by the organisation entering a growth market. On the other hand if the objective is to achieve a positive cash flow as is the findings indicate is the case with the non-franchised organisations, paying special attention to resource combinations proves more beneficial.

Hence the overview of the resource strategy exhibited by the franchised and non-franchised real estate organisations indicates areas of strong strategy imitation. Whilst the emphasis amongst the non-franchised stakeholders such as independents appears to evolve around strengthening the organisational knowledge base through indirect ownership of resources and operational flexibility, joint ventures and boutiques mimic franchised organisations by basing their resource strategy on direct ownership of resources which not only strengthens their performance but also has a major impact on the level of control they are able to exude across their respective networks. Independent organisations are more likely to form alliances and partnerships with other similar organisations and thus shift the competition focus to external sources. Indeed they are instrumental in forming external networks where they can source innovative ideas which has a positive thrust on improving organisational performance.

Indeed this strategic direction undertaken by the independent operators in real estate suggest imitation of business incubation strategy which addresses challenges such as constraints of accumulation of knowledge base. As incubated organisations they have access to a diverse range of services, support, advice and resources for operational know-how as suggested by Patton (2014). Essentially it can be assumed that this type of strategy is generally more suitable for organisations which are in the set up or infant stages in their life cycles due to heavy constraints on resources. Contrary to this theory, Australian independent real estate
organisations appear to be imitating this strategy even at the established stage of operation. This suggests that the inherent value in incubation is not necessarily constrained to initial stages of organisational life.

Recent reports produced by Real Estate Business (2012) point to Australian real estate organisations undergoing extensive changes in operational structure. Indeed this is evident from the researcher being able to identify different business models populating the real estate sector which essentially underpins this study by posing the question as to whether the emergent business models are indeed challenging the franchise business model and thus rendering the franchise business model outdated.

Whereby the traditional franchise model is ground in theory which heavily supports notions of standardisation and uniformity (Cox & Mason 2007), the emergent business models are instead ground in the notion of resource sharing without losing independence, trade name and brand. Thus it is the difference in notional dependence between the franchised and non-franchised business models that is advocated to be directly affecting the product mix, the agency arrangements, and the legal liability of the real estate agencies and thus leading the way for innovative redevelopment and revision of standard business models. Additionally it is the revision of business models which is proving to be instrumental in providing an insight into competitive dynamics exhibited within the Australian real estate industry landscape.

To this end extant literature explains that resources are the main drivers in competitive dynamics research. It is through the acquisition and possession of resources that organisations are able to make strategic decisions about moves and countermoves from different market positions as suggested by Young et al. (2000). Similarly the resource-based view is attributed to organisational ability to make profit through acquisition of competitive advantage yet it has also been argued that there are alternative mechanisms such as rivalry restraint, information asymmetry, and commitment timing which can be attributed to the sources of profit (Makadok 2011).

The case study findings from the non-franchised Australian real estate respondent organisations fail to attest to the latter theory proposed by Makadok (2011). It is instead generally proposed by the respondent organisations that this type of strategy is essentially anti-competitive and that real estate stakeholders are too immersed in day to day operations to have the luxury of time to devote to deploying such radical strategies. Thus the non-
franchised respondents argue that it is the franchises which are more likely to exhibit this type of strategy due to their inherent objective to achieve rapid growth for the sake of growth.

However this argument is not supported by the respondent franchise organisation on the basis that growth is all about seeking out opportunities and then sourcing the best people to run the new offices rather than growth for the sake of growth as suggested by the non-franchised respondents.

The findings suggest that growth for the sake of growth would ultimately be disadvantageous for the franchisor as opening and closing offices eventually results in erosion of the brand value within the community through negative perception as well as the franchisee as they run the risk of losing all their lifesavings by investing in an unprofitable office. Instead the findings show that the franchises and cooperatives rely heavily on traditional factors such as retention of key managerial staff, business profile diversification, and provision of exceptional service as sources of competitive advantage. In addition it is the franchisor’s unrelenting focus on monitoring activity across the network which can be largely attributed to their competitive advantage as well as their overall business strategy.

The findings further show that as franchises have a tendency to operate on the same level, it can thus be relatively difficult to acquire a competitive edge over another. In essence they all essentially possess the same organisational structure in as much that there is a franchisor providing a brand name and systems and franchisees paying royalties to the franchisor for the use of the brand name and systems. Their main point of difference arises from different positions of market entry which can and often does affect how they are viewed by the public. It is thus public perception of a franchise which is responsible for driving the brand awareness which ultimately leads to competitive advantage.

6.4 Change Management Strategy
Prior research has established that an organisation must possess a bank of resources which are deemed essential to effectively deal with organisational change (McGuiness & Morgan 2005). This is especially significant in the light of the fact that it is widely accepted within the strategic management field that change is indeed the only thing that remains constant within an organisation (Elving 2005). Yet despite this fact the literature still points to a staggering 50 per cent failure rate amongst organisations which do not embrace the change in a positive way (Bennebroek 1999). Factors such as organisational culture, the timing of the change and the role of change-agents are stated to contribute negatively in implementing change
successfully. Additionally change is treated ineffectively where the management emphasis fails to be focussed on effective leadership of organisational change (Graetz 2000) and the management of change is reactive and often triggered by an organisational crisis (Todnem By 2005).

This notion is fully supported by the findings from the case studies. The respondent organisations are shown to treat change generally on an ad hoc basis rather than through implementation of effective change management strategies at the organisational level. To this end most respondent organisations give the appearance of responding to change in a reactive rather than proactive way. Furthermore it is shown that the reactive behaviour is largely due to factors such as the lack of strong leadership, many layers of management, and lack of time spent on research and development. Independent respondent goes as far as to say that it is the nature of the industry that is also largely responsible for this high negative reactivity. Generally speaking the agency owners tend to spend an inordinate amount of time on finding solutions to everyday issues arising from day to day operations which leaves little or no time to invest in creating and implementing change management strategy.

Indeed the findings suggest that this lack of research and development transcends into the majority of change brought into the organisational fold to be on the basis of “gut feel” rather than due to careful research and development policy and planning. Despite the obvious tendency towards reactivity, not all respondent organisations fall into the same category as the independent respondent. Indeed respondent real estate organisations such as franchise, joint venture, and boutique appear to display a well thought out and planned change management strategy. In these cases the key element appears to be embedded in the notion of ownership control. Specifically the ownership control relates to the amount of control the business owners and the top layer of management can exert over the rest of the organisation and its network of offices as well as the overall management strategy adopted by the organisations.

Additionally the findings suggest that the delivery and implementation of the change is greatly dependent on the skill of top layer of management to process change effectively as suggested by Senior (2002). This is evident in the account presented by the respondent franchise which portrays a strategy featuring a franchisor with a strong emphasis on a hands-on approach when dealing with implementing change across the network of offices. The franchisees are said to be essentially ‘nursed’ through the change, with the strategy involving
rolling out the proposed change to those offices which are more prone to acceptance in the first instance. Whilst this process can be relatively time consuming, the franchise respondent states that it is an essential part of the strategy when the change needs to be transmitted across a vast number of organisational offices. Additionally the adoption of this strategy appears to aid the element of standardisation which is present at the core of a franchise. Thus the franchisor remains in tune with the market at the franchisee level by differentiating between the operational discrepancies in the franchisee and franchisor markets as suggested by Cox & Mason (2007).

Furthermore the findings show that whilst implementing a change may present a challenge on an organisational level, some respondent organisations opt out of implementing change altogether by adopting a philosophy “if it works, why change it?” and thus not effect change at all. This appears to be especially true of the smaller independent organisations within independent agency networks and joint venture set ups where the level of reactivity is substantially high. This is despite the inherent advantage independent organisations tend to possess in terms of having the total control over the organisation and the absence of layers of management to contend with when making decisions.

On the other hand, larger independent networks such as the boutique respondent show a propensity to mimic the franchise strategy. Free of resource constraints and equipped with an array of innovative practices which include a well-planned change management strategy, the boutique respondent displays an awareness of the necessity to stay ahead of the competition which does by embracing change. Thus it can be established that the larger the organisation in terms of its organisational network, the more likely it is to adopt an appropriate change management strategy.

It is argued that for the foundation for change management to exist there must be a reason as to why continuous change is important for achieving operational success at the organisational level. For example this reason could relate to ever-changing technology or increased competition which requires an adjustment at the organisational level to maintain competitive advantage. On this pretext it is suggested that the organisation must possess leadership, communication, and ability to reinforce change with incentives to be able to assess the effects of change, all factors to which the study respondents seem to readily concur. Furthermore the study respondents reveal that organisational culture and its structure, systems and processes
are embedded factors within the organisational sphere which shape the organisational ability to format change as suggested by McGuiness & Morgan (2005).

6.5 Technology
The study respondents’ feedback coincides that the advent of technology together with all its positive and negative applications is argued to be the biggest responsible factor in the organisational change as proposed by Eason (1998). Dewett & Jones (2001) provide a plausible explanation regarding the efficiency factor of technology in terms of practical implications. They state that information efficiencies essentially equate to the cost and time savings which result when technology allows individual employees across the organisation to perform tasks at a higher level as well as to take on additional tasks and expand their roles within the organisation due to an enhanced ability to gather and organise data. For example the study respondents reveal that translating this notion into the real estate agency organisational scope, technology can be said to provide an ability to effectively synthesise advertising media with state of the art web platforms which in turn enable certain tasks such as preparing the advertisements for publications and loading onto portal online advertising mediums such as realestate.com.au and domain.com.au. In this instance technology is shown to be able to easily facilitate a combination of inputs of two or more people into one which can effectively perform better due to technology assisting in providing an increased amount and quality of information.

The case study respondents further explain that technology has definitely enabled the real estate industry stakeholders to improve the organisational ability to greatly systemise organisational knowledge base as well as to improve the internal information processing, collaboration with internal and external stakeholders and resource coordination which is shown to promote innovation. To this end technology has played a significant role within the organisational scope in the Australian real estate industry. Moreover it comes as no surprise that technology and innovation are generally often generally regarded as going hand in hand according to the survey respondents.

This notion however is not supported by case study findings as the general response from both franchised and non-franchised respondents alluded to technology and innovation essentially representing two separate organisational outcomes. However this is not to say that a credible link between technology and innovation does not exist. Technology is seen as an important part in facilitating efficiency of the communication process between the
organisation and the general public by enabling timeliness and quality of the organisational output with the public’s search for a suitable product match. Similarly sales agents store and gather data on state-of-the-art databases which can be quickly and inexpensively retrieved when necessary. For example when the sales agent is out of the office and the need arises to redeem information, technology makes it possible to do so by allowing the sales agent to use their smart phones or tablets to rapidly access, combine and reconfigure information created outside of the organisation. In turn this ability to rapidly access and use pertinent information from a secure storage facility provides them with an ability to effectively compete with their peers.

The study respondents generally all agree that in a real estate agency sense, technology is also seen as somewhat of a deterrent to the main focus of the real estate business which in essence is centred on the relationship building between different internal and external stakeholders such as property managers and landlords, sales agents and vendors and buyers. The respondents claim that whilst technology improves the inefficiencies created by not utilising technology, simply described real estate industry is still about relationship building created over agents solving the public’s accommodation issues. Thus lack of face-to-face communication is not seen as a positive factor in facilitating the relationship building and can in fact be detrimental to the performance of the organisation.

There is evidence to suggest from the case study respondents that the uptake and implementation of new technology by real estate stakeholders is often associated with the quality and ability of the employees within an organisation possessing an ability to effectively use the pool of available knowledge within and across the organisation to provide solution to problems and to facilitate decision-making processes which are essential for achieving competitive advantage as proposed by Leavy (1998). However the process of knowledge utilisation is more often than not fraught with challenges. In some instances the knowledge is not funnelled down the network chain in a timely manner as a result of ineffective negotiation and communication strategy by the franchisor as is often the case with franchises. In other instances the organisation is lacking in strategic practices through sheer lack of time and human resources to effectively deal with newly acquired knowledge as can be the case with small independent organisations. As an extreme example the organisation rejects new knowledge on the pretext that it is either too difficult to impart on the employees or the organisation feels that the existing knowledge creates the desired effect so why change...
as explained by the joint venture respondent. Similarly there can be a lack of effective assimilation of new knowledge into the organisational scope due to strategic fragmentation as proposed by the cooperative respondent.

For organisations which are active in sourcing from strategically placed external resource markets, the pool of knowledge is often vast. The organisation thus must be equipped with an ability to disseminate the pool of knowledge and to strategically apply what is most relevant for its immediate market. This notion is demonstrated by the independent agency network which through its innovative operational structure possesses an innate ability to promote innovative processes within the network of its independent agencies via knowledge leveraging as suggested by Venkatram (1994). The independent agencies thus are able to apply operational flexibility to use the network to seek out the best service providers or suppliers in accordance with their internal set up as well as their immediate customer base. The operational flexibility which underpins non-franchised real estate organisational structure additionally allows for quick and fast decision-making process by the business owners and thus provides the organisations with a greater potential to adapt to the market forces. Indeed operational flexibility is viewed by the non-franchised study respondents as a considerable positive on the basis that it enables an independent real estate organisation to effectively compete in an ever changing environment affected by economic volatility as suggested by Halal (1989) as well as against their franchised counterparts which are bound by the concepts of standardisation and uniformity as suggested by Cox & Mason (2007).

Whilst the feedback gained from majority of franchised and non-franchised respondent organisations coincides that adoption of technology and its vast applications plays a significant part in their operational strategy, the general consensus is that the industry is yet to arrive at the forefront of technological advances. In fact the findings indicate a tendency of some real estate organisations to be the followers of technological applications rather than instigators. Most are reactive and wait for their peers to apply the latest practice before own exposure predominantly because the results are not visible immediately as proposed by joint venture respondent.

Whilst technology has essentially had a positive impact on the real estate industry overall, there are some industry stakeholders who are of the opinion that technology applications, and the increasing reliance on internet in particular, have resulted in some negative connotations
for the industry. In the very early years of the internet, internet was generally viewed as a threat to the real estate profession especially to the residential real estate industry (Benjamin et al. 2005) and rendered as giving real estate professionals an “erosion of power” as information providers (Tuccillo1997). Similarly many real estate professionals saw the internet as not having a direct and immediate impact on the revenue stream whilst others regarded it as an impediment to relationship building (Deloitte & Touche 2001).

Whilst these comprise genuine reasons for holding back on the full use of the internet within the real estate businesses, the industry has made significant progress in recent years in the area of internet although it is the researcher’s opinion that this is mainly so out of simple and very basic need to retain a competitive edge in business and marketplace. The internet has enabled real estate businesses to promote their listings and core business activity on portal websites such as realestate.com.au and domain.com.au thus ensuring the organisations can establish a wider geographical coverage. The internet has also made it easy to reach consumers in the marketplace who are looking to buy, sell or rent a property as suggested by Stockdale (2012). Shedding a different light on these positive aspects, the study respondents suggest that it is this ease of use facilitated by the portal website providers that is proving to be instrumental in opening a channel for external organisations such as real estate portal websites to freely use the information gained from the real estate organisations to further their own profits.

The study respondents thus define several concerns arising out of the reliance on internet. Firstly the internet is said to shift the focus away from a personal relationship between the sales agent and the consumer and thus eliminates the traditional channels of competition in real estate functions. In turn this development gives rise to organisations to compete with price, increases the number of competitors and therefore increases the pressure for price discounting, and generally minimises the agent’s point of difference as suggested by Porter (2001).

Secondly, through the transactional nature of real estate, the internet has brought about an alarming situation whereby the case study respondents suggest that the role of the real estate agent is fast becoming irrelevant in the real estate transaction. In essence where the agents previously were the ‘go to’ people concerning all matters related to property, this is now no longer the case due to the consumers having ready access to property information online.
Ready availability of statistics and information on rents and sales figures used for property analysis and as a useful and powerful tool for marketing and listing property for sale or rent are published online and thus easily attained. In fact much of this information is directly provided by the real estate organisations through their association with the website portals.

As suggested by Buxmann & Gebauer (1998) the internet-based intermediaries such as portal websites offer the advantage of offering services globally as well as improved communication through the use of information technology which enables an effortless alliance with selected business partners or networks to produce complementary products and services within the scope of the industry. This essentially renders the website portals a direct competitor to the real estate industry stakeholders. The case study respondents propose that the competition posed by the online web portals looms ominously over the future of the industry unless the agents find a way to adequately address the immediate threat to their livelihood and collectively come up with ways to combat the problem. The cooperative agency organisation respondent goes as far as to suggest that this threat is indeed very real and harmful to the real estate industry.

Despite this imminent threat non-franchised boutique agency organisation respondent in return claims that the industry would do far better to shift its focus away from the doom and gloom and look to innovative practices to find ways to make the agent relevant in the transaction. The internet should be used as a conjunct in operational strategy which employs traditional practices so as to complement rather than replace as proposed by Porter (2001). Implementation of technology is also regarded as a challenge for the real estate industry organisations as suggested by the study respondents. Factors such as the size of the organisational network and the need for investment exposure as well as the little known and understood negative effects of marketing strategies brought on by implementation of new technology are often to blame for poor adoption and implementation by both franchised and non-franchised organisations. Franchises in general are often regarded as being cutting edge yet despite this most are slow to adopt because it takes an inordinate amount of time, commitment to change and skilled human capital to carry out the change. Indeed some respondents liken franchises to a ship which, due to its sheer size and weight, is slow to gather speed.

Additionally the study respondents claim that technology should be viewed as a significant factor in bringing about a sweeping change across the real estate industry. There are already
many instances of new ways of doing things skimming the surface such as virtual reality yet the experienced and established stakeholders are slow to embrace the changes. This finding suggests that technology is enabling the real estate industry to enter a new era where the old and tested ways are slowly being replaced with not only new ways of doing things but also an environment where better understanding of the essence of the real estate practice prevails.

The extant literature on innovation points to technology as being influential in facilitating the innovation process at the organisational level (Dewett & Jones 2001). Thus it is generally accepted by the study respondents that technology indeed plays a major part in the innovation stakes however the distinction is clearly made between the two concepts. Technology is merely viewed as a means to perform certain tasks more efficiently. Innovation is instead seen as a change of process whereby there is no substitution of one methodology for another. For example performing the same task with the aid of a computer or a tablet falls into the category of changing the methodology. It does not however equate to the principle of an innovative practice because it does not change the experience which non-franchised respondents claim lies at the core of innovation. There is evidence from the findings to suggest that non-franchised real estate organisations such as the boutique respondent is shifting their innovation focus towards improving the consumer experience rather than the transaction which in their opinion cannot change for the simple reason that it represents the nature of the industry. Consumer experience, on the other hand, can be changed to incorporate a novel approach to dealing with the public which incorporates their input into the transaction.

Similarly it can be said that technology accelerates the property search process for buyers and potential tenants. These consumers can search the web for available properties which match their search criteria from the comfort of their homes and thus the outcome of the activity results in a faster and more efficient matching process. It is a necessary tool for franchised and non-franchised organisations to implement so that they can ensure they remain competitive as well as profitable in the marketplace.

6.6 Innovation

Studies on entrepreneurship have traditionally approached entrepreneurship from the individual angle by way of explanation of the phenomenon. In essence the traditional view holds that entrepreneurship is best explained in terms of an individual acting on a new concept or idea. Burgelman (1983) instead attributed the concept of corporate
entrepreneurship to be an integral part of organisational strategic management. As such corporate entrepreneurship is defined in terms of the presence of innovation, corporate venturing and strategic renewal and aided by strategic alliances to produce a sustained competitive advantage (Covin & Miles 1999, Zahra 1995, Teng 2007).

The notion of corporate entrepreneurship can be extended to the Australian real estate sector. To this end, non-franchised respondents such as independent agency network explain that for them it is their unique structure which is an enabler for them to be proactive in seeking out new practices which can make their businesses stand out from their competitors as well as more commonly known factors such as the strength of the brand, market share, and internal systems.

The strength of their structure lies in their ability to look for innovative ways to address the resource gap as suggested by Teng (2007). In a similar manner, cooperative agency organisation respondent further expounds the virtues of innovative business modelling undertaken within real estate industry by the independent organisations by claiming that the operational freedom which emanates from being an independent operator is highly attractive to many small operators. The operational freedom lends them an ability to act fast on innovative practices without having to deal with the constraints placed upon them by layers of management.

Correspondingly joint venture organisation respondent claims that the secret to achieving competitive advantage for them lies solely in their structure and the control they yield at the top management level across the offices in the network. Boutique agency network also prides itself on its structure which allows for greater flexibility in managing managerial resources across the network of offices as well as to enforce better standards across the network. Additionally they claim that their focus is almost predominantly centred on their employees where the goal is to create a better and more attractive place to work.

The franchises and cooperatives also exhibit corporate entrepreneurship strategy through deployment of corporate venturing and intrapreneurship. Both business models indicate venturing into other complementary businesses under the main brand umbrella in order to distinguish their organisation in the market place. Whilst the cooperatives are driven to establish new ventures by the capital constraints, the franchises instead are driven by expanding their market share.
The findings suggest that there are two important factors associated with innovation. In the first instance innovation requires managerial ability to utilise the pool of knowledge for problem-solving and decision making which is suggested to be instrumental in creating competitive advantage for the organisation (Leavy 1998) as well as the relevant managerial skill set to lend an input into innovative activity (Amabile 1988). The latter point is illustrated succinctly by the independent respondent who states that being a part of an independent agency network allows for the exchange of knowledge to take place between like-minded agencies. A skilled property manager through collaboration with a property manager from another like-minded real estate organisation which is successful in a different demographic location can learn new practices which can be transferred across to another demographic.

In the second instance innovation is better suited to organisational forms which are able to adopt knowledge leveraging within their organisational forms. Such organisational forms are said to be highly flexible and thus are in the position to be easily able to promote a fast response to innovative practices. Flexibility is thus viewed as an advantage on the basis that it enables organisations to compete more effectively in changing environments brought on by economic volatility such as globalisation, uncertainty and changes in labour and consumer sectors (Halal 1989). It is this flexibility in the organisational form that is naturally exhibited by the non-franchised respondent organisations. Retaining a firm hold on ownership control over the organisational network whilst at the same time providing an opportunity of ownership to outstanding operators as well as adopting a business strategy based on profitability rather than growth appears to be a winning formula for the non-franchised respondents as they are able to exert adequate authority over the offices in their network to adopt any new innovative practices rapidly.

Franchises, on the other hand, are bound by standardisation and uniformity as their strategic aim is to minimise costs for both the franchisor and the franchisees, provide the brand reliability and homogeneity (Kaufmann & Dant 1999) and use standardisation as the key to innovation within the network (Pardo-del-Val et al. 2014). This notion is illustrated by the respondent franchise which reveals a heavy reliance on the monitoring aspect of its sales agents across the franchise network. Thus to satisfy its objective to create better agents through provision of better service, it invests heavily in processes such as surveying their customer base on a regular basis and conducting mystery shopping activities followed by tailor made training sessions to ensure that the company objective is being met. Indeed it is suggested by the case study respondents that alternate business modelling which promotes
flexibility is the way of the real estate industry future rather than standardisation and uniformity offered by a franchise model.

Furthermore there is evidence from the case study findings to suggest that non-franchised Australian real estate stake holders are innovating through forming partnerships where the type and mix of ownership is highlighted in the operational strategy. For example where there was a burgeoning need to comply with the franchisor’s set of operating guidelines as is the case with a traditional franchise model, there is now instead a decreasing need for compliance and an increasing need to maintain independence while still benefitting from an operational alliance with a network of organisations. Similarly there is less of an emphasis placed on the traditional notion of stability created through conformity and uniformity and a much greater emphasis placed on using innovation from different external resource markets to gain essential knowledge for expansion and growth as is evident with the boutique agency model.

This establishes a link between innovation and entrepreneurship which is explained to be essentially stronger in the conception stage thus proving an indelible connection between entrepreneurship and stage of growth as initially suggested by Oxenfeldt & Kelly (1969). Interestingly the franchise specialist consultant claims that innovation does not necessarily decline with the organisational growth. The desire for innovation is still present however it is the implementation of innovative principles and practices which becomes difficult as the organisational network grows in size mostly through ineffective communication channels down the franchise network and disregard by the franchisor of the impact of proposed changes on the franchisee markets.

In essence the franchise business may still be innovating however the process is hampered by intermingling with the day to day operations. The franchisor has the onerous task of coming up with effective ways and means to entice and thus empower its franchisees to embrace as well as engage in the innovative change. The franchisor thus may adopt a practice whereby the new idea or system is implemented within select few offices which are better disposed towards innovation. Once these offices start performing, the franchisor uses the outcome to entice the other franchisees to follow suit. Therefore innovation is shown to be implemented in a sequential manner to ensure the new idea or system has the best possible chance of being accepted throughout the organisational network. Additionally the existence of such processes expounds the virtues of effective implementation strategies being allowed within the organisational structure.
Whilst the literature on management strategy expounds that innovation for best part comes from research and development (R&D), some study respondents argue that this is often greatly neglected by many agency owners regardless of the size of the network and lack of resource constraints. The cooperative agency organisation respondent reveals that the reality of the situation is instead based on the majority of agency owners subscribing to a ‘rip off & duplicate’ scheme hence suggesting that the real estate industry is founded on its stakeholders acting on a pack mentality where the tendency is to implement innovative principles and practices only after they have been tried and tested by their competitors. Naturally the major issue with this strategy is that by the time a particular innovative practice is deployed by an organisation which decided to wait it out it often becomes too late as the competitive edge has been lost.

The specialist franchise consultant further argues that the lack of investment in research and development largely emanates from lack of strategic goals, capital constraints as well as delivery of new knowledge across the organisation as the knowledge is essentially diluted down the network chain. On the other hand there is suggestion that some real estate organisations prefer to focus on ‘tweaking’ the real estate practice whilst not deviating too far out from the tested and established ways of real estate practice as advised by joint venture organisation respondent. To this end their belief is that it is the little things done slightly differently which can and often do contribute greatly to providing the organisation with a competitive edge in the marketplace. On the other hand, others such as independent agency organisation respondent explain that the freedom of operational flexibility allows for a fast uptake of innovative practices and it is the strength of the managerial capacity inherent within the agencies and strategic alliances with other likeminded agencies within their network which is attributed for successful implementation of innovative practices.

### 6.7 New Business Modelling Strategy for Franchises

#### 6.7.1 Emerging Themes

The significance of resource-based theory has been extensively applied within the franchising field (Barney et al. 1991, Barney 1995, Barney 1999, Barney 2001, Combs et al. 2004, Lavie 2006, Flint-Hartle 2005, 2007, Flint-Hartle & de Bruin 2011). As the essence of the resource-based theory is ground in the organisational propensity to use resources at hand to gain competitive advantage in the market place, its focus is therefore typically internal to the organisation. Thus an organisation is fundamentally considered to be an array of resources (Barney 1995).
An organisation is reliant on its bank of resources which are rare and invaluable and which cannot be copied or imitated by other organisations in order to be distinguished from its competitors in the marketplace. Therefore it can be deduced that ownership of resources forms a vital part in an organisational operational strategy. In addition to ownership of resources, it is suggested that an organisation can through standardisation of established operational routines and flexibility in allowing managerial decisions enable coordination of resources more effectively and efficiently within the scope of the organisational network rather than across the network due to costly bargaining and negotiating (Conner & Prahalad 1996, Teece et al. 1997, Kogut & Zander 1992). It can then be further deduced that an organisation requires an operational strategy which includes managerial capability to use the organisational knowledge base and operational capabilities to obtain resources to achieve and preserve competitive advantage (Combs et al. 2004).

Resource-based theory thus provides a foundation for this study to a large degree. To this effect the application of resource-based principles on Australian real estate stakeholder organisations in combination with extant literature on strategic management has yielded several pertinent findings. In the first instance, and as discussed earlier in this chapter, franchised and non-franchised real estate organisations are similar in their operational strategy with each business model exhibiting a strong reliance on resource ownership and strategy in order to acquire competitive advantage. Their stance on operational strategies such as growth strategy, technology and innovation strategy, operational focus, performance measures and brand value is indeed very similar. In a similar fashion, they show a parallel nature in resource strategy throughout different stages of operational life-cycle as well as that size of organisation can impact the overall business strategy.

Extrapolating further on the notion of resource-based theory and through utilisation of concepts drawn from the strategic management field, emergent concepts can be directly applied to the findings gathered from the franchised and non-franchised respondent organisations. Thus this section is dedicated to analysing modelling strategies adopted by different business models found in operation throughout Australia. To this effect the findings presented in Figure 46 depict the major themes gained from the franchising literature in the first tier, the emergent themes drawn from the strategic management literature in the second tier, and the corresponding business models utilising the emergent themes in the third tier.
Yellow circles in Figure 46 represent emergent themes which are adopted mainly by the non-franchised respondents. Green circles, on the other hand, are emergent themes which are embraced by the franchised respondents predominantly as well as some non-franchised respondents. Thus it can be seen that franchised respondents consisting of franchise and cooperative business models show a propensity for adoption of traditional business strategy whilst the non-franchised respondents consisting of boutique, joint venture and independent agency models are more likely to adopt an open strategy. Similarly, the inbound open innovation concept is more readily embraced in its entirety by franchise, boutique, cooperative models and outbound open innovation by the independent agency model. Joint
venture in comparison, shows a tendency to adopt both inbound and outbound open innovation concepts in their operational strategy.

Whilst extant literature on strategic management argues that an organisation stands to benefit from both value capture and value creation in terms of resource strategy, value creation is emerging as a potential area of strategy which, if applied correctly in the strategic sense, can be valuable to the organisation acquiring competitive advantage. As such it can be seen that only a boutique business model shows an awareness of the benefit value in its operational strategy whilst all the other business models show a tendency to focus entirely on the value capture side of the profit equation. Lastly the diagram shows a propensity by the franchise, boutique and joint venture models to be more proactive in their approach and dealing with change by adopting appropriate change management strategies. This does not appear to be the case with the cooperative and independent agency business models which are more likely to be reactive to change on an ad hoc basis.

As such this diagram serves to highlight areas within emergent themes emanating from the literature which are generally not adopted by the franchised respondents. However given the strong similarity between franchised and non-franchised respondents in their choice of strategic modelling, it is proposed that these emergent areas utilised by the non-franchised respondents can be effectively implemented into a conceptualisation of the alternative business modelling framework with a purpose to assist the franchise business model to remain sustainable within the Australian real estate industry sector. Thus the discussion will now follow to offer explanations into how franchised and non-franchised real estate respondent organisations apply value capture and how application of value creation can be beneficial in the first instance, followed by the principles of inbound and outbound open innovation in organisational strategy, function of traditional strategy vs open strategy, and lastly the significance of being proactive and having a change management strategy in place within an overall business operational strategy.

6.7.2 Value Capture vs Value Creation
Priem et al. (2012) argue that the principle of ‘valuing’ organisational resources has significantly impacted on contributing to knowledge in areas of technology, innovation, entrepreneurship and strategic management. Thus it is largely accepted that organisational profitability is directly affected by the organisational ability to capture value (Makadok & Coff 2002). Collins and Montgomery (2008) add that it is the ownership of the valuable
resources which enable the organisation to operate better or more efficiently and cost effectively than its competitors and thus ultimately provide the organisation with the competitive advantage. Furthermore they argue that superior performance will therefore be based on growing a distinct set of resources and redistributing them via a well-conceived strategy.

To this effect, the case study findings show that franchises have a tendency to alter their resource acquisition strategy depending on the operational stage in the franchise life-cycle. For example in the early stages of its life, a franchise is more likely to gain operational resources from alliances with other business partners. This enables the franchise to achieve support for their strategic goals such as preservation of cash flow. A franchise will tend to utilise alliances for the duration of time it takes for the strategic deliverables to be positioned, i.e. a franchise becomes capital rich through infusion of capital injection from its franchisees, upon which time it will remove itself from the alliance.

Furthermore as most franchisors are not capital rich in the early stages of the franchise’s life thus the focus is on recruitment of franchisees as the franchisees are a source of capital. Hence it is predominantly mature franchises within the Australian market with an attained growth of at least two or three hundred offices across the network according to the franchise consultant specialist respondent that are in a position to acquire necessary operational resources by their own means. Additionally the case study findings demonstrate that a franchise’s overall objective is indeed to accumulate an internal bank of resources so that the franchisor can retain full control of systems and operations within the network thus the resource strategy remains constantly aligned with the overall business strategy. This finding is in contrast to Iansiti & Levian (2002) who suggested that in the modern world the focus of competition is rapidly shifting away from the management of internal resources to the management of resources that are outside of the direct ownership of the organisation on the pretext that in networked environments the performance of an organisation is driven to a large extent by structure and characteristics of the network which impact the incorporated behaviours of its partners, competitors and customers.

In a positive response to Iansiti & Levian’s suggestion, the independent agency respondent divulges a resource strategy which is mostly reliant on acquiring resources from external resource markets. An independent agency organisational network through its specific network structure of other like-minded independent real estate agencies can tap in to best
practices happening in the marketplace and trends that are happening in both local, Australian and international marketplace which provide the agencies with a rich supply of innovative resources which can be applied to achieving competitive advantage. Similarly the joint venture respondent relies on its operational structure which enables the organisation to internally centralise many of its organisational functions as well as tap into external resource banks for managerial resources for example and thus enable the organisation to gain a competitive edge in its market place.

This indicates that the real estate industry is exhibiting a divergence from the traditional view of resource strategy where ownership and control are the main key indicators of strategic success as suggested by Chesbrough & Appleyard (2007). Instead the findings show that there is a growing body of franchised and non-franchised organisations within the Australian real estate sector which are now seeing potential value to the organisation brought on by acquisition of external resources which are not owned by the organisation in question, but where these resources none the less create value for the organisation in question.

As such it can be seen that franchised and non-franchised respondents trend towards tapping into different resource markets to capture value whereby the main difference largely lies in the ownership of resources. Embellishing further on this statement the findings show that Australian franchised and non-franchised real estate organisations place a significant emphasis on the value capture side of the equation in their operational strategy.

However, relatively recent research into resource strategy shows that a focus on value capture alone can render the organisation inadequately informed of consumer needs as well as face a significant lack of ability to refine and enhance ideas which could otherwise be derived from the available pool of consumers (Sawhney et al. 2005). To this end it can be said that the real estate industry as a service based industry is well placed to benefit from implications provided by the value creation side of the equation. As the industry is focused on people and their intrinsic needs, it can then be concluded that the inclusion of value creation alongside value capture in organisational strategy which enables the organisation to accurately assess the consumer preferences as they change depending on the market forces, should be more readily embraced by the real estate organisations.

As value creation is defined in terms of innovation which is based on the consumers’ assessment of consumption benefits (Priem 2007), the objective of the innovation then lies in creation of value for the consumer or the buyer which is essentially superior and novel.
The case study findings show that perhaps the only business model which shows an awareness of developing the value creation side of the equation is the boutique model. This is evident in its take on operational strategy which is conceived with a view to move beyond the traditional approach of changing the process favoured by most real estate organisations. Instead its strategy is evolving around the approach which places a greater emphasis on changing the real estate experience for the consumer. The CEO of the boutique agency organisation suggests that consumers expect and deserve superior customer service hence their focus is directed towards changing the way their relationship works with the consumers by investing heavily in a customer care centre which specialises in providing exceptional experience for their consumers such as an ability for the consumers to be active participants in how the organisation deals with sales process for example so that the organisation can deliver what the consumer wants and expects rather than what the organisation thinks the consumer wants and expects.

Whilst the other respondents attest to a placing a great emphasis on customer service, the findings show that the strategy deployed to deal with customer service aspects is based predominantly on the transactional nature of real estate for example attending to the consumer during a sale campaign by following a set guideline. Similarly respondent franchise attests to indulging a strategy which focuses on investing heavily in engaging their consumers in providing feedback on received service. Whilst this approach can appear beneficial to the consumers, in reality this is not the case. The feedback is used by the franchise to exert control over their sales agents so that the franchise level of service is not compromised. Additionally the feedback is used for training the sales agents so that they can perform better which results in greater profitability for the franchise. In essence this approach is merely a well-conceived strategy to capture value in the market place.

6.7.3 Inbound vs Outbound Open Innovation
Technology is shown to be at the forefront of organisational strategy. Hence from an innovation point of view it is most likely to be the singular biggest factor requiring time, scope and investment. The case study findings thus confirm that technology is instrumental in facilitating the innovation process. This argument largely originates from the basis that technology improves many aspects of old processes by bringing new problem-solving ideas into use through effective means of storing, transmitting, communicating, processing and performing the new knowledge (Dewett & Jones 2001).
Innovation is thus suggested to be promoted by the managerial ability to creatively utilise the bank of knowledge for problem-solving and decision making which is instrumental in creating competitive advantage (Leavy 1998) rather than merely the application of new technological practices. Furthermore the case study findings suggest that organisation’s ability to utilise innovative practices in combination with its bank of accumulated knowledge, leads to either development or improvement of products and service and assists in creation and implementation of new ways for doing business (Dosi 1988, Nelson and Winter 1982). Heavy reliance on technology and its vast applications in current as well as future contexts indicates a shift in focus towards deployment of technological resources to help build and sustain competitive advantage (Hambrick et al. 1983).

Thus the way organisations acquire, assimilate and transform new knowledge leads to the consideration of other more complex concepts such as open innovation. Existing literature on strategic management argues that the concept of open innovation is not a new theory as the intrinsic need for insourcing of external knowledge has been floated by researchers as early as late 1980’s (Von Hippel 1988, Gibbons et al. 1994). The theory contends that an organisation channels the knowledge harnessed from external sources across different internal structures which renders external knowledge as playing an integral part in optimising in-house innovation (Chesbrough 2003).

Furthermore the literature states that organisations may engage in two different types of open innovation, namely inbound open innovation and outbound open innovation (Chesbrough & Crowther 2006). In the case of inbound open innovation an organisation brings in external knowledge in addition to its bank of internal knowledge. On the other hand in the case of outbound open innovation an organisation relies on its internal banks of knowledge and looks to external organisations as more suitable sources of commercialising certain functions or technologies.

To this end inbound open innovation can be explained in terms of ownership and control of resources highlighted in the discussion regarding organisational capability to capture value through resource strategy. An organisation whose objective is to have total control and ownership of resources is thus more likely to engage in inbound open innovation. On this pretext the findings show the propensity of the franchise business model to engage in this practice predominantly through its reliance on achieving standardisation and uniformity across the network as suggested by Cox & Mason (2007). In a similar fashion, the
cooperative business model displays a tendency to engage in inbound open innovation strategy however in the case of this model this leaning is mostly due to aiding the preservation of the marketing and technology strategy which underpin its business model rather than the brand itself as is the case with a franchise. Correspondingly the boutique agency business model exhibits a trend towards inbound open innovation as it is modelled on the basis that it does not exhibit any capital constraints thus enabling the organisation to freely accumulate its internal bank of resources.

The joint venture business model on the other hand exhibits signs of engaging in both inbound and outbound open innovation. As its structure is loosely based on the franchise model, the inclination exists to centralise internal operations to a great degree. In the same manner, its strategy varies to that of a franchise on the account that a franchise generally adopts a growth strategy whilst joint venture business model instead looks to combination of resources which result in a positive cash flow as explained by Brush & Chaganti (1999).

When analysing the organisational structure of respondent organisations, there is an indication that size of organisation is related to the concept of open innovation. For example the findings show that respondent organisations engaging in inbound open innovation strategy are medium to large organisational networks, whilst those engaging in outbound open innovation strategy are small to medium organisations. To this end Chesbrough & Crowther (2006) argue that this does not mean that small or medium sized organisations do not engage in the process of inbound open innovation process as is the case with the joint venture respondent. They claim that it is the way in which organisations enter in the process of inbound open innovation that provides the greatest difference.

### 6.7.4 Traditional Strategy vs Open Strategy

The concept of traditional strategy is essentially underpinned by the role the resources play in the conception of organisational operational strategy. Thus previous research suggests that at the corporate strategy level, corporate resources are constructs of the boundaries of the organisational activities (Grant 1991). Furthermore it is the relationship between resources, competition and profitability established by early research in strategic management (Penrose 1959) as well as the process of resource accumulation which can be said to contribute to organisation’s ability to preserve its competitive advantage. In essence these contributions amount to the phenomenon that is known as resource-based view of the organisation.
In more recent times the literature suggests that traditional business strategy adopted by organisations has resulted in organisations behaving defensively in the market place by constructing barriers to competition rather than promoting openness (Chesbrough & Appleyard 2007). This notion is largely substantiated by the case study findings which show that the Australian real estate organisations such as franchises and cooperatives by virtue of their business modelling do not allow for openness. Instead they show proclivity to grow their organisational networks by defining and protecting their market territories through extensive promotion of brand standardisation across the network. Where a traditional franchise’s strategy involves protection of the entire brand inclusive of the trademark and the operational systems, a cooperative promotes standardisation to a lesser extent whereby the degree of their standardisation across the network is limited to the portion of the operational system such as marketing and technology which incorporate the notion of the brand.

Additionally as their business modelling is essentially geared towards growth and expansion through recruitment of franchisees, as the organisational network expands the resource bank is constantly replenished by capital injections from franchisees and licensees in the case of a cooperative. The capital injections generally consist of royalty fees in the case of a franchise and set fees in the case of a cooperative. In a perfect world constant capital boosts tend to accumulate which enables these organisations to foster internal resource accumulation which can be argued to facilitate barriers to competition. Whilst this may be the case in a perfect world, the findings show that despite these constant capital boosts, some organisations still struggle as is the case with a cooperative. It can be argued that this is largely due to an incorrect alignment between the fees charged to the licensees and federal government fiscal policies for example.

Instead non-franchised business models such as boutique, joint venture and independent agency show divergence in their approach to strategy as suggested by Chesbrough & Appleyard (2007). Indeed these business models show a disposition towards experimenting with different concepts which can yield competitive advantage for the organisation in question. Furthermore in the light of technological advances, the case study findings show that these non-franchised business models are now experimenting with novel business model structures by essentially altering internal ownership structures which promote operational flexibility and greater operational control as well as shifting the operational focus to constraining organisational creativity through engaging in open innovation as proposed by Chesbrough & Appleyard (2007). Thus it is argued that these approaches are challenging the
traditional business strategy and giving rise to a revised approach to strategy which they call “open” strategy, where the principles of traditional business strategy are fundamentally balanced by the innovation.

As such in the organisational sense, the implications of open strategy are applied to introduction of new business models into the market place which consists of an internal ownership structure promoting greater operational controls across the organisation as well as a more flexible approach to resource strategy. For example joint venture business model comprising of a structure which allows for the owner of the organisation, which in the case of this study’s joint venture respondent selection is a trustee company, to own at least 51 per cent of shares in each and every office under its brand umbrella, provides its top managerial staff with an opportunity to be joint venture owners in the organisation. The joint venture respondent claims that this type of incentivising top managerial staff has resulted in continual success in attracting talent as well as providing the majority owner in the organisation with a lot of flexibility in problem-solving and decision-making as well as to create an environment and promote a culture which is conducive to people wanting to work.

At the other end of the scale, boutique business models’ structure is such where the owner owns 100 per cent in every office under its brand umbrella which allows for total control in decision-making across the network. The essence of this business model lies in the harnessing of managerial capabilities which facilitate innovation across the organisation on a large scale attesting to the notion that technology is responsible for redefining the traditional business model by altering work performance, use of knowledge and calculation of cost of business as suggested by Cummings & Vorley (2013). This approach to business modelling has thus brought about a change in how organisations create and use knowledge which plays a big role in strategic decision making. Lastly independent agency business model, as virtually a smaller version of a boutique agency model, contributes to the notion of open strategy through harnessing competitive advantage in their market place from innovating through collaboration with other eco-systems and networks thus promoting the ultimate openness.

6.7.5 Response to Change: Proactive vs Reactive

The case study findings suggest that the vast majority of change experienced by franchised and non-franchised real estate organisations is brought on by the ever-increasing reliance on technology and its vast applications within the organisational context as suggested by Eason (1998) and Cameron & Green (2009). Thus it is suggested that the changing technology is
largely responsible for organisational capability to require an adjustment at the organisational level to preserve its competitive advantage.

On this pretext the literature suggests that an organisation must possess certain factors which are essential for making correct assessment of the effects of change (McGuiness & Morgan 2005, Cameron & Green 2009). Thus the study findings show that in the case of franchised real estate organisations these factors can be defined as possession of competent leadership which can effectively deal with many layers of management within the organisation and its network, outstanding communication channel, as well as an ability to reinforce change with incentives. Whilst it can often be a challenge to purvey change across a large organisational network, the franchise respondent states that a solution to this challenge effectively lies in a well-developed organisational culture and its structure as well as the strength of systems and processes which are specifically designed to shape the organisational ability to format change. Additionally the franchisor respondent affirms that in order to competently deal and bolster the effects of continuous change, an organisation must have a structure which preserves employees’ commitment as well as their managerial capacity via adequate resourcing facilitating formulation and implementation of specific change initiatives as required for organisational success as suggested by Cummings & Vorley (2013).

To this end the franchise organisation respondent states that their change management strategy is formulated in such a way which enables the change to permeate the network in what can be best described as a sequential manner. To this end their strategy involves identifying offices which show a higher proclivity to embrace change. Once the change has been implemented and the results of implemented change are visible, the results are flagged with other offices as an initiative to embrace the change. Whilst this process can sometimes be cumbersome depending on the level of change faced by the organisation as well as the number of offices in the chain, the franchise respondent affirms that it is successful for their operation.

In a similar manner the boutique respondent demonstrates a well-developed and highly effective change management strategy. Through its focus on fostering managerial capabilities, it indicates an onus for the organisation to have firmly entrenched policies and procedures which are designed to cultivate an alignment between the managerial capability and organisational capabilities. In doing so it enacts a change in a proactive way.
Correspondingly, the joint venture business model shows a propensity to adopt a philosophy which promotes a line of thinking centred on the notion that yesterday’s technology used effectively is more effective overall than today’s technology used poorly. Their change management strategy thus incorporates an objective which involves deployment of technology which works well rather than invest in chasing cutting edge technology. Furthermore to combat resistance to change emanating from their employees, the tendency is to be compromising in the degree of change that is proposed rather than authoritative in insisting that the change is enacted in its entirety. Whilst this is shown to work within their organisational strategy context, it can potentially result in long-term negative impacts on the sustainability of competitive advantage through exercising its tendency to let their competitors be the instigators of change.

Despite the implied need to embrace new principles of technology within operational strategy, the pace of change is still regarded as relatively slow by the case study respondents. Thus the case study findings show that the biggest problem faced by the organisations tends to be related to factors such as costly outlay against the contribution to the goals of the enterprise whereby time is spent on deliberating what new concepts are worth investing in, at what levels of the organisation to use the concepts, as well as how to use them. For this reason the case study findings show that most real estate organisations have a tendency to focus on technology of now rather than future.

To this end both independent agency and cooperative business models equally show adoption of ad-hoc type of strategy when it comes to change management. As such both display a propensity to be reactive to change although in different ways. In the case of an independent agency business model, its exposure to a variety of external resource markets often means that the organisation is flooded with new ideas and concepts. As the organisation is generally small in size and its internal ownership structure allows for total control and flexibility, change is often effected without a well-conceived strategy according to the independent agency network respondent. This can result in negative connotations across the organisation in two main ways; firstly not enough time is spent on analysing negative effects on the organisational operations, and secondly change is not implemented correctly. Thus organisational competitive advantage can be affected negatively.

Cooperatives, on the other hand, are reactive to change on the basis that their operational structure essentially places restrictions on the scope of their control levels across the network.
As the brand incorporates marketing and web platform strategy only, the main innovation input comes from its licensees at the local level. As such any technological changes are left to be dealt with at the individual office level, with the licensees effectively dictating the scope of change as explained by the cooperative agency respondent.

6.7.6 New Real Estate Franchise Operational Model
By accompanying the traditional real estate franchise business model explained in detail in Chapter Two with proposed enhancements for each key area derived from analysis of the invaluable information arising from this study’s respondents’ contribution in combination with concepts gained from strategic management field leads to the conceptualisation of a new real estate franchise operational model as shown in Figure 48.
Thus the study findings illustrate that a franchise strategy would benefit from adoption of a greater inclusion of innovation within their network. Whilst the findings affirm the literature and thus suggest that standardisation which essentially underpins a franchise is a key to innovation within a network, there is much to be learnt from a less insular approach to innovation exhibited by some of the non-franchised business models. For example alliances with other similar organisations do not have to necessarily mean loss of control over the network. Indeed independent agency network shows that exchange of processes and strategies between likeminded organisations can be highly beneficial to individual agencies. Additionally this is also an important source of value creation for the organisation.

Whilst historically emphasis on real estate transaction has been a foundation on which organisations have based their approach to operational strategy, the findings suggest that a greater focus should be placed on the consumer side of the transaction as well as a willing embrace of new technology affecting the real estate transaction as valuable sources of innovation within the network. Additionally innovation in the internal ownership structure exhibited by non-franchised business models shows that these business models often result in attracting exceptional managerial talent through incentivising them with agency ownership.
As such a franchise strategy would benefit from lessening its stronghold on standardisation and widening its flexibility in allowing managerial decisions at the local end of the market to include softer barriers to ownership entry.

As accumulation of resources tends to be a natural progression for franchises due to their inherent structure which allows for continuous injections of capital from the franchisees by way of royalties, there are many benefits which can arise from application of other concepts such as engaging in outbound open innovation practices in addition to inbound open innovation practices within the organisational operational context. For example outsourcing certain elements of operations can be beneficial in terms of preservation of resources as shown by the independent and joint venture business models. Adopting this practice does not necessarily have to result in loss of control over the operations, indeed it can lead to adopting new ways of doing things which can lead to a more commercially viable outcome. Whilst some modern franchises do engage in some form of commercialisation of internal processes and functions such as organisational information technology, the tendency to do so is often in the early stages of their life when they are resource poor or later in their life when they change operational direction. As soon as the external provider organisation outlives its purpose, a franchise reverts to its internal control of the specific resource bank.

Additionally whilst the respondent franchise indicates some propensity to outsource certain organisational functions such as its technology arm, there is an overlaying suggestion of general unease with this practice predominantly due to the lack of organisational ability to effect internal control over all of its technological needs. This sentiment is specifically highlighted through its approach to sales training where the emphasis is on teaching their sales agents to do things the franchise way. As such whilst this has proven to be beneficial for the franchise, adopting a more open principle of training where sales agents are exposed to other organisation’s sales methods and expertise has equally proven to be effective as well as profitable for respondent non-franchised business models.

Thus adopting a more open approach to resource accumulation strategy can impact positively on a franchise. The awareness of some non-franchised business models such a boutique operation shows that accumulation of resources can instead be more efficiently spent on investing in innovative practices which essentially move away from changing the methodology of performing certain tasks to changing the experience of its consumers. For this reason a greater emphasis on the value creation side of the equation in addition to value
capture side can bode positively for the franchise’s competitive advantage. Thus cognizance of identification of future demand from its consumer base is a key to successful innovation as well as a successful withdrawal from disruption caused by the competitor’s innovation.

By way of standard practice within a franchise business model, a franchisor utilises the capital resources acquired from its franchisees via collection of fees such as royalties on sales made to source and implement innovative practices. The franchisor accomplishes this by adopting an autocratic approach whereby decisions are made without consultation with the franchisees. Whilst this ensures standardisation across its network as well as enhances uniformity which lies at the core of the franchising concept, conforming to such stringent practices can and often is fraught with many undesirable consequences. For instance lack of franchisee’s input can lead to unnecessary conflict derived from the franchisee’s dissatisfaction as proposed by Combs et al. (2004).

Whilst there are some instances where franchisors are reasonably adept at utilising innovation input from franchisees, this is generally not the case as confirmed by this study’s findings. Indeed the study respondents in many cases affirm the lack of autonomy in a franchise business model and speak of a general lack of flexibility offered by a franchisor. The general consensus amongst the study respondents, specifically non-franchised respondents, points to franchises relying on a stringent conformity to standardisation in innovation input. Thus the onus falls on the franchisor to be in full control in deciding which innovative practices fall in line with the brand regardless of the proposed innovation benefitting the franchisee.

Thus to bridge the gap left open by lack of understanding on the franchisor’s part of franchisee’s requirements at the local level, the franchisor is left with an onerous job of implementation of proposed innovative practices across its network. To this effect adopting this practice considerably slows down the organisational ability to benefit from intake of innovation and move with the market forces. Whereby non-franchised organisations are advantaged positively by drawing from external resource markets for innovative ideas and practices, it can be proposed that franchised organisations are equally advantaged by having access to an endless source of innovation through its network of franchisees.

Thus adopting the strategy whereby franchisors are adept at running a franchise at a core level by ensuring that basic elements of a franchise such as operational systems and brand are constantly improved, the franchisee’s performance is directly related to utilising the core elements provided by the franchisor and adapting the same to their local market. To this end
the franchisor stands to reap substantive benefits from allowing all franchisees, with single and multiple unit ownership, a much greater degree of flexibility at the local level. For instance as franchisees possess vast knowledge of local market conditions they are best positioned to develop and implement a marketing strategy suitable for their immediate market place with the franchisor input limited to ensuring compliance with the overall brand strategy. Similarly recruitment principle and variation of product-mix output generally occurs at the local level thus allowing franchisees a greater degree of freedom at their level. Thus franchisees with the freedom to recruit talent with knowledge and experience in their local market as well as an ability to harness the potential of tapping into different markets provides the franchisees with the capability to increase their competitive advantage as well as their profitability.

Equally allowing franchisees a substantive degree of flexibility within an operational context at the local level enables the franchisor to tap into pool of innovation knowledge held by the franchisees. Whereby non-franchised organisations are naturally driven to acquiring innovation capital from strategically chosen resource markets thus significantly enhancing their competitive advantage in the market place, franchised organisations inherently possess direct access to much of the innovation capital from within their internal network.

Indeed the study findings point to the organisational strength emanating from investing in adopting an internal operational structure based on the principles of autonomy as shown by the non-franchised organisations. Allowing its top managerial talent freedom in operational input as well as a potential to reap benefits from overall organisational profitability has shown to positively impact non-franchised organisations. Thus franchised organisations stand to benefit immensely from lessening their stronghold over policing the network for conformity and instead allow the free flow of the innovation potential from the franchisees through encouraging and fostering open channels of communication from local level to brand level. The franchisees thus become an essential element in the franchise equation in terms of providing the necessary input into review of the core elements as proposed by Kaufmann & Eroglu (1999). Thus adoption of this practice could significantly mitigate, if not fully eradicate, the current challenge for the franchisor to misemploy valuable resources on change implementation across its network.
6.8 Chapter Summary

It can be concluded from the study findings that whilst there are significant similarities in operational strategy adopted by franchised and non-franchised business models found in operation throughout Australia, size of the organisation and its network as well as stage in a life-cycle are shown to contribute to the formation and adoption of a specific strategy. To this end, whilst all business models subscribe to a strategy which involves organisational propensity to possess managerial capability in order to successfully acquire, assimilate and transform resources into organisational competitive advantage, franchise and cooperative business models tend to adopt a growth strategy which assists them in growth and expansion of their respective networks. As such these business models show a general proclivity to be large in size in terms of the number of employees they employ according to ABS. Furthermore these business models are also likely to significantly change their resource strategy throughout their operational life-cycle to accommodate the network growth across geographical dispersed locations.

Non-franchised business models on the other hand exhibit a tendency to be generally smaller in size whereby the focus of operational strategy is aimed at combination of resources geared towards positive cash flow yield rather than growth strategy. As such non-franchised business models do not possess the luxury of continuous capital injections as franchises do through its network of franchisees. Instead their tendency to rely on combining resources to achieve a positive cash flow paves the way for the non-franchised real estate organisations to be more in tune with the market forces and open to new innovation as well as readily engage in more rapid intake of new technology and its vast applications across the organisational scope of operations. This differing approach to strategy highlights the need for the franchise business model to embrace the concept of outbound open innovation in addition to inbound open innovation on the basis that much can be gained from outsourcing many of the organisational functions on a continuing basis throughout its life cycle.

Similarly innovation is found to be cognisant amongst the non-franchised business models in their approach to business modelling. Shunning the notion of standardisation and embracing flexibility in operational sense is enabling these business models to weather changes in the market place brought on by economic instability. These viable business models are hence created by way of capturing the portion of the value created from innovation. Thus it is suggested that adoption of open strategy in essence balances out value creation and value
capture achieved by the organisation, and this approach can herald a significant development in the way real estate organisations pursue innovation on an organisational level.

Whilst organisational alignment with external ecosystems and networks is conducive to value creation, equivalently there is an emergence of awareness of innovation arising from paying greater attention to the consumer side of the equation whereby a focus is moved away from changing the transactional nature of real estate to creation of a real estate experience for the consumer. The findings show that combining value capture, in which franchised and non-franchised organisations readily engage as part of their operational strategy, with value creation can significantly boost organisational competitive advantage.

The argument for standardisation and uniformity includes the need for the franchisor to balance with flexibility at the franchisee level. Thus the study findings in combination with the literature show that whilst standardisation favoured by franchises carries positive benefits necessary for franchise business survival, there must be discernment between core and peripheral elements. Thus it is implied that core elements such as the brand and systems are indispensable to the organisational network’s survival and standardisation should therefore be sanctioned across the whole network. Peripheral elements such as product-mix variation, local marketing, and recruitment procedures, on the other hand, should attract flexibility on the franchisor’s part in order to adapt to the local market as suggested by Cox & Mason (2007). Hence it can be concluded that resource strategy attached to core and peripheral elements associated with standardisation is significant to the organisational competitive advantage.

Correspondingly as franchises are more adept at change management strategy from the franchisor level down to the franchisee level, there is evidence produced by the study findings which attest that allowing greater flexibility at the franchisee level allows for a faster implementation of innovative practices across the franchise network.

The next chapter will provide a summary of research together with concluding words and proposition of recommendations and future directions for research.
CHAPTER 7: SUMMARY AND CONCLUSION
7.0 Research Summary

This study deals with investigating operational strategies adopted by franchised and non-franchised organisations found in the Australian real estate agency sector. For this reason the study opens with an extensive overview of the Australian residential real estate market by paying particular attention to outlining real estate agency and real estate agency franchises' key external drivers, current market performance, and competitive landscape (IBISWorld 2012, 2014, 2015a, 2015b). This accompanies the research aim and significance the study provides to the franchising research field as well as the industry at large. Research questions are defined explaining the main keystones of the research which are designed to specifically target areas of significance stemming from the operational level of a real estate agency practice. Additionally, contribution to knowledge is exemplified through identification of an existing gap in research in real estate strategy.

An extensive literature review detailing past research in the franchising field as well as research from related fields of strategic management and computing, yields some key points pertinent to this study. The notion of resources and their role in the operational design of real estate organisations lie at the epicentre of the body of the knowledge. Thus it is the ownership of valuable resources which enable the organisation to operate more efficiently and more cost effectively than its competitors which is suggested to lead to competitive advantage by producing a superior performance based on developing a distinct set of resources, redistributing them through a well-conceived strategy, and transforming them into other potentially valuable resources (Roos et al. 2001, Collins & Montgomery 2008).

The research shows that the resource-based theory or view has direct application within the real estate industry sector on the basis that resources can be predicted and thus successfully used as a measure of competitive advantage by way of resources flowing freely between the franchisor and the franchisee whereby the knowledge base is enhanced through expansion (Flint-Hartle & de Bruin 2008, 2010). Whilst traditionally the organisational focus of competition has been directed towards the management of internal resources, the focus is fast moving towards management of external resources which are not owned or controlled by the organisation but create value for the organisation nevertheless (Levian 2007).

Furthermore, the review of the literature suggests that organisational size and life cycle may be responsible for affecting the organisation’s resources and performance (Aldrich and Auster 1986, Venkataraman & Low 1994). For example, young organisations have a tendency...
to be negatively impacted due to insufficiency of resources such as financial capital and expertise, internal systems, and external relationships with consumers (Stinchcombe 1965). As such these organisations can benefit enormously from adoption of standardisation and uniformity propagated by franchising (Churchill and Lewis 1983). Similarly smaller organisations are more adept at moving and aligning with the market forces due to their flexible structures.

Innovation is seen as a catalyst in bringing about change within the organisational context. Change brought through innovation and particularly technology has had a major impact on the traditional business model and thus opened up vistas for organisations to explore alternative business model structures. This has had the effect of contributing towards development of open strategy. Additionally it is argued that technology is instrumental in facilitating the innovation process (Dewett & Jones 2001) and similarly, innovation is accelerated by the managerial activity to utilise the pool of knowledge for problem-solving and decision making essential for producing competitive advantage (Leavy 1998).

Stemming from the application of technological advances, organisations are said to be more likely to sustain competitive advantage through harnessing collective creativity offered by open innovation. Thus it is argued that strategy should be approached from a new direction where the principles of traditional business strategy are balanced by innovation (Chesbrough & Appleyard 2007).

Challenges in the real estate franchising industry emanate from two main sources; franchise recruitment and the onset of technological advances and change (Flint-Hartle 2007). To this effect there is evidence to suggest that where the internet is concerned real estate organisations attempt to minimise their costs and maximise their returns however they rarely attempt to completely replace the old way of doing business. Consequently all new models are indeed variations on the past and are thus attached to the generic value chain. Thus the focus remains service based but really as an add-on to the physical real estate office and its display of properties rather than as a serious value creation object (Hamilton & Selen 2003).

The study is represented by adopting a pragmatic lens augmented by a mixed design methodology. Study data is collected from two separate phases in a sequential order commencing with the survey instrument adopted for the quantitative analysis followed by a case study approach facilitated by semi-structured interviews for the qualitative analysis. Where the quantitative analysis explains the nuances employed by the Australian real estate
organisations establishes the complementary relationship between distinct types of business modelling inherent within the real estate context of operations, the qualitative analysis builds on this by delving deeper into the operational aspects emerging as the main operational themes.

Through adoption of descriptive and exploratory factor analyses, the quantitative findings gained from the extensive quantitative analysis performed on the data gathered from the survey establish a similarity in operational strategy between franchised and non-franchised respondents to a large extent thus confirming there is a strong positive linear relationship in existence between the franchised and non-franchised organisations. Additionally the findings contend that operational strategy adopted by the respondents differs depending on the stage in life-cycle as well as size of the organisation thus confirming that life-cycle and organisational size impact on the resource strategy adopted by the Australian stakeholders.

The findings gained from case studies represented by selected respondents chosen to depict main business models found in operation throughout Australia exposes a variety of information. For instance there is a general propensity amongst the real estate agencies to respond to organisational change on an ad hoc basis rather than subscribe to a well thought out change management strategy due to factors such as strength of leadership, layers of management as well as lack of time and resources spent on research and development. As such there is a prevailing mentality among case study respondents which promotes and encourages change resistance which some organisations such as franchises have learnt to manage, if not fully eradicate, in order to implement innovative practices within their networks by implementing integration strategies to ensure that new knowledge coming into the organisation is synthesised at maximum capacity.

Similarly innovative practices in combination with application of new technology are suggested to be significant in organisational pursuit of competitive advantage in the market place. Innovation and technology are described as two separate and distinct concepts whereby innovation is purported to be a change of all manner of things such as processes, mindset, style of management or even habit, and technology is merely seen as an enabler or a tool to perform organisational functions faster rather than better. It is the development and sustainability of relationships between the real estate agents and the customers which is believed to be at the forefront of innovation.
It is the application of innovative practices in resource acquisition from external strategic markets and adopting innovative business modelling which is shown to be a viable competitive advantage strategy employed by the non-franchised respondent organisations.

On a negative side it is suggested that the real estate industry is floundering in the wake of the negative spin offs from the application of information technology. For example loss of competitive advantage over data to web based subsidiaries by no longer controlling it as well as the reduction of power in the real estate transaction are highlighted by the case study respondents as major challenges brought on by technology. In addition public perception of the agent is said to be in question mainly through perceived lack of integrity on the part of an agent as well as a general feeling of inability by the public to place trust in an agent. Moreover lack of barrier of entry into the real estate industry through absence of tertiary qualification requirements means that the industry generally attracts those with low skill rather than those with professional skills thus rendering the industry lacking in professionalism.

Whilst both phases of data provided an invaluable insight into the Australian real estate agency sector from differing perspectives, synthesising the findings together with the extensive literature essentially brings the study together to propose a new business modelling framework to assist franchises in achieving sustainability into the future.

As such the integrated findings show that a franchise strategy would greatly benefit from an increased inclusion of innovation within their network. Furthermore the findings suggest that a greater focus should be placed on the consumer side of the transaction as well as a willing embrace of new technology affecting the real estate transaction as valuable sources of innovation within the network. Conversely outsourcing certain organisational functions does not necessarily have to result in loss of control over the operations as it is shown that it can lead to adopting new ways of doing things which can lead to a more commercially viable result. Similarly adopting a more open approach to resource accumulation strategy can impact positively on a franchise as is a greater emphasis on the value creation side of the equation in addition to value capture side can bode positively for the franchise’s competitive advantage.

Equivalently a franchise could achieve some advantages through drawing from external resource markets for innovative ideas and practices rather than purely rely on its franchisees
as a source of innovation. This practice could significantly bolster its operations and increase its ability to preserve competitive advantage.

The study concludes by proposing recommendations and future directions for future research.

7.1 Conclusion

This study’s focus is to analyse implications of resource-based theory or view of organisations on Australian franchised and non-franchised real estate organisations with a specific objective to uncover emergent concepts drawn from extant literature in franchising and strategic management fields which can be assimilated into the operational context within the real estate industry. As such this study transcends an array of established concepts within the real estate industry raised by the extant literature on franchising and provides an insight into the relevance of notions gained from other service based industries such as computing industry (Iansiti & Levian 2002, Chesbrough & Appleyard 2007, Cox & Mason 2007, Roberts et al. 2012, Pardo-del-Val 2014) and strategic management field (Wernerfeldt 1984, Barney 1991, Grant 1991, Roos et al. 2001, Chesbrough & Crowther 2006, Priem 2007, Collins & Montgomery 2008, Gans et al. 2010, Priem et al. 2012).

In order to provide concluding statements for this study, a summary of the significant emergent themes uncovered by this study is illustrated in Figure 49. It is envisaged that summarising important concepts pertinent to translation into the real estate industry will provide a succinct overview which can be used for future studies focused on the operational side of real estate franchises.
Figure 49 – Summary of Research Findings

Whilst the extant literature on franchising attributes mainstream theoretical frameworks such as agency theory and resource scarcity theory as well as more diverse theories such as institutional, upper echelons, and resource-based theories borne out of agency theory to real estate franchise industry, it is the essence of resource-based theory which has been shown to have the best fit with the real estate franchise industry (Castrogiovanni et al. 2006, Tuuanen & Hoy 2007, Flint-Hartle 2007, Flint-Hartle & de Bruin 2010). The existing literature argues that the resource-based theory’s fit with the real estate franchise industry essentially stems from its intrinsic ability to account for the interdependent and interconnected make up of resources assigned to the franchisor and the franchisee which are vital in development of resource capabilities necessary for acquisition and preservation of competitive advantage.

Furthermore Flint-Hartle & de Bruin (2010) argue that the resource base is substantially wider for the franchised operations than the non-franchised operations. This is attributed to a franchise having better developed systems in place which facilitates resource mobility between the franchisor and its franchisees in an inter-organisational collaboration favouring maximum utilisation and coordination of resources adapted for expansion of a resource base.
On this basis it is contended that a franchise operation can achieve more valuable competitive advantage in the marketplace than a non-franchised operation.

The findings from this study fundamentally challenge this argument. Indeed the findings gained from the quantitative analysis expressly demonstrate that franchised and non-franchised organisations within the Australian real estate industry sector are equally able to acquire competitive advantage and moreover, they can achieve this by essentially utilising similar resource strategies to achieve competitive advantage. To this end the study exposes a virtually parallel direction in resource strategy adopted by franchised and non-franchised organisations whereby operational factors such as acquisition, allocation and assimilation of resources applied to organic growth strategy, brand value, operational focus, use and implementation of information technology, response to change, and performance measures used to gauge organisational productivity are all highlighted as being significant in franchised organisations.

Furthermore the findings show that franchised and non-franchised organisations have a tendency to be impacted by the size of the organisational network as well as stage in organisational life-cycle. Thus whilst the franchised and non-franchised respondent organisations show extensive similarities in operational strategy, it is medium to large franchised organisations in their infancy which are shown to be more sensitive to how the organisation responds to structural adjustment. As structural adjustment is largely associated with how organisations respond to effects caused by the federal government fiscal, monetary and political decisions and policies, it follows that the franchised organisations are more likely to be directly influenced by this factor predominantly due to two significant elements; firstly the size of the organisational network often means that assimilating changes emanating from change in government is a major challenge, and secondly the legislative and regulatory conditions such as compliance with the Franchise Code of Australia placed upon them can render assimilation of major changes difficult especially if there is a lack of alignment in the current legislation and proposed governmental policy changes. Furthermore the sensitivity to the structural adjustment is more likely to occur in the infancy of a franchised organisation as this is when an organisation leveraged by a growth strategy is more likely to be affected by lack of resources required to effectively deal with any changes.
Correspondingly non-franchised small to medium organisations are more significantly affected by constraints on financial capabilities in the mature stage of its life and market saturation in the adult stage.

In addition to being instrumental in establishing a congruent nature of franchised and non-franchised organisations in terms of their operational strategy, the quantitative analysis was additionally highly influential in serving as a useful tool in emphasising areas of particular interest associated with operational strategy. For instance ways of acquiring competitive advantage has rated as a popular research topic having attracted a vast amount of attention over time either as a stand-alone phenomenon as demonstrated by research undertaken by Flint-Hartle (2005, 2007) and Flint-Hartle & de Bruin (2011) within New Zealand’s real estate agency sector or as an outcome of resource-based theory or view of the organisation (Castrogiovanni et al. 2004, Barney et al. 1991, Dana 2006, Lavie 2006, Young et al. 2000, Barney et al. 2011, Makadok 2011, Maritan & Peteraf 2011, Sirmon et al. 2011). Thus whilst the similarity in acquisition of competitive advantage has been substantially verified by the quantitative analysis, it is the notion of resource ownership which is highlighted by the qualitative analysis.

Hence the case study findings reveal the propensity of franchised and non-franchised real estate organisations to be different in their strategy to acquire resources from different market sources whereby the resource ownership is the key underlying determinant. As such a franchise organisation at the beginning of its life adopts a resource strategy which is more likely to incorporate forming alliances with other business partners as it is at this time when the capital resources are constrained and the franchise possesses relatively undeveloped internal systems confirming views held by Churchill & Lewis (1983) and Saqib & Saqib (2013). As a franchise becomes infused with capital resources from newly acquired franchisees, its resource strategy is likely to undergo a rapid shift in direction as suggested by Penrose (1959) due to establishing an internal capability for accumulation of resources. Thus alliances and partnerships are severed as they are no longer commercially viable and a franchise can freely operate by using its internal bank of accumulated resources.

Non-franchised organisations on the other hand are shown to be positively affected by expanding into external resource markets for resource acquisition. The diversity in this approach is significant as these organisations freely utilise resources which are not owned by
the organisation in question, but where these resources nonetheless create value for the organisation in question as suggested by Chesbrough & Appleyard (2007).

Thus significance of resources as the main drivers in how organisations compete in the market place is a testament to theory which stipulates that it is through the acquisition and ownership of resources that organisations are able to make strategic decisions about moves and countermoves from different market positions as suggested by Young et al. (2000). Furthermore there is evidence to support claims made by Chesbrough & Appleyard (2007) which suggest that traditional business strategy adopted by organisations has resulted in organisations behaving defensively in the market place by constructing barriers to competition rather than promoting openness. As such franchises and cooperatives by virtue of their business modelling do not allow for openness; instead they show propensity to grow their organisational networks by defining and protecting their market territories through extensive promotion of brand standardisation across the network.

Whilst operationally franchised and non-franchised operate on the same level, the findings thus point to the greatest difference between franchised and non-franchised real estate organisations lies in their structural composition. It is through notions of open innovation and value capture and creation that innovation is brought to the surface. As such innovation is seen as being applied in many different ways. For example innovation is visible in development of entrepreneurial business models entering the Australian real estate market. In this instance innovation in business modelling is seen as being directly accountable for non-franchised organisations being in the position of gaining competitive advantage. Business models such as joint venture and independent agency are essentially borne out from the tenets arising from the traditional franchise business model, and as such it is the notion of operational flexibility over notions of standardisation and uniformity which are shown to be responsible for these organisations to have greater controls in decision-making. The strength of their unique structures thus lies in their ability to look for and identify innovative ways to address the resource gap as suggested by Teng (2007).

Additionally the findings provide evidence that non-franchised organisations are innovating through forming partnerships where the type and mix of ownership is highlighted in the operational strategy. For example where there was a burgeoning need to comply with the franchisor’s set of operating guidelines, there is now instead a decreasing need for compliance with the franchisor and an increasing need to maintain independence while still
benefitting from an operational alliance with a network of organisations. Similarly there is less of an emphasis placed on the traditional notion of stability created through conformity and uniformity and a much greater emphasis placed on using innovation from different strategic markets to gain essential knowledge for expansion and growth.

Correspondingly non-franchised organisations are shown to be benefitting from applying operational flexibility to use their respective networks to seek out the best service providers or suppliers in accordance with their internal set up as well as their immediate customer base. Thus flexibility in operations allows for quick and fast decision-making process by the business owners and provides these organisations with a greater potential to adapt to market forces. Additionally innovation within a non-franchised business model is shown to be present in the model’s potential to harness managerial capabilities which facilitate innovation across the organisation on a large scale attesting to the notion that technology is responsible for redefining the traditional business model by altering work performance, use of knowledge and calculation of cost of business as suggested by Cummings & Vorley (2013). Thus it can be argued that these novel approaches to business modelling have brought about a change in awareness of how Australian organisations can create and use knowledge which plays a big role in strategic decision making.

Correspondingly the findings point to a trend exhibited by franchised and non-franchised respondents which allows these organisations to tap into different resource markets to capture value whereby the main difference largely lies in the ownership of resources. In addition to value capture there is evidence of an awareness arising amongst the franchised and non-franchised organisations of the potential value that can be gained from inclusion of value creation alongside value capture in organisational strategy. As real estate is entrenched in people and their intrinsic needs, there is much to be gained by accurately assessing the consumer preferences as they change depending on the market forces as is shown by the boutique organisation. Value creation thus must come out of innovation which specifically addresses creation of value for the consumer which is essentially novel and superior (Aspara & Tikkanen 2014) rather than as a source of additional value capture for the organisation as is evident with the franchise organisation. To this effect a focus on changing the real estate experience for the consumer is seen as a way of bridging the gap between value capture and value creation.
Similarly the way organisations acquire, assimilate and transform new knowledge leads to the consideration of other more complex concepts such as open innovation and can be explained in combination with concepts such as standardisation, uniformity and flexibility. An organisation such as a franchise whose objective is to have total control and ownership of resources is shown to be more likely to engage in inbound open innovation due to its growth strategy and reliance on achieving standardisation and uniformity across the network (Cox & Mason 2007). On the other hand non-franchised organisations are shown to be more conducive to diversity with experimenting in engagement of either both inbound and outbound open innovation or just outbound innovation due to having a strategy which is focussed on combining resources to achieve a positive cash flow (Brush & Chaganti 1999). The key to adopting a diverse and more open approach to how new knowledge is brought in to the organisation and assimilated hence lies in the type of strategy deployed by the organisation in question.

Effects of globalisation although relatively low in real estate industry as well as more significant factors such as hybridisation of business models, onset of technology and legislative and regulatory changes affecting franchises in particular have led to organisations becoming aware of the importance of having a change management strategy in place to deal with continuous changes affecting the market place. To this end study findings show that franchised real estate organisations exhibit a strong tendency to possess competent leadership which can effectively deal with many layers of management within the organisation and its network, outstanding communication channel, as well as an ability to reinforce change with incentives. To this end it can often be a challenge to purvey change across a large organisational network. Thus the findings show that franchised organisations exhibit a tendency to source a solution to these challenges by developing an organisational culture which can sustain the strength of systems and processes which are specifically designed to shape the organisational ability to format change. By way of contrast, non-franchised organisations show a propensity to be highly reactive to change however it can be argued that whilst there are benefits of following stringent management strategy, the result can often result in negative consequences such as an inability to respond in a timely manner to innovative practices.

To this end current the franchise model is fraught with issues arising out of instigating change from the franchisor level down without consideration of franchisee’s input in the franchising equation. Thus allowing greater degrees of freedom to franchisees at the local level and
opening up channels of communication to flow freely from the franchisor to the franchisee and back to the franchisor encourages and fosters innovation potential from the franchisees. This process thus creates an autonomous existence between the franchisor and the franchisee and mitigates challenges inherent in change implementation. Additionally infusion of innovation potential from the franchisees creates an opportunity for the franchisor to act faster on adoption of innovative practices thus promoting flexibility to move with the market forces in the same manner as the non-franchised organisations.

Additionally it can be said that innovation emanating from developing new business models in combination with innovation brought on by technological advances is impacting on the operational strategy of both franchised and non-franchised organisations populating the Australian real estate industry. Whilst emergence of new business models is generally stemming from non-franchised organisations looking to gain competitive advantage and challenging the franchise business format, there is no direct proof to suggest that a franchise model is indeed bound. However it can be argued that unless the franchise business format can adopt some of the principles adopted by the non-franchised business models, the future of the franchise format could be in question.

In conclusion, this research carries enormous implications for real estate agency practice. Whilst the nature of the industry remains constant whereby real estate agencies continue to adopt real estate services such as leasing and management, valuations and property sales, the way real estate agencies deliver these services into the market place is shifting. Thus identifying the role technology and innovation play in the business strategy highlights the urgent need for the real estate agencies to preserve their role in the real estate transaction.

7.2 Recommendations and Future Directions

7.2.1 Recommendations

The study highlights a number of challenges faced by the Australian real estate agency stakeholders. The most prominent issue is perhaps the future of the relevance of the real estate agent in a real estate transaction. With the public freely able to access information pertaining to a property which was previously exclusive to the agents, the role of the real estate agent lies in question. To this end this development is showing to have negative connotations on the commissions charged by the agents. Coupled with an overall negative public perception of the agent in the market place augmented by low barriers to entry, the agent relevance is a serious threat to the industry according to case study respondents.
Furthermore the prevailing mentality amongst the industry practitioners is directed towards a general resistance to change which is synonymous with an overall lack of innovative change. The industry is populated by operators who in many instances lack tertiary education however who are adept at listing and selling real estate and the vast majority of these operators have been able to transfer that ability to running successful small businesses over many decades. It comes as no surprise then that case study respondents suggest that an average real estate operator generally lacks the desire to embrace change. Adding to the equation is the relentless advance of technology as well as the informed customer base and the need for the agents to start to take control of the situation is imminent.

Thus based on challenges faced by franchises revealed by this study leads to proposition of several pertinent recommendations.

**Recommendation 1 – Increasing barriers of entry into the real estate agency industry**

As it has been proven in most industries engaging in professional practice significantly increasing barriers of entry to the industry can result in a number of positive connotations for the industry. This can be achieved by inclusion of three major objectives into the industry scope. Firstly addressing the educational requirements required to enter the industry by expanding the educational load to encompass study at the tertiary level will boost the professionalism of the industry by attracting higher and thus better quality talent. Indeed it is the tertiary element which provides the related discipline of property valuations with the professional standing in the business context. In the same manner, the asset management discipline is largely advantaged by the requirement of tertiary qualifications. Thus it can be concluded that for an industry which is so highly regulated, it seems almost an oversight to disregard the importance of higher entry barriers through broadening educational standards. Secondly adoption of more stringent recruitment processes at the organisational level is likely to ensure that the industry attracts better quality of managerial talent. Whilst real estate agency industry is currently a magnet for those seeking instant employment opportunities without the need for tertiary educational qualifications, it can be thus suggested that the industry is generally populated by a high number of people with a low skill set. Attaining a degree at the tertiary level thus attracts people with better leadership and business skills to run and operate real estate offices and recruit people with similar qualities. Lastly increasing the research output benefitting the real estate agency industry stands to provide a greater awareness of the complex nature of the industry.
Recommendation 2 – Revision of real estate agent role in the real estate transaction process

The study findings reveal that the agent’s role in the real estate transaction is clearly changing. Whilst traditionally real estate agent was considered to be a depository of all information regarding real estate functions such as listing, selling and renting property amongst other functions and thus an integral part in the transaction process, advances in technology and the rise of online suppliers such as realestate.com.au have resulted in the consumer having ready access to property information such as sales data. As a consequence the agent’s role has largely been altered requiring much reflection on the agent’s part to ascertain as to where the agent can positively add value to the real estate process. Honing invaluable skills such as ability to successfully negotiate a sale as well as to pre-empt the customer needs are just some of the suggestions worth further exploration which can be instrumental in value adding. This is perhaps where the industry body can also be more instrumental in providing assistance and guidance.

Recommendation 3 – Introduction of Best Practice within the real estate agency and franchises to reduce fragmentation

7.2.3 Future Directions

This study has offered some valuable insights into the Australian real estate industry concerning the operational strategy deployed by franchised and non-franchised organisations alike. In addition to operational strategy, the study has also highlighted areas of future directions which could be worth further exploration especially given such significant lack of research into the Australian real estate agency sector.

Future Direction 1 – Investigation of benefits of demand-side of value creation

In the first instance the demand side of value creation begs further investigation. Specifically it would be invaluable to gain the results of how the proposed solution of changing the real estate experience is adapted into the market. Additionally as this is a relatively new direction adopted by a boutique organisation, it would be an interesting exercise to ascertain whether this direction is likely to be copied by other organisations. On a larger scale placing the emphasis on the consumer can yield insight into whether this approach paves the way for preserving the real estate agent’s relevance in the real estate transaction.
Future Direction 2 – Investigation of internet-based virtual environments

In the second instance, whilst the internet is shown to facilitate interaction with the consumers through opening up a portal to a vast number of consumers as opposed to a limited number in a physical sense, the interaction with consumers in terms of valuable feedback tends to be compromised in richness of dialogue (Sawhney et al. 2005). As such modern research has focused on exploring the notion of internet-based virtual environments. To this end it is suggested that internet-based virtual environments can not only increase the number of consumers engaged in an activity without compromise on the rich interaction, but also increase the speed and the frequency of consumer interactions. Whilst Australian real estate organisations are showing a great proclivity to use the internet in their daily business operations although mostly out of necessity to remain competitive rather than to be innovative, it would be worth examining further the effect virtual environments have on real estate industry given that the respondents claim it is the way of the future.

Future Direction 3 – Data ownership

Lastly as real estate agents are producers of data which is sought after by many internet intermediaries such as portal website providers, the issue of data ownership is raised by the respondents as being highly contentious. Heavy reliance on internet advertising has seen the internet intermediaries essentially starting to gain a competitive edge in competing for the consumer attention whereby the biggest issue rests in the ownership of valuable sale data. To this effect the real estate agents as the originators of data provide the industry body with data gained from values such as auction and private sale prices which allows every agent to access other agent’s sales data at a cost. Moreover as paying subscribers to online portal website providers, the agents supply the sales data to online portal website providers by the virtue arising out of the necessity to end the property listing from appearing. For instance when the advertised property is sold, the agent is required to enter a sales price and date of sale to take the property listing off the portal site. This sales data is thus collated by the portal website provider and listed on the portal website for access by the general public. Thus the real estate agent is a supplier of sales data whilst paying for the privilege. This is naturally a cause of grave concern for the Australian real estate organisations on the basis that their livelihood is threatened. To this effect it would be invaluable to investigate the monetary loss caused to the agencies by the competition posed by the various intermediaries.
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APPENDICES

Appendix 1: Phase 1 – The Survey

LINDA CHARTRES PhD. Study
Survey of Australian Real Estate Agency Design: Strategies for the Franchising Model
Data Collection: PHASE ONE

Compiler’s Guide

Your participation in this questionnaire is valued. It will:
- Identify different real estate agency structures.
- Identify and evaluate the significance of key operational areas in decision making and strategy selection from an organizational perspective.
- Indicate current and future strategic models of operation.
- Provide the basis for a research paper, which will be sent to all questionnaire participants.

Confidentiality:
- All information collected from this survey is STRICTLY CONFIDENTIAL and will only be used for this study and not be disclosed to any third party.
- Information gathered from individual organizations participating in this study will be undisclosed.

For further information:
- If you have any questions please contact Linda Chartres on mobile.

Please complete the survey by 30/11/2014 and email to Linda.Chartres@student.rmit.edu.au

PART 1: PERSONAL INFORMATION—This section aims to describe the participant organization and the individual representing it in this questionnaire. Please note that for the purposes of this study, the required individual must be the owner or the operational head of the participating organization such as a CEO COO General Manager. (Please tick the appropriate box for each question as applicable).

1) Which best describes your organizational network:
- Franchise
- Co-operative
- Independent Group

2) Is your organizational network:
- National
- Multi National
- State Wide
- Local
- (Aus Wide)
- (Aus + O/S)  
- (City Wide)

3) What is your role within the organization:
- Franchisor
- Franchisee
- Licensor
- Licensee
- Other
If you ticked other, please specify your position within the organisation agency (eg. OIEC/Principal/Business Owner): __________________________________________

4) In which state(s) does the organisation operate?
   (Please tick more than one option if applicable)
   - VIC
   - QLD
   - SA
   - TAS
   - NSW
   - NT
   - WA
   - ACT

5) If you are a Franchisor/Licensor/Independent Agency Director, how many offices are in your organisational network?
   - < 10 Units
   - 11 - 50 Units
   - 51 - 100 Units
   - > 101 Units

   If you are a Franchisee-Licensee, how many offices do you own and operate?
   - Single Unit
   - Multiple Units

6) How many people are employed across the organisation?
   - < 50 Employees
   - 51 - 100 Employees
   - > 101 Employees

7) What is your organisation’s annual turnover? (optional)
   - < $1M
   - $1M - $5M
   - $5.01M - $10M
   - $10.01M - $20M
   - > $20M
   - > 2001M

8) For how many years has the organisation been established?
   - < 5 Years
   - 5 - 10 Years
   - 11 - 20 Years
   - 21 - 35 Years
   - > 36 Years

PART 2: OPERATIONAL STRUCTURE (Please T ICK the appropriate box for each question as applicable).

9) Which best describes your current operational stage?
   - Start-up (launching the business)
   - Infant (undertaking extensive business development to obtain market position)
   - Adult (adapting and expanding the business)
   - Beyond Adulthood (running an established business with a cemented position in the market place)
10) How would you best describe your growth strategy? (Please tick more than one option if applicable)

- Franchise expansion
- Conversion franchising
- Area development agreements
- Acquisition or merger with other organizations or businesses
- Co-branding
- Multiple franchise concepts
- Other/Specify __________________________

11) What was your motivation for establishing or being involved in your current real estate network? (Please tick more than one option if applicable)

- Saw an opportunity to increase wealth
- Saw an opportunity to grow a valuable asset
- Saw an opportunity to increase competitive advantage through sharing of resources
- Saw an opportunity to use innovative systems and strategies to create a network with a difference
- Other (Please specify): __________________________

12) If you are a Franchisor/Independent Agency Director, how would you best describe your ownership structure within the organizational network?

- All franchised units (under franchise agreement)
- All independently owned units (under license agreement or otherwise)
- Mix of franchised and independently owned units
- Other, please state ratio of independent franchised: __________________________

If you are a Franchise/Licensee, how would you best describe your ownership structure within the organizational network?

- Independent ownership of single unit
- Independent ownership of multiple units
- Co-ownership of single unit
- Other, Specify: __________________________

13) Has the ownership direction changed over time, i.e., from inception time to today?

- Yes
- No
If yes, what was the original ownership direction?

14) What precipitated the change in ownership direction? (Please tick more than one option if applicable)

- Existing market share
- Lack of capital resources
- Achieving economies of scale
- Acquisition merger with other organizations
- Strengthening the brand
- Lack of managerial resources
- Seeking operational independence through sharing of external resources
- Other (Please specify):

15) How does your organization achieve competitive advantage in the marketplace? (Please tick more than one option if applicable)

- Accessing external operational resources eg. training
- Strategic allocation of resources
- Recruitment and training of managerial talent
- Expanding the market share through mergers and acquisitions of other real estate businesses
- Retaining market innovation

16) Are your organisational values based on:

- arrive
- people
- mission
- other (please specify):

17) Your recruitment of managerial talent is based on:

- Ability to perform job tasks
- Specific background history eg. Sportsgame achievements
- Previous experience
- personal
- other (please specify):

18) How would you best describe your management strategy?

- Your aim is to achieve and maintain excellence
- Your aim is to continuously explore new directions and systems and implement effective responses to any change involving innovation, new technology, new systems etc.
- Other (Please specify):
### PART 3: OPERATIONAL DYNAMICS

For questions 19 – 26, please tick the appropriate box for each question as applicable.

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>19) Do you feel that an independent organization is more productive, stable, and innovative? (tick appropriate box)</td>
<td>Yes</td>
</tr>
<tr>
<td>20) Do you feel that a franchised organization has a greater probability of succeeding in becoming a dominating force in the industry?</td>
<td>Yes</td>
</tr>
<tr>
<td>21) Do you agree or disagree with the following statements:</td>
<td>Y</td>
</tr>
<tr>
<td>The performance of an organization is a function of its own capabilities</td>
<td>✔</td>
</tr>
<tr>
<td>The performance of an organization is a function of its position with respect to its competition, customers, suppliers etc.</td>
<td>✔</td>
</tr>
<tr>
<td>The performance of an organization is a function of its dynamic interactions with the industry as a whole</td>
<td>✔</td>
</tr>
<tr>
<td>22) Do you view technological progress as:</td>
<td>Y</td>
</tr>
<tr>
<td>Innovative and beneficial to the overall efficiency of your organization</td>
<td>✔</td>
</tr>
<tr>
<td>Detrimental to the performance of your organization</td>
<td>✔</td>
</tr>
<tr>
<td>Costly expense with little benefit to the efficiency of your organization</td>
<td>✔</td>
</tr>
<tr>
<td>Necessary to remain competitive in the market place</td>
<td>✔</td>
</tr>
<tr>
<td>23) When presented with innovative operational approaches, do you follow through with implementation because:</td>
<td></td>
</tr>
<tr>
<td>All your competitors are doing it</td>
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<tr>
<td>You can see how it will benefit your organization</td>
<td>✔</td>
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<td>Other (Please specify):</td>
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<td>24) Is your response to innovative change:</td>
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<td>Immediate (you can see the potential straight away and want to be the first on board)</td>
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<tr>
<td>Moderate (you discuss with your peers, analyse pros and cons and then act)</td>
<td>✔</td>
</tr>
<tr>
<td>Slow (you wait until your competitors have done it)</td>
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25) How important are the economic changes, current and potential, in planning your operational strategy?

- Not important at all
- Fairly important but not necessarily a key element
- Very important - the operational success heavily depends on moving with and adapting to the market conditions

26) Is your operational strategy reliant on accurately assessing the flow of activity within the organisation e.g. Labour force, cash balances etc.?

- Yes
- No

If you ticked no, what is your operational strategy reliant on?

Questions 27 – 34 list identified factors that influence the organisational decision making process in operational dynamics. Where applicable, please rate every item applying the scale of 1 to 7.

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27) Rate your organisation’s organic growth in order of importance:

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<td>International factors (i.e. globalisation)</td>
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28) Rate your organisation’s structural adjustment in order of importance:

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<td>Federal Government political policies (e.g. superannuation &amp; deeming laws)</td>
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<td>Federal Government legislative policies (e.g. laws and regulations)</td>
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<td>Industry-related policies and procedures (e.g. contracts)</td>
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</table>
29) Rate technological change in order of importance:

| Current level of information technology (e.g. e-mail, internet, social media) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Current level of information technology of the future (e.g. online listings and selling) |  |  |  |  |  |  |  |

30) Rate access to resources in order of importance:

| Financial (e.g. access to capital) | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Operational (e.g. cashflow, expenditure vs revenue) |  |  |  |  |  |  |  |
| Strategic (e.g. growth strategy, market niche, brand positioning) |  |  |  |  |  |  |  |
| Managerial (e.g. recruitment and selection, training) |  |  |  |  |  |  |  |

31) Rate the value of the brand in terms of:

| Organisational culture | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Public perception (e.g. rogue office, stand-out marketing) |  |  |  |  |  |  |  |
| Built on and secured an identity |  |  |  |  |  |  |  |
| Reflection of self values |  |  |  |  |  |  |  |
| Reflection of business values |  |  |  |  |  |  |  |
| Access to n绩ential talent |  |  |  |  |  |  |  |

32) Rate the following in order of importance:

| Return on investment | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Profit margin |  |  |  |  |  |  |  |
| Geographical presence |  |  |  |  |  |  |  |
| Market saturation |  |  |  |  |  |  |  |
| Local knowledge |  |  |  |  |  |  |  |
| Transmission of information |  |  |  |  |  |  |  |
| Levels of stocks, cash balances, labour force etc |  |  |  |  |  |  |  |
| Rates of boils |  |  |  |  |  |  |  |

33) Rate the following performance measures in the order of importance:

| Productivity | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Quality |  |  |  |  |  |  |  |
| Time-to-Market |  |  |  |  |  |  |  |
| Customer Satisfaction |  |  |  |  |  |  |  |
| Profitability |  |  |  |  |  |  |  |
34) Rate the driving factors for success in your organization:

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Thank you for your co-operation with this research!

Please complete the survey by 30/11/2014 and email to Linda Charters OR post in the stamped self-addressed envelope.

The findings in a consensus format will form part of Linda Charters' Ph.D. study.

Compiler’s Name: ________________________ Title: ________________________

Company Name: ________________________

Compiler’s Phone: _______________ Compiler’s Fax: _______________

Compiler’s E-mail Address: ________________________________________
Appendix 2: Ethics Approval

RMIT UNIVERSITY Design and Social Context College Human Ethics Advisory Network (CHEAN) Sub-committee of the RMIT Human Research Ethics Committee (HREC)

Notice of Approval

Date:
02 May 2014

Project number:
CHEAN B 0000018521-03/14

Project title:
Australian Real Estate Agency Design: Strategies for the Franchising Business Model

Risk classification:
Low Risk

Investigator:
A/Professor David Higgins and Mrs Linda Chartres

Approved:
From: 02 May 2014 To: 30 June 2016

I am pleased to advise that your application has been granted ethics approval by the Design and Social Context College Human Ethics Advisory Network as a sub-committee of the RMIT Human Research Ethics Committee (HREC).

Terms of approval:

1. Responsibilities of investigator
   It is the responsibility of the above investigator/s to ensure that all other investigators and staff on a project are aware of the terms of approval and to ensure that the project is conducted as approved by the CHEAN. Approval is only valid whilst the investigator/s holds a position at RMIT University.

2. Amendments
   Approval must be sought from the CHEAN to amend any aspect of a project including approved documents. To apply for an amendment please use the 'Request for Amendment Form' that is available on the RMIT website.
   Amendments must not be implemented without first gaining approval from CHEAN.

3. Adverse events
   You should notify HREC immediately of any serious or unexpected adverse effects on participants or unforeseen events affecting the ethical acceptability of the project.

4. Participant Information and Consent Form (PICF)
   The PICF and any other material used to recruit and inform participants of the project must include the RMIT university logo. The PICF must contain a complaints clause including the project number.

5. Annual reports
   Continued approval of this project is dependent on the submission of an annual report. This form can be located online on the human research ethics web page on the RMIT website.

6. Final report
   A final report must be provided at the conclusion of the project. CHEAN must be notified if the project is discontinued before the expected date of completion.

7. Monitoring
   Projects may be subject to an audit or any other form of monitoring by HREC at any time.

8. Retention and storage of data
   The investigator is responsible for the storage and retention of original data pertaining to a project for a minimum period of five years.

In any future correspondence please quote the project number and project title.

On behalf of the DSC College Human Ethics Advisory Network I wish you well in your research.

Suzana Kovacevic
Research and Ethics Officer
College of Design and Social Context
RMIT University
Ph: 03 9925 2974
Email: suzana.kovacevic@rmit.edu.au
Website: www.rmit.edu.au/dsc
Appendix 3: One-Way ANOVA: Franchised vs Non-Franchised

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Legend:

- **α = 0.05** and **α = 0.10**
- **α = 0.05** or **α = 0.10**
### Appendix 4: One-Way ANOVA: Franchised vs Non-Franchised and Stage in Organisational Life Cycle

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### Appendix 5: One-Way ANOVA: Franchised vs Non-Franchised and Organisational Size

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**Legend:**
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### Appendix 6: Phase 2 Themes and Contributing Factors

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<td><strong>Response to Change</strong></td>
<td>How fast is response to change? Which key factors are integral in enacting organisational change? Is organisational change dealt with successfully?</td>
<td>Change management strategy as an integral part of operational strategy Adoption of philosophy &quot;if it works, why fix?&quot; Strength of leadership Layers of management Reactive vs Proactive Organisational structure and its role in the control over decision-making process Flexibility and adaptability vs uniformity and conformity Geographical location vs response to change Operating on &quot;gut feel&quot; Resistance to change Adoption of &quot;hands on&quot; approach to change Reliance on resources to enact change</td>
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<td><strong>Innovation</strong></td>
<td>What does innovation mean? How is innovation sourced? How successful is the implementation and uptake of innovative practices? Where does innovation come from?</td>
<td>Link with technology &quot;rip off and duplicate&quot; strategy Entrepreneurial activity Belief in vision Innovation differs according to the organisational growth stage Insourcing of external knowledge vs reliance on internal knowledge Implementation of innovative practices Change of process to experience rather than transaction Real estate experience vs real estate transaction Continuous evolution Flexibility required for successful uptake</td>
<td>Open Innovation Inbound vs Outbound</td>
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<td><strong>Technology</strong></td>
<td>How fast is the uptake of new technology? How successful is the implementation of new technology? Is there understanding of the importance of technology and/or innovation?</td>
<td>Link with innovation Adoption of technological practices on an &quot;ad hoc&quot; basis rather than understanding Poor internal synthesis of knowledge Seen as a business &quot;enabler&quot; tool or business strategy Technology as a &quot;game changer&quot; Significance of technology in real estate transaction Current IT vs Future IT</td>
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<td><strong>Challenges</strong></td>
<td>What are the challenges faced by the individual organisations? The Industry as a whole?</td>
<td>Public perception of a real estate agent and industry as a whole Relevance of an estate agent in the real estate transaction Lack of innovation Resistance to change Retention of staff Lack of synergy within the industry Lack of best practice within the industry Data ownership</td>
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<td><strong>Competitive Dynamics</strong></td>
<td>How do organisations achieve competitive advantage? What type of mechanisms are employed within the industry?</td>
<td>Resource strategy ie managerial recruitment &amp; retention Diversification of business interests as a business strategy Provision of &quot;one stop shop&quot; Provision of real estate experience vs real estate transaction Standardisation and uniformity vs adaptability and flexibility in the market place Organisational culture Provision of systems External alliances Monitoring eg mystery shopping, customer surveys Brand positioning Leadership structure Growth strategy Risk profile Emphasis on consumer research</td>
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<td><strong>Resource Strategy</strong></td>
<td>Where are the resources acquired from? How are the resources acquired? Who owns the resources? How willing are the market forces to pay for services and/or products produced by the organisation?</td>
<td>Recruitment and retention of good managerial talent Strategic intellectual knowledge Centralisation of systems Product markets Resource markets Source of capital External alliance network potential Creation of &quot;novel and superior buyer value&quot; Retention and appropriation of payments made by</td>
<td>Value Capture vs Value Creation</td>
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