



## Implementation of Strategic Change by Franchisees: A Sensemaking Perspective

Theresa Langenmayr

Universität Zürich

### Abstract

Franchisees play an important role when inter-organizational change, initiated by franchisors, is to be implemented. The objective of this thesis is to gain insights into franchisees' sensemaking activities. Drawing on sensemaking theories and franchising literature, a case study on franchisees in the automotive industry reveals how social processes of interaction, within and across their organizational boundaries, influence their interpretations of change initiatives. It contributes to the sensemaking literature through expanding research to inter-organizational change. It also contributes to the franchising literature through analyzing the franchisees' role during franchisor-initiated change from a sensemaking perspective.

*Keywords:* sensemaking; inter-organizational change; franchising.

### 1. Introduction

Advanced technologies, global markets and mobile capital are some of the reasons why, nowadays, continuous organizational change is essential for the competitiveness and long-term survival of companies (Lüscher and Lewis, 2008). However, managing change is one of the most challenging undertakings of an organization. The successful implementation of change can stimulate a business, whereas failure can lead to fatal consequences, including business failure (Sonenshein, 2010).

Many researchers perceive the shift in cognitions about an organization and its environment as the main purpose of strategic change (Bartunek, 1984). Following this, one of the most important processes of strategic change occurs when organizational members, when confronted with change, destroy existing and assign new meaning to an organization. This process through which individuals work to understand novel and unexpected elements that change entails is called "sensemaking" and has become a research topic of growing interest in the context of organizational theory (Maitlis and Christianson, 2014; Hope, 2010; Gioia and Chittipeddi, 1991).

This thesis draws on recent sensemaking theories. In contrast to rationalistic views on strategy, which describe strategic actions as top-down, current studies on sensemaking consider the role of actors outside the senior management team and analyze their impact on strategy formation (Balogun and Johnson, 2005). Although mainly executives design

the change, other organizational actors who operationalize new strategies serve as critical change agents. How these organizational actors assign new meaning to a system affects whether the change outcomes are in accordance or in conflict with the anticipated outcome (Hope, 2010).

In general, previous studies on sensemaking gained important insights into intra-organizational change. "Intra-organizational" implies that change is designed and implemented within an organization. Scholars focus on how change initiators and change recipients within organizations develop shared cognition, perceptions and interpretations of change initiatives (Maitlis and Christianson, 2014). Recent studies have shown that middle managers play an active role in implementing top management's change initiatives, as they mediate between the organization's strategic and operational levels (Balogun and Johnson, 2004; Balogun and Johnson, 2005; Hope, 2010).

However, little is known about sensemaking during strategic change, which goes beyond organizational boundaries. Thus, this thesis poses the research question: how does sensemaking take place during inter-organizational change?

In order to answer this research question, the thesis looks at an extreme case of inter-organizational change: the sensemaking process of franchisees during a franchisor-initiated change.

In franchising, a franchisor owns a complete business format and expands it through entering a contractual relation with independent business owners (franchisees), who pay fees for the usage of this business format (Croonen, 2010).

To align their business with upcoming threats and opportunities, franchisors need to constantly implement new strategies in their franchise systems. This can be challenging, as franchisors need to persuade franchisees to integrate these changes into their units (?). Although franchisors design the change, franchisees serve as critical change agents. As franchisees are often contractually obliged to implement new strategies and are required to make major financial investments, they tend to be skeptical towards new changes. The purposive interaction with franchisees constitutes a chance in supporting and shaping their change interpretations favorably. Thus, understanding the franchisees sensemaking activities creates useful insights for franchisors planning new strategies for their franchise systems.

A qualitative study is designed as a holistic multiple case study (Yin, 2003) conducted at car dealers in Northern Europe, where a change program, initiated by a car manufacturer, led to significant structural changes. Data was gathered from interview sessions with five car dealers, site observations and archival documents (Eisenhardt, 1989; Yin, 2003). The findings reveal how social processes of interaction influence franchisees' sensemaking activities. It is shown how and with whom franchisees mainly interact to align different possible interpretations of the change initiative.

This thesis contributes to existing literature on both sensemaking and franchising by analyzing inter-organizational change from a sensemaking perspective. Further, this thesis provides useful practical insights for franchisors, planning to implement new strategies in their franchise system.

## 2. Literature Review

The literature review consists of two parts. Most importantly, (1) the status quo of the sensemaking literature needs to be displayed in order to derive the research question for this thesis. Further, (2) a brief summary of relevant studies on franchise systems and on the franchisees' role during franchisor-initiated change serves as a basis for the case study.

### 2.1. Sensemaking

Within the next section, the literature on sensemaking is reviewed. First, the distinct characteristics of sensemaking are outlined and the sensemaking process is displayed. Then sensemaking will be applied to organizational change. The section will be concluded with a summary of studies on sensemaking of different organizational actors. The following graphic (Figure 1) serves as an overview of the sensemaking literature containing the most relevant sources. In this section, the grey marked areas will be outlined in more detail.

#### 2.1.1. Origin and definition of sensemaking

The term "sensemaking" literally refers to the making of sense. It can be understood as a process through which individuals work to grasp a novel, unexpected or confusing event

(Maitlis and Christianson, 2014). How sense is made, why, and with what effect are the primary questions motivating researchers analyzing sensemaking.

Scholars who analyzed individuals' meaning construction introduced the sensemaking language into the literature. Garfinkel (1967) first used the term "sense making" when looking into daily routines of actors as they interpret themselves and discuss with others their experience of reality. Applying sensemaking to the field of organizational theories, Salancik et al. (1977) studied how an individual's current action limits his future choices and actions. In the 1980s, researchers concentrated more on the cognitive aspect of sensemaking, developing the main steps of the sensemaking process (Louis, 1980; Milliken, 1987). In the 1990s, the research on sensemaking broadened and sensemaking related concepts were introduced (Gioia and Chittipeddi, 1991).

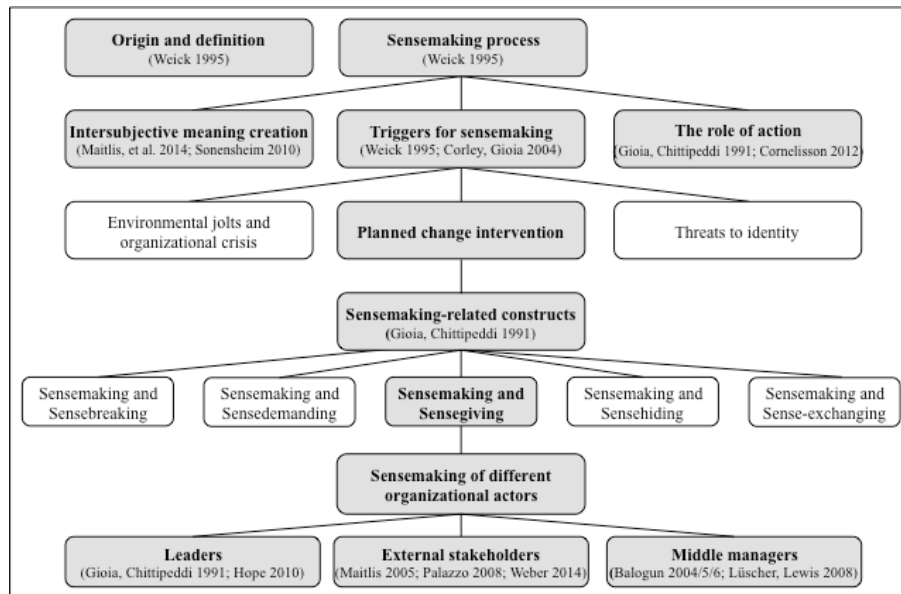
Due to the high number of studies conducted, there is no universal "sensemaking theory", but rather diverse concepts of sensemaking (Weick, 1995; Balogun and Johnson, 2005; Maitlis, 2005). Hence, Weick identifies seven distinguishing characteristics of sensemaking, which are often mentioned in literature and distinguish sensemaking from other explanatory processes (Weick, 1995, p. 17-61).

First of all, sensemaking is self-referential as it depends on the person who engages in the sensemaking. The person is rather making sense about himself than about the environment, determining the implications for his personal situation. The process of interaction constitutes an individual. Thus, the sensemaker is continuously reevaluating how he should present himself to others and how he perceives himself. The more perceptions a person has of himself, the more meaning needs to be extracted and imposed in any given situation (Weick, 1995, p. 18-24).

The second characteristic describes sensemaking as retrospective, which means that sensemaking is affected by the individuals' "lived experiences" (Schutz, 1967). Louis (1980) describes sensemaking as a retrospective thinking process. During that process, individuals form unconscious and conscious expectations about future events. When the actual event differs from previous predictions, meaning needs to be assigned as an output of the sensemaking process. As various meanings could be assigned in retrospective sensemaking, the individual needs values, priorities and clarifications on preferences as a basis for prioritization. Thereby, emotions affect sensemaking because they influence which retrospective activities are considered.

Weick (1995) calls the third characteristic "enactive of sensible environments", which refers to the actual "making" of sense. By assigning meaning to a situation, people constitute the environment that they seek to understand. Thus, enactment is based on the idea that people play a key role in creating the environment in which they find themselves. "People act, and in doing so create the materials that become the constraints and opportunities they face" (Weick, 1995, p. 30).

Fourthly, sensemaking is social as individuals, who involve themselves in sensemaking, are always part of a socio-



**Figure 1:** Overview sensemaking literature; Source: Own figure

material context. People negotiate and create a shared sense of meaning with others (Balogun and Johnson, 2004). Maitlis (2005) describes sensemaking as a social process in which “organizational members interpret their environment in and through interactions with each other, constructing accounts that allow them to comprehend the world and act accordingly”. Although sensemaking in organizations may either take place through horizontal communication (within a hierarchical level) or as a result of top-down communication, it is mainly determined by the social processes at the recipient level (Balogun, 2003). Further, sensemaking is social as organizational decisions are made either mutually or with the knowledge that individual decisions impact other organizational members (Weick, 1995, p. 49).

The fifth characteristic describes sensemaking as ongoing. Sensemaking has no starting point, such that meaning is made “in an ongoing present in which past experience is projected upon possible futures” (Hernes and Maitlis, 2010). The reality is understood as a flow of continuous activities, which is interrupted by events that trigger a need for explanation. Through sensemaking meaning is extracted and assigned to this events, and thereby focal points for future streams of activity are accomplished. Emotion is what happens between a stream becoming interrupted and the interruption being removed.

Referring to the sixth characteristic, Weick (1995) says that sensemaking “focuses on and by extracted cues”. When individuals are confronted with a discrepant event that is surprising, single elements are extracted to construct the character of the whole event. In order to decrease the complexity of reality, they seek to clarify what is going on by extracting and interpreting these elements, so-called cues, from the environment. Research concentrates on ways individuals notice and extract cues. Hereby, the context affects what is extracted as

a cue and how it is interpreted. Furthermore, as sensemaking is retrospective, past experience dictates what cues are chosen (Helms Mills et al., 2010). These cues serve as a basis for a simplified, subjectively perceived logical order that “makes sense” of what has occurred. This logical order is fundamental and contains consistent sets of organizing principles, which are unquestioned (Ford and Ford, 1994). These formed logics enable actors to cope with a complex reality. The control over which cues serve as a point of reference is an important source of power.

Lastly, the seventh characteristic describes sensemaking as driven by plausibility rather than accuracy. This characteristic implies that individuals do not rely on the accuracy of their perception but rather look for cues that make their sensemaking seem plausible (Helms Mills et al., 2010).

After having elaborated the seven distinct characteristics of sensemaking, the different phases of the sensemaking process will be described.

### 2.1.2. Sensemaking process

The sensemaking process can be divided into three main steps: First, the cues of an unexpected interruption are perceived (triggers for sensemaking). Then interpretations for this interruption are created (inter-subjective meaning creation), followed by actions taken (the role of action on sense-making).

As previously mentioned, sensemaking occurs when salient, novel, unexpected or confusing cues are noticed that violate perceptual frameworks (Maitlis and Christian-son, 2014). However, not all unexpected events trigger sensemaking. Sensemaking occurs when the discrepancy between previously formed expectations and actual events is great enough and important enough to provoke individuals to ask what is going on and how they should further proceed. Such discrepancy occurs when either the new event

is not expected (does not fit into the ongoing interpretation of the environment) or an expected event does not happen. While distinguishable, these two types lead to similar consequences. The interruption consumes information-processing capacity and therefore forces individuals to concentrate on cues that can be used in sensemaking. The loss of cues leads people to focus their attention on those aspects of the interruption judged most important.

Sensemaking is further triggered by cues for which the meaning is not only judged important but also ambiguous or for which the outcome is uncertain. Ambiguity and uncertainty are occasions that are prominent in organizations. The “unexpected” in each of the two cases is somewhat different. “Ambiguity” means the presence of two or more possible interpretations of an event. These interpretations consist of different elements such as perspectives, feelings, messages, demands, identities, interest or practices, which become evident through social reflection or interaction (Lewis, 2000). Putnam (1986) describes in his study three different sources of ambiguous tensions. Within self-referential loops (1) ambiguity is embedded in a cohesive statement or concept. An example is the circular statement “I am lying”. (2) Mixed messages describe inconsistencies between verbal and non-verbal responses during social interactions. One example would be an organization that supports teamwork while monitoring the performance of employees on an individual basis. The third source of ambiguity are system contradictions (3), referring to objectified tensions within systems, such as organizations consisting of autonomous teams and formalized processes at the same time (Clegg et al., 2002). Reasons for growing ambiguous conditions are increasing information, complexity, turbulence and competition (Cameron and Quinn, 1988, p. 3). Therefore, ambiguity is perceived when a lack of clarity and high complexity make multiple explanations of a novel event possible. The problem in ambiguity is not that information on the real world is lacking, but that information may not resolve misunderstandings (Weick, 1995, p.93). Thus, sensemaking is triggered through the existence of too many possible interpretations, whereas in the case of uncertainty, individuals engage in sensemaking because they are not capable of forming any interpretations (Burns and Stalker, 1961). If an individual is uncertain, it is not a problem of too many interpretations, but of too few. Milliken (1987) states that the definition of uncertainty has three aspects: (1) people lack understanding of how components of the environment are changing (state uncertainty), (2) of the impact of the environmental changes on the organization (effect uncertainty), or (3) of the response options that are open to them (response uncertainty).

Besides ambiguity and uncertainty as general triggers for sensemaking, studies have explored different contextual triggers for sensemaking, such as environmental jolts, organizational crisis, threats to organizational identity and planned organizational change initiatives. Organizational change, in contrast to the other described triggers, is anticipated and planned. It violates expectations of organizational actors and generates both uncertainty and ambiguity. Change pro-

cesses can either directly target organizational meanings or may begin with a structural transformation that violates existing perceptions of the organization and therefore leads to sensemaking. Despite the structural transformation itself, the sensegiving of leaders initiating the change can also trigger sensemaking (Maitlis and Christianson, 2014).

Now that possible triggers for sensemaking have been identified, the inter-subjective meaning construction will be looked at in more detail. In most of the studies, sensemaking is understood to be concerned with language. These studies can be divided into those which highlight the importance of narratives, of metaphors or the local and situated nature of discursive practices (Maitlis and Christianson, 2014). The most important findings of these studies will be further outlined below.

A narrative can be described as “the primary form by which human experience is made meaningful” (Polkinghorne, 1988). It is a verbal or written story about events whose goal it is to create meaning through putting new experience in already established categories. Maitlis and Christianson (2014) perceive narratives as a benefit to organizational research because a narrative reveals not only an individual’s involvement and actions but also the process through which meaning is formed. Sonenshein (2010), who conducts a study on strategic change, claims that organizational members construct shared narratives. In analyzing the process through which this happens, Sonenshein argues that although leaders may want to convince employees of their reality through sensegiving, employees can use the leaders narratives to construct their own meaning. He shows that employees adopt management’s narratives about the organization, but draw them on their own experience. This could result in either a supportive or a subversive narrative.

Metaphors, as a figure of speech identifying similarities between concepts, are used to connect cues and frames (references based on past experience). Weick (1995) says that metaphors have the ability to create order in unfamiliar situations, to evaluate and to provide justification for certain actions. Gioia and Chittipeddi (1991) show how organizational members use metaphors during shared sensemaking activities first to build a mutual social identity and later to legitimize their role in the change initiative by redefining themselves. Cornelissen (2012) further analyzes the use of metaphors in sensemaking and claims that the use of metaphors is influenced by the individuals’ commitment to fulfill certain tasks as part of their professional role and others’ expectations about them. Thus, the sensemakers’ use of metaphors depends on the interruptive event and the socio-cultural context (Maitlis and Christianson, 2014).

In diverse studies Balogun et al. focus on discursive practices to highlight the importance of the socio-cultural context for meaning construction in organizations. In the social process of sensemaking, change recipients interact in exchanging stories, rumors and conversations (Balogun and Johnson, 2005). When analyzing how middle managers engage in sensemaking, Rouleau and Balogun (2011) explore their formal and informal conversations with relevant actors in-



side and outside the organization. They describe, “setting the scene “ as decisive - a set of practices used to create the context of the conversation. The most important practices are the setup of an organizational network and the strategic involvement of the right people. Rouleau and Balogun (2011) conclude that middle managers need an understanding of the context as a basis for the appropriate use of language and attitudes in order to connect to different actors. Sensemaking and the influence of others are thus not only accomplished through language, but through the sensitization to its situated context.

The last part of the sensemaking process is the sense-makers’ action taken. The sensemakers’ actions are an integral part of sensemaking as the observation of outcomes and the consequential learning can serve as input for additional sensemaking activities. Generally speaking, the sensemakers’ inter-subjective meaning construction can either lead to a defensive reaction or a proactive management of the novel event. Vince and Broussine (1996) catalogue five different types of defensive reactions. A repression (1) is blocking unpleasant experiences from memory. Through the application of a regression (2), the individual resorts to actions that have provided some security in the past. A projection (3) helps to transfer personal shortcomings to others, so bad feeling are transferred into a repository. Reaction formation (4) entails manifesting the feeling or practice opposite to the threatening one. In the case of denial (5), the individual refuses to accept an unpleasant reality.

Tapping the positive potential of a novel event means finding a way of managing it. Lewis (2000) conducts a study on sensemaking triggered by organizational paradoxes. Paradoxes are a special form of ambiguity, where “contradictory, mutually exclusive elements are present and operate equally at the same time” (Cameron and Quinn, 1988, p. 2-3). According to Lewis (2000), managing paradoxes during change means capturing its enlightening potential. The target is to rethink and reframe past perceptions and practices. Three means of managing paradoxes are mentioned. (1) The individual can accept the paradox and learn to live with it. (2) Another possibility is to confront oneself with the paradox; discussing tensions to socially construct a more accommodating understanding. (3) The individual can use its mental capacity to think paradoxically. Through the application of reframing (reconsidering previously established frames), tensions become viewed as interwoven.

The possible actions taken by the sensemaker are closely linked to the previously described sensemaking characteristic “enactive of sensible environments”, which refers to the reciprocal relation between the sensemakers’ action and his environment. According to Maitlis and Christianson (2014), action is important for sensemaking for three reasons. First, they create the input for sensemaking by generating stimuli and cues from which one is able to learn about situations. After taking actions one can observe the cues generated by the action. Second, actions can test the understanding generated through prior sensemaking activities. Thereby, actions serve as input for new sensemaking, while simultaneously provid-

ing feedback about the sense that has already been made. Thirdly, actions shape the environment for sensemaking and therefore change the situation that initially triggered sensemaking.

Figure 2 visualizes the sensemaking process.

### 2.1.3. Sensemaking and sensegiving

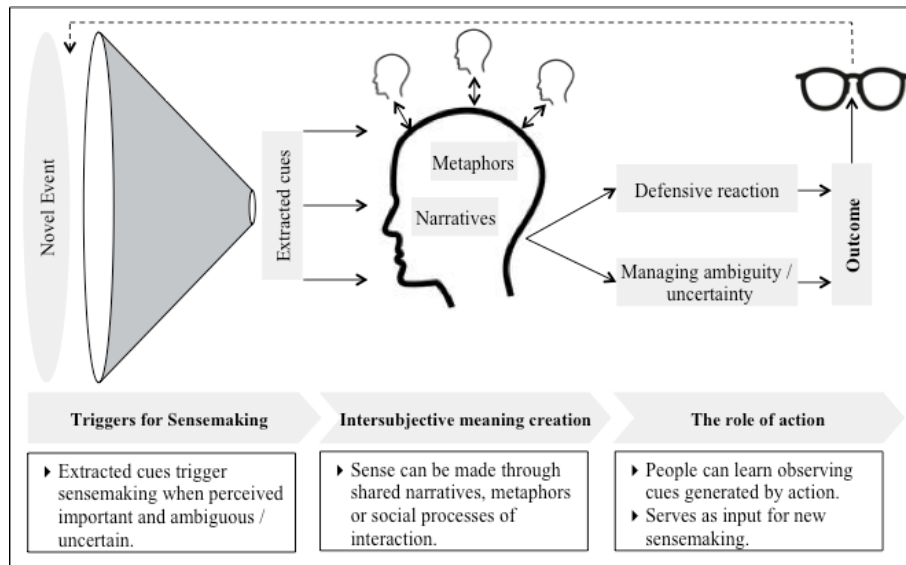
As the amount of research on sensemaking increases, so does the number of specialized forms of sensemaking and sensemaking-related constructs. Examples of specific forms of sensemaking are “cultural sensemaking”, “interpersonal sensemaking” and “ecological sensemaking”. The most popular sensemaking related constructs are “sensebreaking”, “sensedemanding”, “sense-exchanging”, “sensegiving”, “sensehiding” and “sense specification” (Maitlis and Christianson, 2014). For this thesis, sensegiving will be further outlined and applied to the case study in a later section.

Sensegiving is often studied in the context of how organizational leaders try to strategically influence the sensemaking of other organizational members. Polanyi (1967), who first introduced the concept, uses sensegiving to describe how people fill speech with meaning and make sense of speech. Gioia and Chittipeddi (1991) conduct a decisive study on sensemaking and sensegiving in organizational change. They describe sensegiving as “the process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality”. They develop a sensemaking-sensegiving-process during which not only leaders, but at a later point also other organizational actors, become involved in sensemaking and sensegiving as a response. Thus, sensegiving is not solely regarded as top-down, as the recipients of leaders’ sensegiving activities can form their own interpretations and can even resist or reject the sense they have been given. At a later point of this thesis it will be described how an organization, which has designed a change initiative, undertakes sensegiving to influence the sensemaking of an actor responsible for operationalizing the strategy.

### 2.1.4. Sensemaking and organizational change

In many studies sensemaking is seen as an explanatory mechanism for different organizational processes. The impact of sensemaking on organizational processes, such as strategic decision-making, innovation and creativity as well as organizational learning, has been analyzed. For this thesis, studies on the relation between sensemaking and organizational change will be further outlined.

According to Ford and Ford (1994), change involves two interrelated elements. First, the identity of what something is. And second, the change process as the movement from old to new. Internal ambiguity arises when new practices are incompatible with old practices during the phase of organizational change. Then, conflicts between incompatible ways for conducting business evolve. According to Westenholtz (1993), it is “the interplay of internal contradictions that brings about the change”. Westenholtz states that organizational sensemaking occurs when employees experience an



**Figure 2:** Sensemaking process; Source: Own figure

ambiguous situation in the organization. When paradoxes, as an extreme form of ambiguity, occur during organizational change, researchers speak of “dialectic change”. In dialectics a “thing” is a unity of contradictory opposites. “The aim of dialectical inquiry is to improve decision quality by purposefully infusing tensions into group dynamics, then seeking resolution by synthesizing divergent alternatives” (Lüscher and Lewis, 2008).

The relation between organizational change and sensemaking is recursive, as change can trigger sensemaking and sensemaking can also accomplish strategic change. Managers (independent of the organizational level) can apply sensegiving to convince others of the value of changes so they perceive the redefined reality the same way (Maitlis and Christianson, 2014). When managers successfully influence the sensemaking of other organizational actors, these individuals are motivated to make changes in their own roles and are able to help others to co-construct ways of working that are consistent with it (Gioia and Chittipeddi, 1991). Thus, actors create a new organizational order through sensemaking in response to environmental changes.

#### 2.1.5. Sensemaking of different organizational actors during change

For a more comprehensive understanding of sensemaking during organizational change, researchers analyze the sensemaking process of different organizational actors. Literature highlights the importance of sensemaking of both leaders and other organizational actors during organizational change. Studies that analyze the role of leaders found that organizational sensemaking is often limited with leaders controlling the process. When leaders decide to integrate other organizational actors in the change process, they rather target the creation of legitimacy than an adaptation of the initiative based on employees’ feedbacks (Gioia and Chittipeddi, 1991). Based on Gioias’ and Chittipeddi’s

sensemaking-sensegiving process (1991), other studies further examine the varieties of leaders’ sensegiving. Gioia and Thomas (1996) find that sensegiving depends on the political nature of an issue. Bartunek et al. (1999) derive different leaders’ sensegiving strategies. Within one of these strategies it is shown that leaders who feel personally threatened are more likely to focus their sensegiving efforts upon the opportunities that a strategic change entails.

In contrast to sensemaking controlled by leaders, sensemaking can also appear uncontrolled when neither the members’ sensemaking activities are organized, nor the outcomes are integrated into a collective account. Balogun and Johnson (2005) perceive middle managers as decisive change agents, who are often responsible for implementing new structures, but have no impact on the upfront change design. The authors study sensemaking of middle managers during a top-down change initiative in which the structure of an organization becomes more decentralized. The unexpected restructuring creates ambiguity within the middle managers and thus triggers sensemaking. The findings suggest that senior managers cannot directly influence the sensemaking of middle managers, but affect organizational meaning creation through the presence of their actions in rumors and stories shared by others. The authors describe sensemaking as a process of social interaction (Balogun and Johnson, 2004).

In their following study, Balogun and Johnson (2005) focus on these processes of social interaction to better grasp how middle managers try to make sense of change interventions. As previously mentioned in the description of the sensemaking process, they show the extent to which lateral, informal social processes and inter-recipient sensemaking influence the change outcome. As middle managers try to implement the change plans of their seniors, their everyday experiences of this implementation and the related behaviors of others, and the stories, gossip, jokes, conversations and

discussions they share with their employees about these experiences, shape their interpretations of what they should be doing. "Change interventions and plans are translated into action through the medium of these inter-recipient processes, turning top-down intended change into an emergent and unpredictable process".

Based on the findings of Balogun and Johnson (2004), Balogun and Johnson (2005) and Hope (2010) conducts a study on the impact of organizational politics on middle managers' sensemaking and sensegiving activities. The objective is to identify the politics used by middle managers to influence the change outcome. His findings suggest that middle managers have an influence on the sensemaking of seniors by exerting the "power of meaning". Thereby, the author refers to middle managers' resource power, such as special expertise in a business unit, used as a tool for controlling the change process.

Lewis (2000) apply organizational paradoxes to sensemaking when analyzing the role of middle managers in the process of change. They understand sensemaking as a form of reframing, which enables actors to alter meanings attributed to changing situations. Their findings show how organizational change aspects, such as paradoxes of performing, belonging, and organizing, can be transformed "from a label to a lens" through the process of working through paradox. This process of working through paradox contains five parts: At first, middle managers are confronted with an intricate, fluid, and fuzzy issue the authors call "mess" (1). Actors initiate sensemaking by narrowing down this mess to what is of interest to them. Thereby, they set boundaries for exploration. The outcome is the definition of a more specific problem (2) to enable reflection. A clearly stated problem places an issue on an agenda for solution finding. In the next step, they analyze why managers felt incapable of solving problems through the identification of more complicated, underlying dilemmas (3). A dilemma, in contrast to a paradox, is a form of ambiguity that requires managers to make an either-or decision between polarities. Uncovering opposite sides of an issue lets managers feel more paralyzed. In this context, paradoxical thinking (4) let the managers recognize how the tensions between opposing sides are needed and interwoven. "As managers moved from a mess to a problem to a dilemma to a paradox, each stage encouraged deeper exploration toward a more workable certainty" (5). Workable certainty implies that managers are always in the process of sensemaking. Lewis (2000) conclude that working through paradox aids sensemaking because paradoxes serve as a mean for managers to consider different perspectives, alter their assumptions and explore issues in fundamentally different ways. Thus, through paradoxical thinking the sensemaker is able to accommodate, rather than eliminate, persistent tensions.

Although most of the research on sensemaking focuses on actors within the organization, some studies consider external actors during organizational change. Basu and Palazzo (2008) develop a process model of sensemaking through studying a company, which decided to engage in corporate

social responsibility (CSR). The authors explain how managers think, discuss and act with respect to internal and external stakeholders. The CSR strategy was formulated not as a direct response to external demands but, instead, through cognitive and linguistic sensemaking.

Weber et al. (2015) apply the sensemaking-sensegiving process of Gioia and Chittipeddi (1991) to external stakeholders. The authors want to understand the interactions between internal and external stakeholders during a post-9/11 organizational change in the Maritime Transportation Security Act. The external stakeholders considered are the government and the society who need to legitimize the change. They identify four critical triggers that lead to a communication breakdown in the divergent sensemaking process: (1) unidirectional and lacking communication, (2) multifaceted understandings of organizational identities, (3) misaligned cues and (4) the emergence of inter-organizational sensemaking. Their findings illustrate the importance of considering a broad perspective of legitimate participants in a sensemaking process, as well as constantly adjusting sensemaking activities to avoid contradictions between participants' perspectives.

During this section, relevant research findings on sensemaking have been outlined. Various studies already gained profound insights into the sensemaking process of different organizational actors. However, studies on sensemaking during change only regard intra-organizational change. But what if an organization decides to implement a self-planned change initiative outside its organizational boundaries? The change implementer then becomes an important change agent, yet his sensemaking process is currently under-researched. Therefore, this thesis poses the following research question: How does sensemaking take place during inter-organizational change?

The focus of this thesis lies on the sensemaking process of the actor, who implements the change, and not on the organization, which designs the change.

In order to answer the research question, a case study is conducted using an extreme case of inter-organizational change: the sensemaking process of a franchisee during a franchisor-initiated change. This case is extreme, as the franchisee is contractually obliged to implement changes. Further, he needs to invest capital himself and trust in the profitability of the change without being able to influence the upfront design.

To analyze the sensemaking of franchisees in the process of franchisor-initiated change, mainly findings of studies on the sensemaking of middle managers are applied. Neither middle managers nor franchisees design the change initiative. Nevertheless, both have the task of operationalizing the strategy in their business unit and therefore play a decisive role in the change process. However, the roles of middle managers and franchisees have a central distinction: the middle manager is an internal while the franchisee is an external stakeholder. Hence, different interpretations and possible contradictions arise when they are confronted with unexpected change.

In order to better grasp the franchisor-franchisee relationship and the organizational role franchisees entail during inter-organizational change, the following section outlines related literature.

## 2.2. Organizational change in franchising

Franchising is an important business format, constituting up to 50% of retailing sales in Western countries (?).

“In franchising, an organizing firm (franchisor) enters into a contractual relationship with franchisees –typically small business owners who pay to use a business format and agree to conform to franchisor standards” (?). On the one hand, a franchise system provides a solution for certain agency problems, since franchisees are meant to be more motivated than company managers running independent business units that have financial investments at stake and receive unit profits. On the other hand, problems may arise in the franchisor-franchisee relation (Dada et al., 2012).

A growing number of studies in management literature deal with franchising, mainly focusing on difficulties in managing franchise relationships (Davies et al., 2011). Especially the tension between the franchisors’ wish for system standardization and the franchisees’ wish for entrepreneurial autonomy is of interest. Franchise system standardization can be understood as the level of obligations the franchisee has to fulfill when running his unit, and the degree to which these obligations are monitored by the franchisor (Cox and Mason, 2007). Thus, a higher degree of standardization leads to a higher franchisors’ decision-making authority.

The aforementioned tension between the franchisors’ wish for system standardization and the franchisees’ wish for entrepreneurial autonomy becomes even higher when the franchisor decides to implement transformational change forcing the franchisee to make a significant investment in their unit. Introducing change into a franchise system can be more challenging than within hierarchical organizations, as independent business owners need to be convinced of the opportunities a change initiative entails for their own unit. While many changes imply financial investments, the franchisee needs to trust in the profitability without being able to influence the change design. Under these circumstances, the relation between franchisor and franchisee may be put under increased pressure (?).

However, only a few studies deal with the role of franchisees during strategic change although their response is key to a successful implementation. Croonen (2010) generates a theory on franchisees’ perceptions of trust and fairness during change. She provides explanation for franchisees’ perception of distrust and unfairness resulting in resistance or destructive behavior. She shows that the franchisees’ trust is mainly based on his perception of distributive, procedural, and interactional fairness. In order to create, maintain or increase franchisees’ trust, the franchisor should have company-owned units and should integrate franchisees’ feedback into the strategic decision-making process.

Later, ? conduct a qualitative study to grasp the franchisees’ reaction to strategic change. The authors identify

three groups affecting franchisee responses and response-switches during franchisor-initiated change; “the different dimensions of expected franchisees satisfaction, a franchisees’ trust in the franchisor and the perception of fairness of the change process as well as the franchisees’ perception of alternative attractiveness and switching costs”. Their findings reveal that expected satisfaction regarding the profitability and trust in the franchise system were the most important reasons for franchisees to adopt a constructive or destructive response or to switch between them. Further the authors can show that franchisees who perceive a higher level of standardization, take more dimensions of trust and satisfaction into account when evaluating the franchisor and the franchise system. When franchisees have a high level of trust and satisfaction, they tend to lower the importance of economic motivations such as alternatives or switching costs.

Although these studies help to gain insights into franchisees’ reactions to franchisor-initiated change, the process through which franchisees work to understand change remains unexplored. This thesis applies the concept of sense-making to the field of organizational change in franchising to fill this research gap. For the upcoming case study, the following research question is posed: How does sensemaking take place at franchisees during franchisor-initiated change?

## 3. Research Design

Eisenhardt (1989) developed a process model to build theory from case study research, which serves as a framework for the research design of this thesis. This process ensures that the so-called “chain of evidence” is maintained, which implies that an external observer should be able to follow the derivation of any evidence, ranging from initial research question to case study conclusion (Yin, 2003, p. 105). Eisenhardt’s research process aligns and structures different research approaches. The most prominent approaches are grounded theory (Glaser and Strauss, 1967), which relies on continuous comparison of data and theory, Yin (2003) design of case study research and Miles and Huberman (1984) techniques for analyzing qualitative data. Further literature is considered across the process stages.

Figure 3 summarizes the process stages, which will be further outlined in the following sections.

### 3.1. Getting started

#### 3.1.1. A priori research and deduction of research question

According to Eisenhardt (1989) the first step when building theory from case study research is the definition of a research question and the building of an a priori construct. Within the first two chapters of this thesis, the theoretical framework was constructed and the research question derived. The views on how much research should be conducted in advance differ. Glaser and Strauss (1967), who introduced grounded theory into literature, share the opinion that a priori constructs limit the researcher’s openness to exploratory



<b>1. Getting started</b>
- Definition of research question - A priori specification of construct through review of theory (Miles, Huberman 1984)
<b>2. Selecting cases</b>
- Holistic multiple case design (Yin 2003, p. 40) - Theoretical sampling (Glaser, Strauss 1967, p. 45), environmental variation (Pettigrew 1990)
<b>3. Crafting instruments and protocols</b>
- Data collection according to triangulated method (Pettigrew 1990): interviews, observations, documents - Research protocol, field notes (Yin 2003, p. 87)
<b>4. Entering the field</b>
- Overlap data collection and analysis (Glaser, Strauss 1967) - Flexible and opportunistic methods → adding questions or adopting data collection method (Pettigrew 1990)
<b>5. Analyzing the data</b>
- Within case analysis (descriptive write-ups) and cross case analysis (constant comparative model) - Iterative tabulation of evidence for constructs (Glaser, Strauss 1967), Logic across cases (Miles, Huberman 1984)
<b>6. Enfolded literature</b>
- Comparison with conflicting literature (Eisenhardt 1989) - Comparison with similar literature (Eisenhardt 1989)
<b>7. Reaching closure</b>
- Theoretical saturation when possible - Final report

**Figure 3:** Overview research process; Source: Own figure in accordance with Eisenhardt, 1989

findings. However, as there have already been many studies published in both the fields of sensemaking and franchise systems, the findings have been considered in the formulation of a relevant research question for this thesis. Furthermore, Eisenhardt (1989) and Yin (2003) claim that a priori constructs provide a better grounding of construct measures. However, although a theoretical framework has been established, it has been avoided to develop concrete hypotheses from pre-existing theories prior to the data collection. Pre-conceived hypotheses structure both data collection and analysis in advance and limit developing ideas, which are essential for exploratory research (Charmaz, 1990).

### 3.1.2. Determination of research strategy

Social science research can be conducted in several ways including experiments, surveys, histories, analysis of archival information and case studies (Yin, 2003, p. 1). When deciding for a research strategy and its own logic, Yin (2003) names three conditions to consider: (1) The type of research question posed, (2) the extent of control an investigator has over actual behavioral events and (3) the degree of focus on contemporary as opposed to historical events. This thesis poses an exploratory research question, which is a justifiable reason for using an exploratory study, which has the goal of developing, instead of testing, hypotheses and propositions for further inquiry (Yin, 2003 p. 6). Related to the second and third mentioned condition, this thesis wants to examine a temporary event, where the relevant behavior cannot be manipulated. Thus, the case study is an appropriate exploratory research method to choose. Other explanatory methods build on different data sources. History, for instance, is a method to deal with a past occasion where no primary resources are available. Experiments are done when the behavior of participants can be manipulated.

As the case study is chosen as an appropriate research strategy for this thesis, the distinct characteristics will be briefly outlined. First, a case study examines a current occasion within its real-life context, particularly when the boundaries between occasion and context are not clearly obvious. Second, the case study benefits from prior theoretical propositions and deals with occasions in which many more variables are of interest than data points could be considered (Yin, 2003, p. 14-15).

There are four different types of case study designs, depending on how many different contexts and units of analysis are integrated into the case study. First, the researcher has to decide whether he is using a single or multiple case-study design, depending on the number of cases considered. Possible reasons for choosing a single case are that it represents a critical case in a well-formulated theory or that it is an extreme or unique case. Second, the researcher has to determine if he either integrates a single-unit of analysis (holistic) or multiple units of analysis (embedded) into his study.

For this thesis a holistic multiple-case study design is used. In general, multiple cases enable replications so that the evidence is regarded as being more robust compared to single-case studies. However, although no single rare or critical case is regarded as in the single-case study design, the cases chosen still need to fit for a particular purpose within the complete spectrum of research. The cases can be selected either because “they predict similar results (literal replication) or because they predict contrasting results for predictable reasons (theoretical replication)” (Yin, 2003, p. 47). Based on the theoretical framework and the decision for a single-unit analysis, this thesis aims for a theoretical replication. These replication logics specifically apply to case studies and cannot be compared to quantitative sampling methods where statistical methods are used to obtain results

for subgroups (Yin, 2003, p. 48).

### 3.2. Selection of cases

As previously mentioned, the multiple-case study design requires a justified selection of cases. Similar to the field of theory-testing, the selection of cases in theory-building is decisive, as the cases chosen determine the set of entities from which the research sample is to be built (Eisenhardt, 1989). Glaser and Strauss (1967) introduce the concept of theoretical, in contrast to random, sampling. The basic question in theoretical sampling is: "What groups does one turn to next in data collection and for what theoretical purpose?" (Glaser and Strauss, 1967, p. 47) As apparent in this question, the criteria of choosing groups in theoretical sampling are those of theoretical purpose and relevance – not of structural circumstances (Glaser and Strauss, 1967, p. 48). The researcher chooses any cases that will help to extend theory. As mentioned before, the purpose of exploratory studies is to generate theory, not to validate "facts". Further, theoretical sampling provides for ongoing joint collection and analysis of data. The researcher can decide in the process of data collection to align the cases considered as unexpected findings may occur. The ideal situation according to grounded theory is that the number and types of groups can only be cited when the research is completed.

Group comparison within a case study is used to compare divergent or similar evidence indicating the same conceptual categories and properties (Glaser and Strauss, 1967, p. 49). As previously mentioned, this thesis applies the holistic multiple-case study design. This is also due to the fact that more than one case allows for comparison groups.

The control over similarities and differences helps in discovering categories when analyzing the data. On the one hand, minimizing the differences among cases increases the chance of collecting a high amount of similar data on a given category, and of spotting important differences not caught in previous studies. On the other hand, maximizing the difference among cases increases the probability of collecting heterogeneous data on a category (Glaser and Strauss, 1967, p. 55-56).

As time available for obtaining results for the thesis is limited, the groups are chosen at the beginning of the data collection. However, the theoretical framework helps to extend the theory on sensemaking and franchise systems to the not-yet-analyzed inter-organizational change. Thus, in accordance with grounded theory, the sample is not random but reflects the selection of specific cases to extend the theory. The idea of minimizing differences is applied to the case selection.

The chosen cases will be further outlined in the following section.

#### 3.2.1. Case study setting

The case study sites are dealers of a car manufacturer. The car manufacturer has almost 5,000 dealers worldwide and an annual sales volume of over 2 million cars in 2014 (Anon.).

In order to get a better understanding of the organizational role car dealers entail, Figures 4 and 5 illustrate how the dealer is embedded in the sales process and how the contractual relation between the car manufacturer and the dealer can be characterized.

#### 3.2.2. Introduction to change initiative

The car manufacturer initiated a strategic sales initiative in 2010. Target of this change program is to enhance the point of contact to the customer. Therefore, most of the centrally-designed concepts are rolled out at the dealerships. The development and implementation of the change initiative leads to a globally-standardized sales process at the dealerships.

In order to obtain a standardized premium customer experience at car dealerships, different concepts are holistically implemented under the umbrella of this change initiative. The most prominent concept is the Product Genius, who is acting as a product specialist, matching the customers' demands with the product features. The Product Genius is introduced into the dealerships as a new role among the existing sales staff. The customer relations of sales persons change, as the Product Genius is now responsible for explaining technical features to the customer without having a financial incentive to sell a car.

In addition, the Customer Treatment is standardized through training and coaching of the staff at all levels of the dealerships. Thus, the individual and self-determined relation of the sales persons to the customer is restricted.

The use of iPads, including an app (Mobile Customizer) for configuring the car with the customer, and a screen (Virtual Product Presenter/VPP) for mirroring the configured car, shall further improve the sales process.

Besides the standardization of the sales process including the use of new IT tools, the change initiative targets a consistent visual appearance of car dealerships; thus, the car manufacturer sells their dealers centrally-purchased premium furniture (EPoS). The different and more open arrangement of the workplace changes the customer relation as well.

In order to monitor the standardization of the sales process and the fulfillment of the new Retail Standards, the car manufacturer conducts Mystery Shopping at the dealerships. The execution and, for most of the dealers, the results of the Mystery Shops affect their dealer bonuses.

Implementation managers in the Headquarter and National Sales Companies, as well as an external agency, who is conducting the training and coaching modules, monitor the implementation of the change initiative at the dealerships. The implementation process within one market or region takes approximately two years, depending on the number of dealerships. The phases of the implementation are pre-determined. Managers at the dealership are informed and coached first, so they can serve as on-site change agents. Extensive change and communication campaigns support the implementation managers at the National Sales Company in explaining the targets and benefits of the change initiative to the dealers.

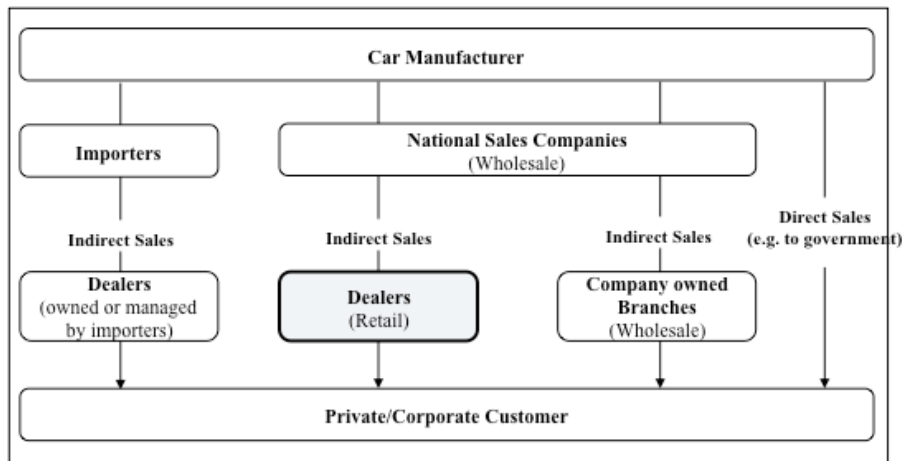


Figure 4: Sales process of car manufacturer; Source: Own figure

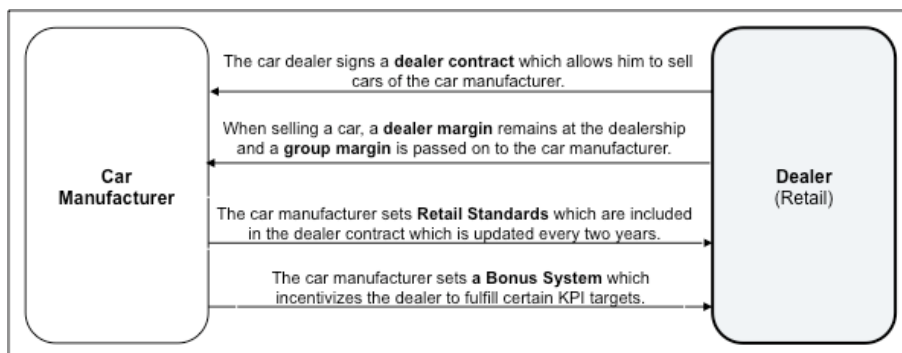


Figure 5: Contractual relation of dealer and car manufacturer; Source: Own figure

Besides financial support from the car manufacturer for the initial funding, the dealers pay most of the implementation cost. Further, most concepts of the change initiative are part of the Retail Standards and the bonus system (see Figure 4), which makes the implementation of these elements mandatory for the dealer.

Overall, the project holds many benefits for the dealer. However, their autonomy in designing the sales process at their dealership is restricted through the implementation of the change initiative. Confronted with this new situation, the question arises at what point do ambiguity and uncertainty, which serve as triggers for sensemaking, are generated at the dealer.

### 3.2.3. Case study sampling

Car dealers, who can own one or more dealerships, are selected as the recipient group for the research of this thesis since they play a key role in the implementation of the aforementioned change initiative, yet their role (franchisees that implement franchisor-initiated change), remains under-researched in the literature. The new strategy requires the dealers to undertake significant structural change at their dealership(s). Similar to middle managers, dealers can be the target and agents of change (Balogun and Johnson, 2005). Further, they have to implement the plans devised by

the Headquarter and National Sales Companies, with little involvement in the upfront decision-making.

The primary method for collecting data is focused interviews, which were conducted with 5 dealers in April and May 2015. As I worked in the Project Management Office of the central project team for two years (08/2012 – 10/2014), I have profound knowledge of the project and access to the central and market implementation managers of the change initiative, who helped when choosing appropriate dealers for the interview. Dealers from the sales region “Northern Europe” were chosen for the case study as the heterogeneous circumstances of dealers operating in different markets ensure environmental variance (Pettigrew, 1990). Further, the implementation of the change initiative is completed at most of the dealerships, which is a requirement for the interview. The sales region “Northern Europe” contains 7 markets, namely Denmark, Finland, Norway, Sweden, Estonia, Lithuania, and Latvia. The total number of dealerships in Northern Europe adds up to 128 (Anon.). Each of the markets has a National Sales Company located in their country, serving as the main contact point for the dealers. The Regional Office of “Northern Europe” is in Sweden and serves as an interface to the Headquarters. Due to the relatively small market sizes, some of the departments, such as Dealer Development or Product Management, are centralized in the

Regional Office leading to the dealers contacting both their National Sales Company and the Regional Office, depending on the topic raised.

The 5 dealers interviewed operate in Denmark (2), Sweden (1) and Finland (2), which represent 3 out of the 4 biggest markets in “Northern Europe” regarding sales volume and number of dealerships. In Denmark, 2 dealers are operating a total of 10 dealerships; there are 49 dealerships in Sweden; and the Finnish market contains 20 dealerships (Anon.). The requirements for the dealers’ participation in the interview are a completed implementation of the change initiative, a minimum annual sales of 1,000 cars in all dealerships operated by the dealer, guaranteeing sales relevance for Northern Europe, and of course, a willingness of the dealer to participate in the interview. The interviewees were either board members of the dealer or sales managers, depending on the person in charge of the implementation of the change initiative at the dealerships. Within the interview session, one or two managers participated in the interview, depending on their field of responsibility, ensuring that all questions could be answered. As the focus of the case study is on the sensemaking of the dealer, interviewees work only on the management level, and thus there are no further interviews conducted with other employees at the dealership. Five interviews in total ensure that general conclusions about dealers operating in different market circumstances can be drawn, even within the limited time for this thesis.

### 3.3. Crafting instruments and protocols

The next step is about the data collection method. Theory-building studies usually use multiple data collection methods (Eisenhardt, 1989). The rationale is, similar to theory-testing, to obtain stronger confirmation of constructs. Data can be collected through diverse sources of evidence such as documentation, archival records, interviews, direct observations, participant observations or physical artifacts (Yin, 2003, p. 86). The so-called “triangulated methodology” builds on three different sources of evidence to draw on the particular and different strengths of various data collection methods (Pettigrew, 1990).

In line with former studies (Weber et al., 2015), the main source of evidence for this thesis will be in-depth interviews. The interviews are semi-structured and last approximately sixty minutes. Interview questions are derived from a case study protocol and are adjusted during the data collection process as a consequence of the emergence of new and interesting themes (Yin, 2003, p. 90; Eisenhardt, 1989). Each interview is taped and transcribed to ensure the accuracy of the followed analysis.

The biggest advantage of conducting interviews to gather data is that the researcher can focus directly on the case study topic and provide perceived causal inference. Possible disadvantages of interviews such as a response bias or a bias due to constructed questions, led to the decision to integrate further data sources. Archival documents are a good supplement as they can be reviewed repeatedly and are not created as a result of the case study. In order to get a better

understanding of the implementation process of the change initiative, archival documents of change and communication campaigns are considered (Yin, 2003, pp. 86).

To triangulate data, on-site observations were written down during the dealer visits. These observations contain both participants as well as site observations and are integrated into the field study notes (Guest et al., 2013, p.93).

In preparation of the data collection and to increase the reliability of the case study, a protocol is developed in accordance with Yin (2003). Using a protocol ensures that the researcher stays focused on the purpose of the case study and forces him to anticipate potential problems such as the way the case study reports are to be completed. The case study protocol contains an overview of the case study project, the field procedures, the case study questions as well as a guide for the case study report (Yin, 2003, p. 69). Thus, in contrast to a survey questionnaire, “the protocol contains the instrument as well as the procedures and general rules to be followed in using the protocol” (Yin, 2003, p. 68). The case study protocol for this thesis can be found in the appendix.

### 3.4. Entering the field

The next step of the research process determines the entering of the field. As briefly mentioned in the context of grounded theory, Glaser and Strauss (1967) recommend a joint collection and analysis of data. While the degree of overlap intended by Glaser and Strauss cannot be achieved in the thesis, the analysis of data will already take place during the data collection. As recommended by Eisenhardt (1989), field notes, which are a running commentary to oneself, can accomplish this overlap. Field notes serve as an idea booklet to document everything that seems important to the researcher.

Although the cases will be pre-defined, flexible and opportunistic methods allow for adding questions or even adapting the data collection methods. These adaptations are not to be seen as unsystematic, but as a controlled opportunity for the researcher to take advantage of the uniqueness of cases – space can be opened up for emergent concepts (Pettigrew, 1990).

### 3.5. Data analysis

The data analysis is decisive for the results of the case study. There are traditionally two forms of analysis. (1) If an analyst wants to convert qualitative data into a quantifiable form to test hypotheses, he codes the data first and then analyzes it. “A code is an abbreviation or symbol applied to a segment of words, in order to classify the words. Codes are categories that usually derive from research questions, hypotheses, key concepts, or important themes” (Miles and Huberman, 1984, p. 56). (2) When the analyst wants to generate theoretical ideas, he constantly redesigns and reintegrates categories and their properties (Glaser and Strauss, 1967, p. 101). This thesis follows the constant comparative method of qualitative analysis developed by Glaser and Strauss, which is a combination of the two forms of analysis.



When analyzing data, there are two different approaches of starting the coding. On the one hand, Miles and Huberman (1984) recommend creating a “start list” of codes prior to fieldwork. That list is derived from the theoretical framework, research questions and hypothesis (Miles and Huberman, 1984, p. 57). Glaser and Strauss (1967) on the other hand do not want to precode until data is collected, so data gets well molded to the codes that represent them and the analyst is more context sensitive. In accordance with Glaser and Strauss (1967) the data for this thesis is coded during the fieldwork.

The data analysis of this thesis starts with a within-case analysis to become familiar with each case as a stand-alone entity (Eisenhardt, 1989). Unique patterns can evolve, before being generalized through comparison. Based on detailed case study write-ups for each site, each incident will be coded into as many categories as possible so categories that emerge fit the data basis. Categories are either self-constructed (explanative), or abstracted (descriptive) from the language of the situation.

The next stage of the data analysis is the cross-case analysis. As researchers are overwhelmed with data and simultaneously limited in their ability to process this data, the key to a good cross-case comparison becomes looking at the data in many divergent ways (Eisenhardt, 1989). The approach of this thesis is to select categories first and then to look for patterns – either within-group similarities or intergroup differences. A pattern can further be characterized by frequency (things happen often or rarely), correspondence (things happen in relation to other activities or events), and causation (one causes another). In order to keep track of the comparison group, Glaser and Strauss define a rule for their constant comparative model: “while coding an incident for a category, compare it with the previous incident in the same category and look for different groups coded in the same category” (Glaser and Strauss, 1967, p. 106). The constant comparison of the incidents generates characteristics of the category. Underlying uniformities or properties within the categories will be discovered, so that categories can be consolidated. Thus, as the theory evolves, categories will be reduced. Over time, the researcher becomes committed to an evolving theory, so the original list of categories is reduced to collect and code data according to the boundaries of the theory. Then he can focus on the comparison of incidents in the reduced set of categories. As patterns between the categories evolve, evidence for “why” behind relationships is researched and insights are gained. The coding system of this thesis can be found in the appendix.

Figure 6 shows how a general theory is to be derived from a particular code.

### 3.6. Reaching closure

Eisenhardt (1989) names the last step of the research process “reaching closure” and embraces two issues: when to stop collecting more data and when to stop iterating between data and theory. “A researcher can always try to collect more data for checking hypotheses or for generating new

properties, categories and hypotheses” (Glaser and Strauss, 1967, p. 111). According to grounded theory, a researcher should stop adding cases when theoretical saturation is accomplished. This represents the point, at which additional learning is marginal because the researcher observes phenomena he has already seen before. The concept of saturation does also apply for the iterating process. The iteration process is completed when the incremental improvement to the theory is minimal. The application of theoretical saturation in this thesis is limited due to the predetermined amount of time.

After the theory-based research process for this thesis was outlined, provisions for the overall quality of the case study need to be met. To ensure the quality of the research study, Yin (2003) mentions four tests that are common to social research methods. “Construct validity is about establishing a correct operational measure for the concept being studied. . . Internal validity ensures a causal relationship, whereby certain conditions are shown to lead to other conditions. . . External validity identifies the extent to which findings can be generalized. . . Finally, reliability demonstrates that the operations of a study can be repeated with the same results” (Yin, 2003, p. 34). In Figure 7 the case study tactics, which have been discussed in the separate process steps, are related to the so-called four design tests.

## 4. Results

The final product of the theory building differs among concepts, conceptual frameworks and propositions. In line with former studies on sensemaking of middle managers (Balogun and Johnson, 2004; Balogun and Johnson, 2005; Hope, 2010), this thesis will report the findings of the data analysis using first- and second-order analysis according to Van Maanen (1979). The first-order analysis tells the story of the project implementation from the interviewees’ perspective and provides evidence for the coded themes through the use of representative quotes from the interviews. Both the descriptive properties of the studied scene and the interviewees’ interpretation of what stands behind these properties are first-order concepts. It is necessary to identify the change interpretations of the dealers, any other events they perceive to have an impact, and the change outcomes they observed (Van Maanen, 1979).

The second-order analysis explores the patterning of the first-order data and builds the explanatory framework. Many second-order concepts are statements about relationships between properties (Miles and Huberman, 1984, p. 104). Van Maanen (1979) calls second-order findings “interpretations of interpretations” as they represent the researchers’ perception of the interviewees’ described incidents. Therefore, second-order findings may converge with first-order interpretations. Hence, it should be understood how the dealer assigned meaning to the change interventions and how those perceived interpretations led to subsequent change outcomes (Van Maanen, 1979).

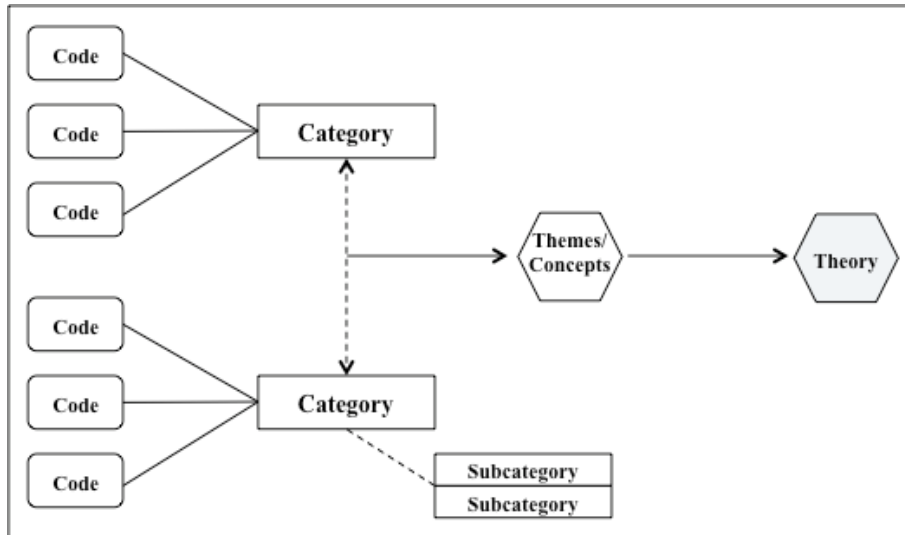


Figure 6: Codes to theory model; Source: Own figure, in accordance with Miles and Huberman, 1984, p. 57

Tests	Case Study Tactics	Phase of research in which tactic occurs
<b>Construct validity</b>	Multiple sources of evidence Establish chain of evidence	Data collection Research design
<b>Internal validity</b>	Pattern-matching Explanation-building	Data analysis Data analysis
<b>External validity</b>	Replication logic	Research design
<b>Reliability</b>	Case study protocol Case study database	Data collection Data collection

Figure 7: Case study tactics; Source: Own figure in accordance with Yin, 2003, p. 34

The bases for the first- and second-order analysis are within- and cross-case analyses, whose use has been previously described and which can be found in the appendix.

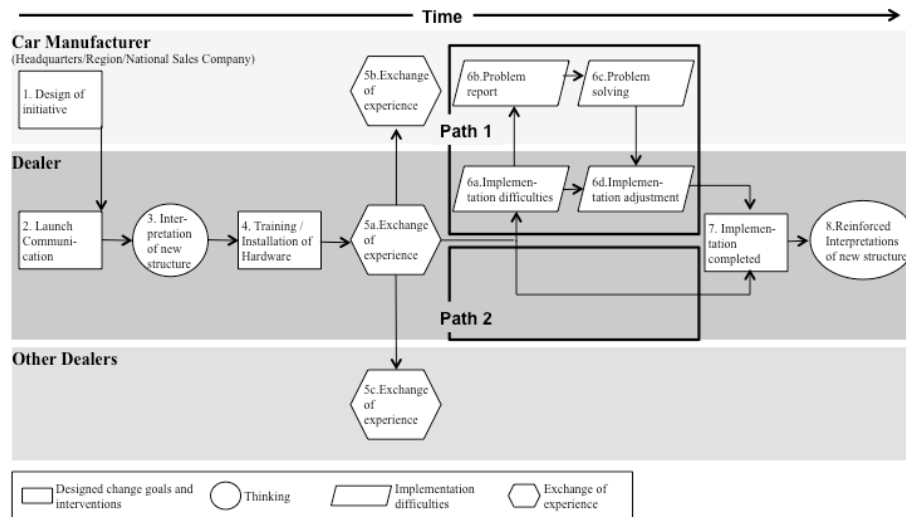
4.1. First-order findings

The manually-obtained codes for change interventions, other events and outcomes based on the dealer’s language can be found in the appendix. The detailed codes were gradually grouped into a set of broader categories related to:

- Evaluation of change initiative: first contact with the project, implementation progress, evaluation of the changes, project opportunities and challenges
- Evaluation of Retail Standards: The evaluation of Retail Standards and the dealers’ ability to influence them
- Discursive practices within the dealer: Communication within dealer including management and employees, expectations of employees
- Discursive practices with other dealers: The overall relation and the communication with other dealers during the project implementation

- Discursive practices with the National Sales Company: The overall relation and the communication with the National Sales Company during the implementation, the evaluation of skills
- Discursive practices with the Region: The overall relation and the communication with the Regional Office during the implementation, the evaluation of skills
- Discursive practices with the Headquarter: The overall relation and the communication with the Headquarter during the implementation, the evaluation of skills

During the interview process, it became clear that the dealer’s complex patterns of interaction during the change process, his implementation experiences and the organizational context in which he operates shaped his sensemaking. In accordance with Balogun (2003) a ‘visual mapping strategy’ is used to illustrate the perceived interactions (Langley, 1999). This serves as a basis for the first-order analysis that follows. The first-order analysis is divided into three parts (T1, T2, T3) based on the three steps of the sensemaking process, which were outlined in the literature review.



**Figure 8:** Visual mapping strategy; Source: Own figure

#### 4.1.1. Development of new structures at dealerships (T1)

This phase includes the design of the change initiative, the introduction to the dealers and his first interpretations.

The design of the initiative (1) took place within a project team at the Headquarters. The communication material includes an implementation plan providing information about the key milestones of the change initiative, the aimed timing and the distribution of responsibilities. Either departments within the Headquarters or the market, or an external implementation agency was in charge of the implementation process. The dealers didn't feel that they could influence the design of the change initiative or the implementation process:

'I think they come to us and that is how it is done. I don't have the feeling that I can impact on those.'

'We do not have the idea that we have an influence on anything. We got the idea that this is what the concept is about from the Headquarter.'

The launch communication (2) at the dealers took place differently. The communication material provided by the central project team contains a checklist for the National Sales Company's staff, which includes, "conduct dealer briefings to inform them about next steps". However, how the introduction of the change initiative to the dealer should take place is not predefined and thus is left up to the Region or National Sales Company, which mainly interacts with the dealer. For that purpose, the Region and National Sales Companies had a variety of information material from the Headquarters, such as the "EPOS Guide and Furniture Argumenter", which is to "be forwarded to the dealer".

Region representatives introduced the change initiative to the Danish and Swedish dealers. In Finland, a consultant presented the concepts to the dealers. Although the launch communication was different, the dealers commonly spoke

of an abstract presentation, lacking concrete consequences for them at that time.

'... And they presented this like they presented it in Germany or in Poland or somewhere else.'

'I think he didn't know himself, too when he was presenting the ideas for the first time.'

'... It was not so concrete. I didn't actually know what was going to happen. It was sort of a nice picture somewhere but no concrete footsteps like 'now we are doing this, this, and this and the schedule is this. So, it was a little bit abstract at that time.'

'It is a little bit more the big picture, but not that concrete.'

Although, the first picture was abstract, the dealers commonly thought that the sales strategy led to significant changes at their dealership including the standardization of sales processes, an enhanced customer experience, the modernization of sales tools and the showroom appearance. The interpretations of the new structure (3) were ambiguous, perceiving the overall ideas as positive, but the implementation as difficult:

'We strongly believe that this could be a success.'

'I think it is a big step to take. But it is the right step to take.'

'I think that was great that we did something. Because I think that it was quite old fashioned in (franchisor).'

'On paper the ideas are very good, but then how to use everything in the daily work, that is our challenge at the moment.'

'I think they have not thought it through, how to take this step and how to change the whole processes.'

'It seemed SO much at the same time, at once. I

think the ideas are good. But I think they are trying to implement it too fast and have not really thought it through.'

#### 4.1.2. Implementation of new structures at dealerships (T2)

This phase includes the training and installation of the previously described concepts; the communication within the dealer, with other dealers and with the franchisor; as well as the handling of implementation difficulties.

The implementation of the change initiative is for the most part completed at the visited dealerships. At the Danish and Swedish dealers, the new furniture, the mobile tools, the Product Genius and Mystery Shopping were implemented. Due to the smaller size of the dealerships, the interviewed Finnish dealers had not yet implemented the Product Genius.

During the installation and training (4), the interviewees gained information on the new sales strategy differently. Either they were trained themselves, or gathered information through their employees who attended a training session. For some, manuals served as an additional information source, whereas others did not use them or did not have any. Overall, some dealers said that they received enough and detailed information from the market whereas others claimed they had to figure out how to implement the concepts themselves:

'The trainings have been helpful.'

'We had a lot of persons that came and told us about the implementation. How it is going to work and why of course we have to do this. So that was good.'

'We had one training in here just a few weeks ago, also again with the consultant (name). He showed us the use of the iPad, so now everyone should know how to use it.'

'The Product Genius had the training and we have heard what they are training.'

'We have very big manuals. And then we have a lot of follow-ups'

'We derived our knowledge from the manuals, from the Retail Standards and from the test answers from the Mystery Shopper.'

'We don't have any instruction manual.'

'Yes, we make it by ourselves. Nobody answers to that. And when we implement the Product Genius for instance or set up the Mobile Customizer, we had to do everything ourselves. Not any support on that.'

Besides the training and information material, the interviewees gained expertise through an exchange of experience (5) with different people. Most of the interaction took place at the dealer (5a). Some dealers conducted their own trainings in addition to those provided by the franchisor in order to fulfill the Retail Standards. Further, they had regular meetings at both the management level and with the sales staff, where they exchanged experiences:

'The rules are set from (franchisor) but the daily training is in the shop.'

'We know that we have a how-to-do-it from (franchisor) but everyday we are reminding ourselves, training, so we are making sure that we give every customer the right experience when they come to the (brand) stores.'

'We do it when we train and when we have our meetings. What is good, what needs to be improved. That is mainly in-house we do that.'

'In our house, we have talked about it daily, how to do things better.'

'We have a small team here. We often talk directly how we can improve things; how we can do things better. Also, I like to listen to my sales guys, what their opinions are, how they see problems or issues.'

For further clarification, the dealer saw the interaction with the National Sales Companies and Region (5b) as important. The relationship with the National Sales Companies and the Region was described as very positive. However, while some dealers perceived the interaction with the franchisor as an exchange of experience, others perceived it as a unidirectional communication.

'The cooperation is very good.'

'Our Region Manager is very, very good. I think he is one of the best that I have ever met. And one of the best I have ever worked with at (franchisor).'

'Yes, I talk to him on the phone every week and then we meet at least one time a month.'

'It is always a one-sided communication.'

'Since I worked for (franchisor) I did not have the impression that they like our comments on anything and try to receive feedback.'

All interviewees said, that they exchanged experience with other dealers (5c) informally. They did not schedule meetings nor interact on a regular basis:

'When we are meeting for sales meetings, or something else, then we just chat to each other and have a conversation. But it is nothing that is put into meetings or schedules.'

During this phase, some of the interviewed dealers faced implementation difficulties, whereas for some the implementation went very smoothly. Whether or not the dealers had implementation difficulties, partially influenced the change outcomes and their interaction processes.

For the dealers, which faced implementation difficulties, the type of problem and the solution finding were considered in more detail during the interviews. The implementation difficulties (6a) mainly routed in the employees' acceptance of the new, more standardized sales process and infrastructure problems.



'I know the salesmen are afraid. They are afraid to do wrong. This becomes so much of a burden. So the only thing they are thinking about is not to do wrong.'

'Before this, they have always been doing it in the same way and people get stuck to their own ways of doing things. That is the problem.'

'I think the main problem about the Product Genius is their ambitions to be a salesman.'

'We lack of systems, sales systems actually, to help the sales men in all that process.'

'The VPP does not work so they cannot use the iPad at the moment.'

'Today we have to go into 5-6 different computer programs just to make an offer..When (franchisor) solves that problem everything will fall into place.'

'First, we built it with the iPad; as we cannot link it to SA3, we have to do the same thing within SA3 again; and then, when we have done it there, we will do it within the CRM system.'

When a problem occurred, the dealers first tried to solve it on their own, before reporting it to the National Sales Company or Region (6b).

When involving the National Sales Company or Region, the main problem was the lacking ability of the franchisor in solving the problems (6c). When an implementation problem occurred, most of the dealers stated that the National Sales Company or the Region were not able to solve it.

'I think the support should be at the importer. But now, if I had any kind of problem I can't call them. No one knows about it. They haven't used it.'

'I think that neither the consultant nor the importer know how to use it. So we have to figure it out ourselves.'

'Yes, actually it is quite amusing that they tell us that we have to use it but if we have some questions, they can't answer them.'

'They just did not do their homework how to solve the problems that come along.'

'It has gone almost two years and we are still waiting for them to come and solve the problem'

'We are waiting that something will happen.'

'The sales guys should already start in 2009 configuring the cars with the customers on a big screen and so on. But it has been postponed for six years.'

The interviewees identified the lack of retail experience as the main source for the National Sales Company's or Region's lacking ability to find solutions for their implementation problems. In addition, the project didn't fit their market circumstances completely.

'I think importers and factories have one big problem or challenge: the challenge is, they don't sell cars. They don't see the customer, they don't know how to treat a customer, and they don't know what the customer expects.'

'No manager or importer, have sold a car before. They say, what they have to say but they don't really understand how the work is on the floor. They don't have retail experience.' 'They know a lot about wholesale, but nothing about retail.'

'Most of the employees at (franchisor) have never been in a dealership.'

'And I am not sure if the importer knows what he is talking about. Someone told them that (change initiative) has to be implemented and they say that to us.'

Furthermore, the implementation plan of the Headquarters does not contain steps that the National Sales Company or the Region should follow, when implementation difficulties occur.

For the problems that were solved, either in-house or with the help of the National Sales Company, the implementation was adjusted (6d).

#### 4.1.3. Completion of implementation and evaluation of new structures (T3)

This phase includes the completion of the implementation and the dealers' evaluation of the change initiative.

The implementation of the change initiative at the interviewed dealers is for the most part completed (8). Through the dealer visits it could be observed that the appearance of the showrooms was indeed standardized. The elements of the sales strategy were remarkable in all showrooms. Although the size of the visited dealerships differed, the design of the workplaces and the waiting areas for the customers looked the same.

After the outcomes of the initiatives were observable in the adapted sales processes, the dealer still perceived the overall targets as positive. However, when looking at the individual concepts, the dealers partially rated the outcomes differently (7).

The Mobile Customizer, which has been implemented at all visited dealerships, was rated similarly. It was mainly perceived as a support and modernization of the sales process. Yet, most of the dealers criticized the app for not being harmonized with existing IT systems, leading to inefficiencies in the sales process.

'It is a very good idea. I think it is much better than what we had before.'

'I think these are good tools, which can support the selling process.'

'We have something, at the moment, if a customer is using our (franchisor) website, the configuration tool, we cannot implement that to SA3

directly or to the Mobile Customizer. We have to build it again.'

'And we hope that this system can one day support SA3. Because that would be the best way for us, we would get better advantages if we could configure a car with the iPad and then just send the information to SA3.'

In the case of the new furniture, the interviewees valued the consistent, premium showroom appearance and the high acceptance of the employees. However, the high investments were perceived as a risk.

'The employees of course they liked it... It is always nice to get new furniture and it upgrades the feeling of course.'

'I think it is nice that the showrooms look alike no matter where you go'

'It is difficult to get the business case profitable, with the total costs of this showroom, of all the standards of (franchisor).'

'It has a big influence on our economy.'

As previously mentioned, not all of the interviewed dealers have employed a Product Genius at their dealerships. This is mainly due to the different sizes of the dealerships. It is more difficult for a dealership with fewer customers to have a full-time employee who is used to the capacity of the tasks of a Product Genius. Thus, implementing the concept would not be profitable. The perception of the dealers who have employed a Product Genius was similar. On the one hand, the new role led to an enhanced customer service through the Product Genius' product expertise and his customers' need-analysis. Further, the work division between the Product Genius and the salesmen led to higher efficiencies in the sales process. On the other hand, the dealers had difficulties managing the expectations of the Product Genius, who often had ambitions taking over tasks of the salesmen.

When looking at the dealers' evaluation of Mystery Shopping, it is important to consider that the results of the Mystery Shops are not part of the Dealer Bonus in all three markets. This could be one explanation for the different ratings of Mystery Shopping. While some dealers perceived it as a helpful tool to increase customer satisfaction and gain transparency over the sales process, others said that it puts too much pressure on the employees, effecting the dealers' results negatively.

'The report is helpful because it gives us an insight of how customers thinks when they are coming here. It also gives us an insight where we could improve, which salesmen are doing a good job and which we need to train more.'

'I think it is a good thing to keep us sharp and remember that we have to do it right and that we have to do it right each time.'

'If we fail, it cannot be that we are going to get so hardly punished.'

'It damages the treatment of real customers. The salesmen are always thinking 'Are you a Mystery Shopper?' They are always suspicious, afraid to do wrong.'

#### 4.2. Second-order findings

Included in the first-order analysis are descriptive findings from the interviewees' perspective about how and why different change outcomes emerged. In order to find theoretical explanations for these descriptive first-order findings, a second-order analysis follows.

A key factor in the dealers' sensemaking is the social processes of interaction in response to the design and launch of the new structures (T1), the installation of the change initiative at the dealer (T2) and the evaluation after the completed implementation (T3). The first-order analysis reveals two dimensions of social processes of interaction, shaping the dealers' sensemaking, which serve as a basis for the explanatory framework: the social processes of interaction within these phases can be divided into vertical processes, which go beyond organizational boundaries and take place between the dealer and the car manufacturer or between the dealer and other dealers; and lateral processes, which stay within the dealer. It can be seen that both vertical and lateral processes of interaction affected the sensemaking of the dealer, but at different stages.

In T1, the dealers' sensemaking was triggered by the change intervention itself and the initial communication by the franchisor. The change initiative constituted a novel and unexpected event for the dealer, which had a big impact on his organizational identity. As the communication of the change initiative implied ambiguous interpretations, the dealer involved himself in a sensemaking process. In this phase, mainly vertical processes of interaction took place. Employees of the National Sales Company set meetings with the dealer and introduced the change initiative themselves or sent a consultant to present the main targets to the dealer. The dealers commonly identified the premium customer experience and the standardization of sales processes as the cornerstones of the visions. As these cornerstones are commonly perceived as reasonable, the overall idea was well understood and accepted. However, the new vision of the change initiative was not commonly created, but rather expressed through the National Sales Company, which can be seen as sensegiving. The dealers would have preferred a common sensemaking, so their insights were considered during the design of the change initiative. Although the first meaning creation by the dealer assigned positive attributes to the vision of the change initiative, the feasibility of applying them to his own environment was seen critical. The dealer found that he had not sufficient information through the first presentation. Thus, he was trying to figure out the meaning of the change effort, what its effect on him would be and what his role would entail. By the end of T1, the dealer had the awareness that a new way of thinking about

retail structures were to come, but he was lacking knowledge about concrete actions to follow.

In T2, the implementation of the new structures at the dealer began. The installation of new hardware and the training sessions at the dealer were organized by the franchisor. Thus, the social processes of interaction were mostly vertical at first. During the training sessions, the dealer could now gather more concrete information through discussions with representatives of the franchisor and partially obtained additional information material on the individual concepts. The dealer's perception of the franchisor's support during that phase differed. Although the relation to the franchisor and his intentions are positively perceived, his ability to convey sufficient information to the dealer is questioned.

As there was still information lacking, the dealer exchanged experience, both laterally and vertically, after the official training sessions given by the franchisor. Here, dealers mostly conducted their own trainings or engaged in internal discussions to clarify open issues. So, the dealer involved his employees into a common sensemaking process to integrate their expertise on the dealer's circumstances in order to create a common understanding on the implications of the change initiative. The input of both the employees and the management at the dealer, as well as the processes of social interaction between them were valued. Through the involvement of the employees in the sensemaking process, legitimacy was created resulting in the employees' acceptance of the changes in their working routines.

The vertical interaction processes with other dealers did not take place on a regular basis and did not seem to play a decisive role in the dealers' sensemaking.

The dealer provided the franchisor with feedback at that point but for the most part, no common sensemaking activities followed. The dealer did not think that his feedback led to adaptations of the initiative or that the National Sales Company forwarded the feedback to the Headquarters, where the change initiative had been designed.

During the implementation, some dealers faced difficulties. The main challenges were the adaptation of the employees' working routines and the occurrence of infrastructure problems such as the harmonization of the new tools with existing systems. Dealers complained that the implementation of the concepts at the dealership was not thought through in detail by the franchisor. Mainly concepts were not harmonized with existing IT systems or Retail Standards in advance. These struggles created further ambiguity and led to additional sensemaking activities at the dealer. In most cases, the dealer tried to solve these problems internally. He provided his employees with additional trainings and collected their feedback in regular meetings to help integrate the new Retail Standards within daily work. Furthermore, the dealer involved the franchisor asking either for additional training sessions or for technical support. However, the interaction with the franchisor mostly did not lead to a solution. The dealer often got the impression that the franchisor could not provide support during the integration of the change initiative in his operative business as the franchisor lacked retail

experience and did not have enough knowledge on the detailed functionalities of the concepts.

In T3, the implementation of the change initiative at the dealer was completed and outcomes could be observed, which served as input for new sensemaking. At this point, the dealer mostly observed positive impacts on the results of his business unit such as increased customer satisfaction and sales volume. The dealer was able to learn about the change by taking actions and observing the cues generated by his actions. Regular meetings at the dealership secured a continuous exchange of experience between the employees, who applied elements of the change initiative in the sales process. Mystery Shopping at the dealerships provided input for both the franchisor and the dealer, who could review if the elements of the change initiative had been integrated into the sales process.

Further, the application of the change initiative at the dealership tested the dealers' provisional understanding generated through his prior sensemaking activities. Lastly, the environment at the dealership has been changed through the implementation of the change initiative and therefore changed the situation that initially triggered the dealer's sensemaking.

## 5. Discussion

The idea that social processes of interaction impact the sensemaking activities of organizational actors during change is well accepted (Balogun and Johnson, 2004; Balogun and Johnson, 2005; Hope, 2010). The contribution of the framework presented in this thesis is the distinction between vertical and lateral processes of interaction and the empirically-based concept it offers to explain how sensemaking takes place during inter-organizational change. This thesis links inter-recipient sensemaking activities within and across organizational boundaries to implementation outcomes. Key is not that social processes of interaction during sensemaking occur, but how they influence individuals' interpretations when the change design and the change implementation take place at different organizations.

Generally speaking, the findings show that a franchisee, who operates his own business and has his unit results at stake, has the pressure of implementing the change initiative well. Thus, he has an increased pressure of involving himself in sensemaking activities.

The second-order analysis reveals that organizational boundaries hinder common sensemaking activities between the franchisee and the franchisor. Franchisors provide the franchisee with an already-established vision and implementation steps to follow. A lack of prior common sensemaking activities during the change design leads to the franchisee's lack of trust and belief in the legitimacy of the change initiative. As other studies on the role of franchisees during change suggest, trust in the expected profitability of the change initiative has a high impact on the adaption of a constructive response by the franchisee. Further, it is shown that the involvement of franchisees in the strategic decision-making

process can create this trust (Croonen, 2010). Looking at studies on sensemaking, it is also shown that the involvement of stakeholders in the design of the change initiative creates legitimacy (Gioia and Chittipeddi, 1991).

When formulating a new vision, the franchisor shall integrate unquestionable goals, which serve his and the franchisees interest at the same time (e.g. higher customer satisfaction, higher sales volume). Similar to other studies on sensemaking during change, the case study of this thesis shows that these unquestionable goals lead to a shared understanding and a positive acceptance of the overall vision (Gioia and Chittipeddi, 1991).

However, when planning the implementation steps at the franchisees' business unit, the franchisees' trust in the franchisors' ability to improve his business processes is low. Although the franchisor and the franchisee share overall goals, the franchisees' business interest is based on operative experience whereas the franchisor is thinking more strategically, having the overall targets of the franchisor in mind. These different perspectives and also past experiences evolving from different working routines, lead to different interpretations of the change design. Thus, involving in common sensemaking activities would help to share these perspectives and create a common picture.

Beyond that, studies on franchising reveal that trust in the franchisor influences the response of franchisees during change (?). This thesis shows that franchisees' trust is not only influenced by the franchisors' operative skills, but is also affected through his troubleshooting during the change implementation.

Similar to the studies on the role of middle managers during change (Balogun and Johnson, 2004), most of the franchisees' sensemaking activities during the change implementation occur in the absence of the actor, who designed the change. The most important sparing partners of middle managers are on the same hierarchical level and entail a similar role during the implementation (Balogun and Johnson, 2004). Transferring that to franchisees, the exchange of experience with other franchisees is rather informal and has little impact on the sensemaking of franchisees.

The franchisee mainly integrates the employees of his business unit into his sensemaking activities. However, in contrast to middle managers, who share their understandings in unofficial settings such as rumors, stories or gossip, the franchisee organizes official meetings and trainings to create common interpretations. Thereby, experiences of applying the change initiative into daily working routines are shared among managers and employees. The creation of shared interpretations also creates legitimacy among the employees towards the change design and reduces their uncertainties towards their new working routines.

Besides the interaction processes during the implementation, this thesis shows how franchisees further involve in sensemaking through the observation of change outcomes at their business units.

### 5.1. Practical implications

The franchisor provides a plan for change, but the way this plan actually operates is determined by the new behavioral routines created by the franchisees through their interpretation of and response to franchisors' initiatives. Franchisees can react differently to franchisor-initiated changes. As destructive responses can seriously harm the franchise system and thus the retail performance of a company, the franchisor should anticipate and prevent the franchisees' destructive reaction (?). Analyzing the franchisees' sensemaking activities provides useful insights for the franchisor planning to implement change initiatives at his franchisees.

Since the findings show the key role franchisees entail during franchisor-initiated change and how they accomplish sense of a planned initiative, like other studies, this thesis questions the feasibility of top-down control of change programs (Balogun and Johnson, 2005). Top-down control in inter-organizational change refers to the control the franchisor exerts on the franchisee.

Managing change includes the creation of trust and legitimacy. Thus, looking at inter-organizational change from a sensemaking perspective shows that managing change is less about directing and more about supporting franchisees' sensemaking processes to achieve an alignment of interpretations. This is especially important in franchising, where the franchisee carries more economic risks than actors within organizations. Shared sensemaking activities and aligned interpretations, in both the change design and the implementation, create positive acceptance of the franchisee towards the change initiative and helps the franchisor to gain insights into the operative business processes. Involving the franchisee in the design of new structures in their market and adapting the initiative together to market circumstances, increases legitimacy at the franchisee. Further, an increased knowledge and consideration of the business processes at the franchisee, creates trust in and trustworthiness of the franchisor, which constitutes a critical factor of success. The franchisor is not able to manage lateral processes occurring in his absence, but he can shape his interactions with the franchisee. Besides considering the franchisees' insights in the change design, trust is also accomplished through efficient troubleshooting in the change implementation.

### 5.2. Limitations

The limitations of this thesis need to be considered. Questions of generalizability arise, as case study research is, by nature, situational. This is particularly influenced through the focus on franchising systems, which is an extreme case of inter-organizational change. The research approach, the case study setting, and the findings are interwoven.

Further, although, environmental variations were considered in the case study sampling, the number of interviewed franchisees is limited due to the time restrictions of this thesis. As the interviews served as the primary data source, the actions taken by the franchisor and the reactions of the employees at the franchisees' business unit are mainly anti-



pated based on the franchisees' responses. Thus, the display of the change process can be biased.

Although three different data sources were considered for the analysis, the researcher was not able to observe the interviewees' real-time behavior during the change process. Lastly, the researcher's tie to the franchisor, through prior work experience, might have influenced the responses of the franchisees.

Despite these limitations, this thesis provides a useful foundation for future studies on sensemaking during inter-organizational change.

### 5.3. Future research

One promising direction for future research could be the investigation of the complete sensemaking-sensegiving process during inter-organizational change. Thereby, the sensegiving activities across organizational boundaries, initiated by both the franchisor and the franchisee, could be of interest. In addition, analyzing the sensemaking-sensegiving activities at the franchisee, considering the management and the employees, could create useful insights. The findings of this thesis suggest that the adaptation of the franchisees' employees' behavior has a high impact on the success of change initiatives. Thus, the adaptation process of their working routines should be investigated. Interaction processes with their management and, across organizational boundaries, with the customer might influence their sensemaking activities. In the end, the customers' reaction and buying behavior constitutes the success of the change initiative. Besides further investigating franchisor-initiated change at franchisees, this thesis could serve as a basis for investigating other forms of inter-organizational change, considering different industries or different stakeholders.

## 6. Conclusion

This thesis has examined the sensemaking of franchisees' during franchisor-initiated change with the use of a holistic multiple case study. It is the first to analyze sensemaking during inter-organizational change.

Overall, it was shown that franchisees play an important role in implementing strategic change. Their actions can either support or be convergent to change goals set by the franchisor. Thus, understanding the processes through which franchisees' work to assign meaning to a change initiative is of highest interest to the franchisor.

The analysis revealed that franchisees' social processes of interaction mainly affect their sensemaking. A distinction between lateral and vertical processes of interaction enabled a deeper analysis of processes within and across their organizational boundaries. So far only few authors analyzed the social process of interaction during sensemaking (Balogun and Johnson, 2004; Balogun and Johnson, 2005; Hope, 2010). In contrast to studies on intra-organizational change, it was shown that franchisees mainly interact within their organizational boundaries when forming change interpretations.

The communication across organizational boundaries with the franchisor was often unidirectional. Thus, not many common sensemaking activities took place, which created the risk of misaligned change interpretations of the franchisor and the franchisee. This finding led to the practical advice to franchisors to align their interpretations with the franchisees' through more common sensemaking activities during the change design and implementation. The involvement of franchisees creates trust and legitimacy, and thus it increases the chances of a positive change outcome.

In accordance with other studies (Gioia and Chittipeddi, 1991), the findings of this thesis show how the integration of shared and unquestionable goals into the vision formulation creates positive change interpretations at the franchisee.

The thesis also finds similarities to studies, which identify the observation of change outcomes as additional input for sensemaking activities (Maitlis and Christianson, 2014). The identification of underlying similarities in phenomena increased the internal validity and generalizability of this thesis, which is especially important in theory building as the number of cases is limited. The differences to previous studies underline the relevance of the study conducted.

Future research should aim to better understand the overall sensemaking-sensegiving process for all actors during inter-organizational change.

## References

- Balogun, J. From blaming the middle to harnessing its potential: Creating change intermediaries. *British Journal of Management*, 14(1):69–83, 2003.
- Balogun, J. and Johnson, G. Organizational restructuring and middle manager sensemaking. *Academy of Management Journal*, 47(4):523–549, 2004.
- Balogun, J. and Johnson, G. From intended strategies to unintended outcomes: The impact of change recipient sensemaking. *Organization Studies*, 26(11):1573–1601, 2005.
- Bartunek, J. M. Changing interpretive schemes and organizational restructuring: The example of a religious order. *Administrative Science Quarterly*, pages 355–372, 1984.
- Bartunek, J. M., Krim, R. M., Necochea, R., and Humphries, M. Sensemaking, sensegiving, and leadership in strategic organizational development. *Advances in Qualitative Organizational Research*, 2:37–71, 1999.
- Basu, K. and Palazzo, G. Corporate social responsibility: A process model of sensemaking. *Academy of Management Review*, 33(1):122–136, 2008.
- Burns, T. and Stalker, G. M. *The management of innovation*. London: Tavistock, 1961.
- Cameron, K. S. and Quinn, R. E. *Organizational paradox and transformation*. Cambridge: Ballinger, 1988.
- Charmaz, K. 'discovering' chronic illness: using grounded theory. *Social Science & Medicine*, 30(11):1161–1172, 1990.
- Clegg, S. R., da Cunha, J. V., and e Cunha, M. P. Management paradoxes: A relational view. *Human Relations*, 55(5):483–503, 2002.
- Cornelissen, J. P. Sensemaking under pressure: The influence of professional roles and social accountability on the creation of sense. *Organization Science*, 23(1):118–137, 2012.
- Cox, J. and Mason, C. Standardisation versus adaptation: geographical pressures to deviate from franchise formats. *The Service Industries Journal*, 27(8):1053–1072, 2007.
- Croonen, E. Trust and fairness during strategic change processes in franchise systems. *Journal of Business Ethics*, 95(2):191–209, 2010.
- Dada, O., Watson, A., and Kirby, D. A. Toward a model of franchisee entrepreneurship. *International Small Business Journal*, 30(5):559–583, 2012.
- Davies, M. A., Lassar, W., Manolis, C., Prince, M., and Winsor, R. D. A model of trust and compliance in franchise relationships. *Journal of Business Venturing*, 26(3):321–340, 2011.
- Eisenhardt, K. M. Building theories from case study research. *Academy of Management Review*, 14(4):532–550, 1989.
- Ford, J. D. and Ford, L. W. Logics of identity, contradiction, and attraction in change. *Academy of Management Review*, 19(4):756–785, 1994.
- Garfinkel, H. *Studies in ethnomethodology*, Englewood Cliffs NJ: Prentice Hall, 1967.
- Gioia, D. and Thomas, J. Institutional identity, image and issue interpretation. *Administrative Science Quarterly*, 41(3):370–403, 1996.
- Gioia, D. A. and Chittipeddi, K. Sensemaking and sensegiving in strategic change initiation. *Strategic Management Journal*, 12(6):433–448, 1991.
- Glaser, B. and Strauss, A. *The discovery of grounded theory*, London: Wiedenfeld and Nicholson, 1967.
- Guest, G., Namey, E., and Mitchell, M. *Collecting qualitative data – a field manual for applied research*, Beverly Hills CA: Sage Publications., 2013.
- Helms Mills, J., Thurlow, A., and Mills, A. J. Making sense of sensemaking: the critical sensemaking approach. *Qualitative Research in Organizations and Management: An International Journal*, 5(2):182–195, 2010.
- Hernes, T. and Maitlis, S. *Process, sensemaking and organizing*, Oxford: Oxford University Press., 2010.
- Hope, O. The politics of middle management sensemaking and sensegiving. *Journal of Change Management*, 10(2):195–215, 2010.
- Langley, A. Strategies for theorizing from process data. *Academy of Management Review*, 24(4):691–710, 1999.
- Lewis, M. W. Exploring paradox: Toward a more comprehensive guide. *Academy of Management Review*, 25(4):760–776, 2000.
- Louis, M. R. Surprise and sense making: What newcomers experience in entering unfamiliar organizational settings. *Administrative Science Quarterly*, pages 226–251, 1980.
- Lüscher, L. S. and Lewis, M. W. Organizational change and managerial sensemaking: Working through paradox. *Academy of Management Journal*, 51(2):221–240, 2008.
- Maitlis, S. The social processes of organizational sensemaking. *Academy of Management Journal*, 48(1):21–49, 2005.
- Maitlis, S. and Christianson, M. Sensemaking in organizations: Taking stock and moving forward. *Academy of Management Annals*, 8(1):57–125, 2014.
- Miles, M. and Huberman, A. M. *Qualitative data analysis*, Beverly Hills CA: Sage Publications, 1984.
- Milliken, F. J. Three types of perceived uncertainty about the environment: State, effect, and response uncertainty. *Academy of Management Review*, 12(1):133–143, 1987.
- Pettigrew, A. M. Longitudinal field research on change: Theory and practice. *Organization Science*, 1(3):267–292, 1990.
- Polanyi, M. Sense-giving and sense-reading. *Philosophy*, 42(162):301–325, 1967.
- Polkinghorne, D. E. *Narrative knowing and the human science*, Albany NY: State University of New York, 1988.
- Putnam, L. L. Contradictions and paradoxes in organizations. *Organization-Communication: Emerging Perspectives*, 1(151-167), 1986.
- Rouleau, L. and Balogun, J. Middle managers, strategic sensemaking, and discursive competence. *Journal of Management Studies*, 48(5):953–983, 2011.
- Salancik, G. R. et al. Commitment and the control of organizational behavior and belief. *New Directions in Organizational Behavior*, 1:54, 1977.
- Schutz, A. *The phenomenology of the social world*. Northwestern University Press, 1967.
- Sonenshein, S. We're changing—or are we? untangling the role of progressive, regressive, and stability narratives during strategic change implementation. *Academy of Management Journal*, 53(3):477–512, 2010.
- Van Maanen, J. The fact of fiction in organizational ethnography. *Administrative Science Quarterly*, 24(4):539–550, 1979.
- Vince, R. and Broussine, M. Paradox, defense and attachment: Accessing and working with emotions and relations underlying organizational change. *Organization Studies*, 17(1):1–21, 1996.
- Weber, M. S., Thomas, G. F., and Stephens, K. J. Organizational disruptions and triggers for divergent sensemaking. *International Journal of Business Communication*, 52(1):68–96, 2015.
- Weick, K. E. *Sensemaking in organizations*, volume 3. Sage, 1995.
- Westenholz, A. Paradoxical thinking and change in the frames of reference. *Organization Studies*, 14(1):37–58, 1993.
- Yin, R. *Case study research (3rd edition)*, Beverly Hills: Sage Publications, 2003.