

# FRANCHISING AS BOTH A NETWORK PHENOMENON AND AN INSTRUMENT FOR THE DISSEMINATION OF KNOWLEDGE AND KNOW-HOW

FRANCZYZA JAKO ZJAWISKO SIECIOWE  
ORAZ INSTRUMENT PRZEKAZYWANIA WIEDZY

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Przemysław Czernicki<sup>1</sup>, Jolanta Brodowska-Szewczuk<sup>2</sup>

<sup>1</sup> Poland, Siedlce University of Natural Sciences and Humanities, Faculty of Social Sciences  
przemyslaw.czernicki@uph.edu.pl; ORCID: 0000-0002-1184-1556

<sup>2</sup> Poland, Siedlce University of Natural Sciences and Humanities, Faculty of Social Sciences  
jolanta.brodowska-szewczuk@uph.edu.pl; ORCID: 0000-0002-8629-3064

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**Abstract:** This article aims to present the specifics of franchise networks, which are playing an increasingly important role in the Polish economy. We shall also look to characterize such networks as an instrument for the transfer and dissemination of knowledge and know-how among the participants of a given distribution system or client base. We shall also draw attention to the fact that although franchising is a network phenomenon; it also exhibits specific characteristics that distinguish it from the classical organizational network model. This applies in particular to the management of the transfer of the body of knowledge possessed by the network organizer under this type of system. Such knowledge management serves both to provide participants with an idea for their own business, and to possibly modify the ways of conducting or running the same. This article shall endeavor to indicate that the growing popularity of franchising is determining the specific features of this form of economic cooperation among entrepreneurs.

**Key words:** franchising, knowledge, know-how, network

**Streszczenie:** Zasadniczym celem napisania niniejszego artykułu jest próba przedstawienia specyfiki odgrywających coraz większą rolę w polskim obrocie gospodarczym sieci franchisingowych oraz scharakteryzowania ich jako instrumentu służącego do przekazywania i upowszechniania wiedzy wśród uczestników danego systemu dystrybucyjnego czy też jego klientów. Pragniemy ponadto zwrócić uwagę na to, że jakkolwiek franczyza stanowi rodzaj zjawiska o charakterze sieciowym, to jednak zarazem wykazuje ona swoje szczególne właściwości, które odróżniają ją od klasycznego modelu sieci organizacyjnej. Dotyczy to zwłaszcza zarządzania w ramach tego typu systemu przepływu posiadanego przez organizatora sieci zasobu wiedzy, ponieważ służy to zarówno przekazaniu jej uczestnikom pomysłu na własny biznes, jak i ewentualnemu modyfikowaniu sposobów jego prowadzenia. W artykule starano się wskazać na to, iż o rosnącej popularności franchisingu wydają się właśnie przesądzać specyficzne cechy tej formy współpracy gospodarczej przedsiębiorców.

**Słowa kluczowe:** franczyza, wiedza, know-how, sieć

## Introduction

Until recently, research into inter-organizational cooperation and the conducting of analyses on short and long-term relationships between companies has not been to the fore within studies on management and quality. Instead, prominent have been analyses of individual transactions carried out in the market as well as attention paid to

such determinants of the company's success as product quality, price or knowledge of the given markets (Fonfara, Hauke, 2009, pp. 28-43).

In recent years, however, the importance of studying a company's relationship with its environment has been recognized as the result of striving to overcome the company's imperfections

and pursue its strategic goals by cooperating with other entities and combining specific activities, resources and entities (Czakon, 2012, pp. 12-29; Fonfara, Hauke, 2009, pp. 28-43). As a consequence, the various contacts or interactions between these types of entities have led not only to establishing networks, complex and dynamic systems of mutual dependencies, but also to the forming of economic, capital, personnel or cooperative organizations (Maik, Godzisz, 2013, pp. 335-342).

This has corresponded to an increasing emphasis within management and quality studies on the importance of a network-based economy and the stressing of a need for research on structures or the dynamics of business inter-organizational ties (Czakon, 2012, pp. 23-29). Attention is beginning to be paid to the results of companies achieved via recourse to new, sometimes very elaborate, networked organizational systems. Underscored here is also the fact that such systems can prove to be a decisive factor when it comes to shaping a company's long-term success (Fonfara, Hauke, 2009, pp. 28-43). It is also believed that in the future enterprises will be based on network-type links instead of tangible ones (Machaczka, 2003, pp. 7-9).

One of the most important manifestations in terms of the development of network organizations, also to be seen in Poland, has been the creation of systems for the sale of goods, services or technologies in the form of franchise networks and their use in creating value and promoting the brand of a given product or service. The development of these types of structures has been a kind of organizational phenomenon, reflected in the nature of the retail trade (due to the expansion of this type of network).

This article aims to characterize the construction of franchising as a network phenomenon and an instrument for the transfer and dissemination of knowledge and know-how pertaining to the running of a business. This constitutes one of the most important aspects of the development of franchise networks, which takes place both inside the organization, e.g. in the form of the know-how provided by the network creator to its participants, and outside, and especially in relations with the client base: this primarily corresponds to information about the nature of the product or service. At this juncture, we would also like to point out that, although a franchise is a network phenomenon, it also exhibits specific characteristics that distinguish it from the classic organizational network model.

Analysts emphasize the importance of a successful franchise network construct and

management process for achieving success on the part of entrepreneurs operating in this mode (Templeton, 2009). The basis for this fact is the creation of a system of entities interested in establishing cooperation and co-activity, called the network, who represent relatively or realistically different areas of economic activity, which in turn translates into the emergence of an operating strategy for this type of entity (Komańda, 2011, pp. 218-223). The goal of establishing such cooperation is above all to overcome various types of demand, organizational or technological constraints, and thus strengthen the market position of a given enterprise.

Scholars on franchising also recognize that the current popularity of franchise networks, as well the novelty inscribed in this form of inter-organizational cooperation, has resulted in broader conditions of the general environment of enterprises that are associated with the dominant role of knowledge as a factor of production. Changes in the perception of economic processes and sources of success have led to the term a "knowledge-based economy" (Czakon, 2012, p. 127). The new strategic management paradigm involves offering an explanation of specific trends pertaining to the development of network systems, including franchising. This may prove helpful when trying to determine in which directions these networks will develop and what problems these structures will face in the future (Komańda, 2011 a, pp. 218-223).

### **The construction of franchising and its importance as a network phenomenon**

The emergence of inter-organizational networks or rather 'network organizations' (Łobos, 2005, pp. 161-162) is largely associated with the requirements of the modern market and the development of the global economy. Analysts note that uniformities such as technical and technological progress or the growing importance of immaterial resources are having an impact not only on the development and level of production or consumption, but also on the functioning of media and society, which in turn will lead to the advent of a network society (Castells, 2007, pp. 10). In addition, the development of the network as an organizational phenomenon is associated with the occurrence of trends observed for several decades pertaining to the loosening of organizational ties in the course of organizational development (Łobos, 2005, pp. 162-180).

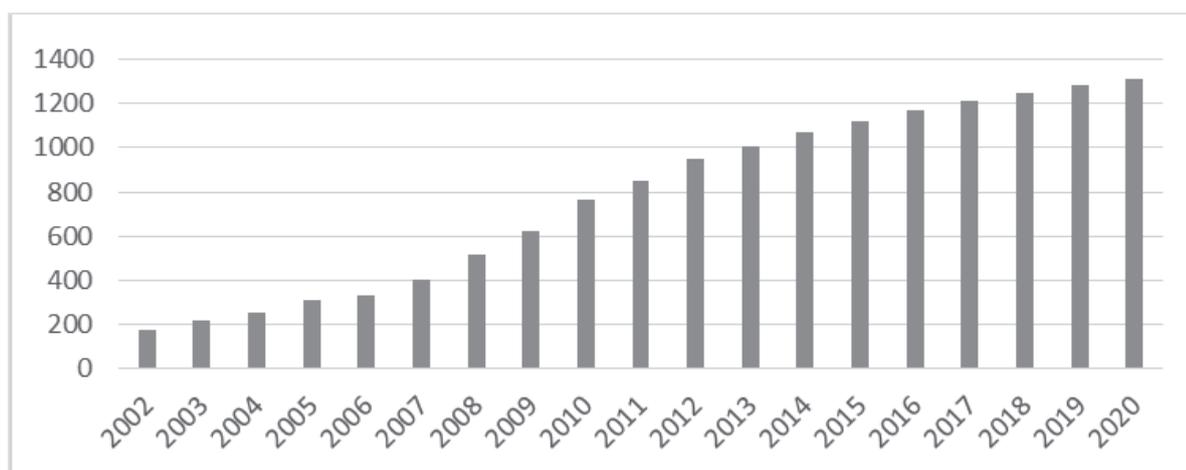
Networks serve various purposes, in particular the gaining of a lasting competitive advantage by a given company, the stimulating of innovation (Czakon, 2012, p. 65) or the carrying out of the

strategic redesign of an enterprise by changing the existing business model to a network or virtual one (Maik and Godzisz, 2013, pp. 335-342). The goal of network cooperation is also the reduction of operational costs or "seizing" opportunities which turn up in the business environment by creating a system of cooperating entities/companies (Komańda, 2011 a, pp. 218-223).

In organizational terms, the network is understood as a set of direct relationships that forge interdependencies between companies and create a context of relationships through which individual companies are given functions as well as resources and funds for their implementation (Sroka, 2012, pp. 50-64). It is a relatively permanent grouping of many specialized units, independent in an organizational, legal and economic sense, as well as companies participating in mutual cooperation, coordinated by way of market mechanisms (Maik, Godzisz, 2013,

pp. 335-342; Zeller, 2001, pp. 140-159). The incorporation of the existence of market criteria relies on a mutual understanding of the dependence of each operation on other market participants. Acting on the basis of autonomy and having the freedom to decide on actions taken, these units work together based on a closed, networked system of mutual cooperation (Zeller, 2001, pp.140-159).

Its participants define common goals, exchange information and skills, and learn from each other (Maik, Godzisz, 2013, pp. 335-342; Skowronek-Mielczarek, 2015, pp. 67-108) and bring to this organization the unique ability to create values such as knowledge resource or market access. Usually, however, members of the network transfer only a part of their activity to its functioning, leaving the rest outside the framework of this structure (Czakon, 2012, pp. 159-165).



**Figure 1.** Number of franchise brands in Poland 2002-2020

Source: own study based on: PROFIT system, Raport o franczyzie w Polsce, <https://franchising.pl/artukul/10255/przybywa-sprawdzonych-franczyz/> (access 1.06.2021).

Also, seen in recent years, scholarship on franchising (understood as a form of network organization) has accredited franchising with increasing the practice of developing market relations. As a result, franchising is associated in the globalized world with the decentralization processes of operation and management, and the intensification of various forms of cooperation or collaboration (Zeller, 2001, pp. 140-159). Some studies draw attention to the expansion of the franchise idea and the widespread acceptance of the franchise concept as a modern method of economic cooperation around the world (Alon, Welsh, 2002, pp. 332-343). Scholars have pointed to the fact that various types of franchising are used by the world's best-known concerns to distribute goods or services produced within the same, and

the discussed form of economic cooperation is currently the fastest growing and the most fascinating form of retail trade (Kotler, 1994).

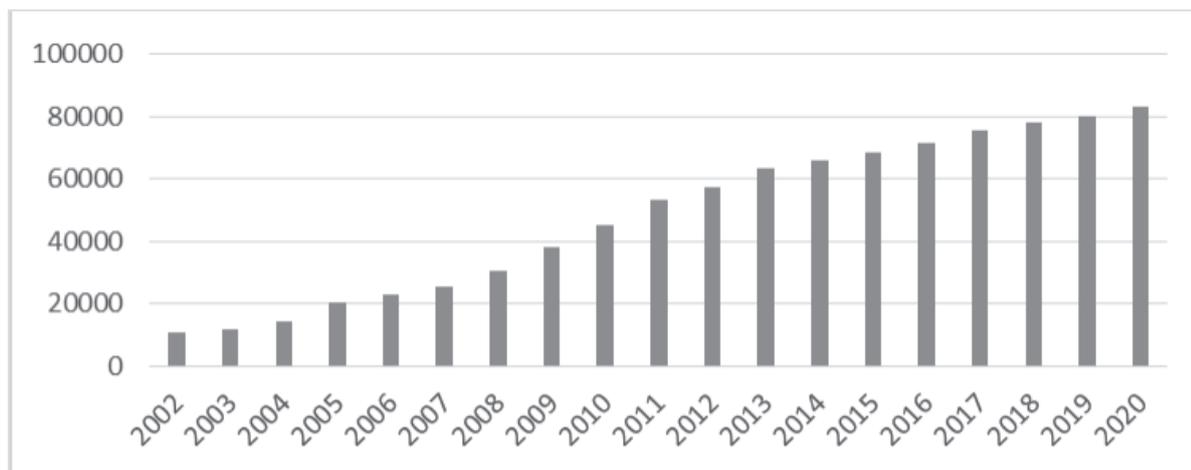
As a result, the popularity of this organizational form has contributed to the formation of franchise markets in over 160 countries around the world, including Poland, and led to the use of franchise structures in as many as 70 different business sectors, which proves the high degree of internationalization of this form of cooperation (Stawicka, 2009, pp. 483-494).

Due to franchise saturation in the United States, so-called emerging markets were seen as potentially high ("suppressed") demand markets for products and services embodying international quality standards, which was thought would lead to the creation for local entrepreneurs of business

opportunities in terms of their expansion on those markets (Welsh et al., 2005, pp. 130-149). The accuracy of these forecasts has been confirmed by the dynamic development of franchise networks in Poland, the characteristic feature of which is both the substantial number of networks as co-action co-operators and the number of entities present within the same networks (Komańda, 2011b). It is worth adding that Polish entrepreneurs have long been

winning in their competitive rivalry over foreign networks in terms of matching the offer to the needs of local markets, growth dynamics or the creation of networks (Keskin, 2016, pp. 53-70).

It should be noted that the upward trend, both in the number of franchise networks and the number of franchise units in Poland, despite the COVID pandemic, is growing and franchise networks are developing in Poland.



**Figure 2.** Number of franchise outlets in Poland 2002-2020

Source: own study based on: PROFIT system, Raport o franczyzie w Polsce, <https://franchising.pl/artukul/10255/przybywa-sprawdzonych-franczyz/> (access 1.06.2021).

The construction of a franchise organizational structure is based on the recruitment of partners to participate in the network through paid access to the brand as well as adherence to technical and organizational standards in the conducting of the business of a given type (e.g. customer service, scope of offered products, visualization of facilities, and many other detailed solutions). The essence of this type of economic cooperation boils down to the transfer by the donor of the system to individual recipients of the right to and the imposition of an obligation to conduct business in accordance with the business concept developed in exchange for financial benefit (Teneta-Skwiercz, 2005, pp. 413-418).

Modern-day managed companies achieve their market success thanks to the flexible and long-term management of their potential; and using their availability to the maximum extent possible for customers looking for goods or services of a given type. Undoubtedly, having a prime location serves this purpose, while obtaining a market advantage in this field consists in creating a suitably developed network of service or commercial outlets. In this context, franchise, understood as a form of cooperation of enterprises within a specific

organizational system, should be a marketing strategy with the objective of making inroads into new markets with relatively little or no equity involvement (Antonowicz, 2010, pp. 207-218.). As part of its own market expansion, a company creating a network organization ensures the promotion of its products or services offered as part of the network, without involving the capital needed to create its own network of retail outlets. For that reason, franchising is sometimes called the method of non-capital market development or even "a form of development through budding" (Antonowicz, 2010, pp. 207-218; Lewandowska, 1999, pp. 83-87). Creating its own distribution center is unnecessary as the franchisor achieves measurable financial results by concluding franchise agreements with existing retail companies based on mutually granted and received benefits arising from being under the manufacturer's "umbrella" (Teneta-Skwiercz, 2005, pp. 413-418). As a participant in the network, acquiring a relatively independent self-sufficient entity spreads the risk of conducting this activity within the network and obtaining funds for its expansion (Komańda, 2011 b).

The supply side is created by franchise network organizers, which are generally larger enterprises,

while entities using the discussed form of cooperation are usually the small and medium enterprises of a service, commercial or manufacturing nature (Lewandowska, 1999, pp. 83-97). The creator of the network can be a manufacturer or a company selling services, whose partner acquires ownership or management rights to one or more units of the franchisee-licensee distribution system (Kotler, 1994).

Research publications on franchising often emphasize that in practice the shape of the franchising system is determined by the relationships between the founder of the trademark and the concept of running a business within the network. It is, after all, a form of cornering the market; and the entities express a readiness to participate in this type of structure (Tokaj-Krzewska, 1999, pp. 11-15).

To implement their business strategy, companies strive to build a wide network of suppliers, distributors and other business partners, who, whenever possible, operate in accordance with a similar philosophy and similar principles. It is essential to establish effective and long-term cooperation with business partners based on mutual understanding and the building of an appropriate level of trust. It is also worth pointing out that client and business partner awareness is a relatively recent discovery in the realm of competitive advantage. Some authors indicate that this factor is often forgotten in the Polish reality of doing business, which may have a negative impact on the future market position of companies (Stocki et al., 2012, pp. 214-216).

Depending on how one views franchises – from the perspective of the franchise network organizer or the party joining it, as well as the role it plays for a particular business entity, this structure can be defined in a variety of ways. Franchise is most often defined as a concept for running a business, financing a business, selling products and services, economically cooperating, or finally as a concept for the internationalizing of business (Antonowicz, 2010, pp. 207-218).

Some scholars recognize the existence in the market practice of various types of franchise networks that may qualify as different types of enterprise networks (Teneta-Skwiercz, 2005, pp. 413-418) based on criteria formulated in various ways (Famielec, 1992, pp.15-21; Kotler, 1994; Stecki, 1997, pp. 101-136; Tokaj-Krzewska, 1999, pp. 15-20).

Among the existing franchising organizations, the manufacturer-sponsored retailer system of the automotive sector, the producer-sponsored wholesaler system in the non-alcoholic beverage industry, and the retailer system sponsored by the

service company (Kotler, 1994) come to the fore. On the other hand, other researchers, due to the subject of their activity, point to industrial, distribution, service or mixed franchising (Tokaj-Krzewska, 1999, pp. 15-16). In turn, the organizational form of the system represents the basis for the development of indirect, individual or multiple franchises (Zarzycka, 2012, pp. 151-155). The choice of strategy makes it possible to distinguish between conversion, niche or conceptual network franchising (Tokaj-Krzewska, 1999, pp. 18-19).

### **Franchising as an inter-organizational network**

The features characterizing a franchise network include, in particular, the decentralization and long-term concept of cooperation, as well as a vertical approach to organizing participants' cooperation (Teneta-Skwiercz, 2005, pp. 413-418). This type of organization is also characterized by strict principles of cooperation established by members, to encompass the intensity of the cooperation, as well as a system of guidelines and controls provided under this system (Zeller, 2001, pp. 140-159). Specialization is also mentioned here, which allows for the concentration of individual activities within those spheres which each party is most familiar with; and this also leads to the establishment of new entities in the system, taking into account the properties exhibited or demonstrated by local markets (Turek, 2007).

It should also be emphasized that franchising networks are based on a programme involving an exchange of benefits of the cooperating partners, under which any entity joining the given organizational structure invests its own work and capital in the enterprise (Zeller, 2001, pp. 140-159). On the other hand, the franchisor creating the system for a fee provides a complete marketing system enabling the achievement of market success (Famielec, 1992, pp.101-103). The essence of the functioning of entities belonging to such a network is therefore the standardization process, which requires adapting on the part of network participants to uniform standards and a pattern of conduct as specified by the franchisor in the franchise agreement. The aforementioned standards may apply to the product or its sale to customers, the design and organization of sales points, the provision of services, the supply of raw materials and goods, or the use of as product. As a result, participants of the franchise network proceed in accordance with the accepted procedures for uniform conduct and are guided by the idea proposed by the franchisor in the form of a uniform manner of operating in the market: they use a

common name or a uniform distinctive image, or a common strategy of conduct (Zeller, 2001, pp. 140-159).

When indicating the characteristics of franchising, attention is also paid to the autonomy and legal independence of the franchisee, who, having legal capacity, conducts their business on his own behalf and on his own account (Lewandowska, 1999, pp. 83-97). Although relations between the franchisor and the franchisee are formally a contract (as they form the basis for establishing a long-term contract), the franchise is, in fact, an example of bureaucratic coordination. To ensure its smooth functioning, the network organizer makes recourse to typical bureaucratic control tools in the form of e.g. managerial supervision, a formal planning system, integrated operating systems, training systems, as well as accounting and controlling systems, which are typical for management within a single company; but in this case they relate to a collective gathering of enterprises (Czakon, 2012, pp. 127-130). An entity joining the network not only invests its own work or capital in a specific undertaking, but it also, in particular, assumes certain obligations (for example, of an informative nature) in respect of compliance with certain standards (Tokaj-Krzewska, 1999, pp. 83-89, Komańda, 2011 b).

Comparison of the structure of classic organization networks and franchise enterprises leads to an awareness that, despite recognizing franchise as a type of partnership, the franchisor as the network coordinator asserts a supreme and dominant position within this enterprise – especially when it comes to formulating its development strategy, the ways of using resources or establishing the norms of conduct (Turek, 2007). Network leaders are distinguished by having competence in coordinating various undertakings and projects constituting a network enterprise. They also oversee the transfer of tangible and intangible assets in the network system (Lachiewicz, Zakrzewska-Bielawska, 2012, pp. 34-45), in particular the management of the flow of knowledge that takes place within it. The autonomy of franchise units is therefore limited in comparison with the links of the "classical" network chain with the scope of discretion regarding the making of decisions related to them, although they retain legal autonomy under the franchise agreement (Turek, b.r.). Due to the mentioned formalization of behaviors and the key role of the system owner (which is primarily related to the attempt to build and maintain the brand or image of the network as a whole), it needs to be emphasized that, compared to other network organizations, franchise networks are not

characterized by a high degree of flexibility (Komańda, 2011 b).

Due to the limited independence of franchisees to operational issues, sometimes the franchise network is considered to be an extended enterprise (Czakon, 2012, pp. 129) and a factor differentiating this type of construction from classic networks, which are based on autonomy (Turek, 2007). Some studies, in turn, point to the risk arising from the low efficiency of these types of enterprises (Zeller, 2001, pp. 140-159) or the dependence of a formally independent franchisee company (acquiring ownership rights) or management on the franchisor's activities. This may include, in particular, a ban on engaging in (also after the expiry of the contract) competitive activity (Lewandowska, 1999, pp. 83-97).

Despite the occurrence of the aforementioned restrictions or risks, a number of enterprises decide to join franchising organizations and other types of network structures, which in particular is interpreted as a protective and defensive measure against economic crisis (Cygler, 2002 b, pp. 151-155; Lachiewicz, Zakrzewska-Bielawska, 2012, pp. 34-35). For example, this approach allows companies to reduce the uncertainty associated with investing in unstable markets. This is undoubtedly reinforced by the need to build relationships between partners, or by the greater potential of the entire organization over the capabilities represented by its individual members, which will help its participants to survive in the market, especially during periods when the risk of crisis increases.

By joining the system under the franchisor brand, franchisees have a greater than average chance of achieving success due to the use of a ready and proven concept of operation, they additionally gain the opportunity to achieve economies of scale (Steinerowska-Streb, 2006, pp. 65-72).

Added to this are other expected benefits, such as speed of response, or simply going that extra mile (Cygler, 2002 b, pp. 151-155; Mikołajek-Gocerna, 2011, pp. 332-349). As indicated, the development of the network aims to out-compete market rivals thanks to flexibility in the decision-making process, the reduction of costs incurred, the gaining of new markets, and the obtaining of economies of scale without the need for creating large, hierarchical and self-sufficient economic organisms (Zeller, 2001, pp. 140-159). The flat structure of the system and the lack of hierarchical subordination may also be an advantage as market-coordination, rather than hierarchical coordination, may prove to be more effective in a dynamic and

competitive marketplace (Lichtarski, Badura, 2015, pp. 104-112).

In addition, the franchise network, as an organized whole, potentially has a better negotiating position when it comes to applying for better delivery conditions, financing or obtaining appropriate locations, which the organizer may be especially interested in. The support offered by the organizer in the area of facilitating the financing of the activities of the network-structure participants may also be of significance.

### **Franchising as a network management of knowledge flow**

Among the reasons motivating entrepreneurs to join franchise distribution systems, an important role is also played by better access to unique, tangible and intangible resources as well as to skills and information which are causally at the disposal of the network (Sroka, 2012, pp. 26-27; Steinerowska-Streb, 2006, pp. 65-72). Nowadays, the development of the knowledge-based economy is accompanied by recourse to a resource approach in strategic management, which has led to a recognition of the importance of knowledge in an enterprise obtaining a lasting competitive advantage as the only resource of this organization that can simultaneously meet the conditions of value, rarity, non-imitability and non-subsidiarity (Stańczyk-Hugiet, 2007, pp. 83-87).

Some researchers point out that one of the most important aspects in terms of the creation of inter-organizational networks is the formation and strengthening of information channels (Cygler, 2002 b, pp. 151-155). They also emphasize that the condition for the successful transfer of knowledge and skills when creating network links is that the partners maintain an efficient system of mutual connections and clearly define the principles of mutual cooperation or precisely determine the rights and obligations of the interested parties (Cygler, 2002 a, pp. 142-149).

The fundamental idea behind the development and propagation of a franchise is the uniqueness of the idea on which it bases its functioning, being both the initiator and organizer of a given franchise network, the parent company. When characterizing the discussed form of economic cooperation, it is often mentioned that there is a "transfer of success" between the franchisor and the franchisee. The development of these forms of cooperation is possible due to the long-term and paid authorization to use the idea, know-how, trade name or the trademark for related entities (Tokaj-Krzewska, 1999, pp. 12-15; Stawicka 2009 b; Pokorska 2004).

Some definitions also mention the potentially very broad areas of cooperation between the parties aiming to propagate the brand of a given product or service. It is said that by entering into a franchise agreement, the entrepreneur using the franchise (franchise donor) undertakes to provide the recipient of the franchise with the right to use for a specified or indefinite period of time the name of his company, logo, emblem, symbols, patents, inventions, trademarks, utility and decorative designs, copyrights, know-how, concepts and techniques for conducting specific business activities while maintaining the external and internal equipment of the spaces used and providing appropriate assistance. In exchange for remuneration paid, the franchisee undertakes to conduct the indicated business activity in compliance with the rights, experience and professional secrets made available to them (Stecki, 1997, pp. 150-177).

Both parties base their motivation on their participation in the construction of a given franchise network and on the belief that they have the knowledge pertaining to the correct way of doing business in a given field, which is a guarantee market success (Komanda 2011, b).

As mentioned, the specific properties of franchising networks include, in particular, the franchisor's strong position and the management of information resources underpinning the functioning of a given distribution system. On the one hand, this knowledge is the result of having the aforementioned franchise concept in the form of a prescription for running a business; in a way that ensures market success for a participant in a given system implementing these rules. On the other hand, this is achieved by actions taken by the network founder who, aiming to effectively manage this structure, seeks information on the practical aspects of the functioning of this type of organization (for example, in the form of sales reports or analyses concerning existing competition in the market); while seeking information on the web depends on structural, relational and proximity factors (Czakoń, 2012, pp. 79-88). Currently, in the franchising world, the growing role of the franchisee in cooperation structures is observed due to the fact that they are becoming an important source of knowledge on clients or their preferences. And this is due to the fact that they must reach recipients in the market and convince them to make a favorable decision (Komańda, 2011 b).

The data obtained in this way should then be properly collected or processed in order to subsequently be sent through information transfers in the network system (Lachiewicz, Zakrzewska-Bielawska, 2012, pp. 34-45). It is emphasized that

the above-mentioned knowledge resources are a basic condition of the organizational process and the collective learning of the system's participants (Cygler, 2002 a, pp. 142-149; Czakon, 2012, pp. 78-88). The volatility of market conditions means that the management of a franchise, in order to control the development of the organization, needs to closely cooperate with the managers of other units (i.e. system recipients), constantly observing changes and responding to them in a timely fashion (Keskin, 2016, pp. 53-70). Franchisors, after all, participate in professional trainings organized by the franchisor (Steinerowska-Streb, 2006, pp. 65-72), but it seems that their programme should also be based on the conclusions drawn from an analysis of the knowledge, and this remains within the responsibility and discretion of the system organizer.

At the same time, however, possessing unique information or technological skills remains fundamental to a strategic system management and to recognizing it as a kind of asymmetrical bureaucratic network (Łobos, 2005, pp. 165). Combining these assets within the network allows both the leader and the participants to gain a competitive advantage on the penetrated market by building business models which are difficult to imitate by other market players. At the same time, creating this type of configuration enables a more efficient management of resources and business processes; in particular by avoiding involvement in processes where these entities have weaker skills or less experience (Skowronek-Mielczarek, 2015, pp. 67-108). On the other hand, aligning the functioning of the discussed organizational form with specialization facilitates the concentration of individual links in the franchise network on areas that are best familiar, which undoubtedly contributes to achieving market success by the participants of a given system.

Therefore, it should be emphasized that in today's market, the most important resource within a franchise network is the knowledge of the participants of such structures. The appropriate management of the flow of knowledge and constant development of information potentials is an important attribute of the franchisor's power, and also helps the network gain a competitive advantage over its market rivals. And so in today's market conditions, it is not only the narrow specialization or stable organizational structure, but it is also the knowledge base possessed by a dispersed organizational network and the use of appropriate distribution and information channels that constitute the basic condition for building a franchise's competitive advantage. At the same time, these assets should be the basic instruments

and tools for the successful implementation of business ventures and the creation of attractive value for their clients.

## Conclusion

The changes associated with globalization and the increasing flexibility of companies in a difficult market environment mean that currently the network structure permeates traditionally understood markets and hierarchies, with franchises being one of the most common network phenomena in market relations. It should be noted that the creation of franchising networks is an organizational phenomenon and one of the underestimated manifestations of social activity in the era of political transformation in Poland (which, moreover, is becoming a regional "franchise power").

The growing popularity of this organizational instrument as a basic form of retail development is largely determined by the concept of its use as an instrument for influencing the market and organizing various types of activities, focused on satisfying the needs of customers. The process of managing the flow of a knowledge network owned by the organizer plays a key role in achieving market success by the participant of a given distribution system, as it serves to provide these types of entities with an idea for their own business, and to possibly modify the mode of conducting the business. It should be noted that this is one of the basic manifestations of the franchisor's superior position as the creator and manager of the system, which is one of the specific features of franchise networks that in some respects diverges from classic organizational networks.

At the same time, however, these properties determine the popularity of the distribution systems in question. By understanding the importance of franchising networks for the creation of brand awareness and the dissemination of knowledge and know-how, it is possible to achieve business goals in line with the ever-changing business environment and the given situation of the organization, which is a considerable asset in this day and age.

Therefore, it should be recognized that franchise networks are in fact specific structures, and have their own specific features that distinguish them from classic organizational networks, which applies in particular to the strong position of the franchisor and his management of information resources, underlying the functioning of a given distribution system.

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