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BUSINESS MODELLING STRATEGIES: CASE FOR AUSTRALIAN REAL ESTATE FRANCHISE INDUSTRY

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ABSTRACT

Purpose – As a widely accepted business system with over 3400 real estate agency franchises in operation throughout Australia, franchised organisations are experiencing strong competition in the market place from non-franchised organisations. The focus of this research is on highlighting similarities and differences in operational strategy with a specific reference to organisational value creation.

Design/methodology/approach – Based on survey methodology, this research gathers pertinent information across different real estate agency business models found in operation throughout Australia. Positioning in operational strategy is examined to show parallelism in business strategy.

Findings – Initial findings suggest franchised and non-franchised business models adopt very similar strategies in operational structure and market positioning. On the other hand operational focus and structural adjustment are shown to vary across the franchised and non-franchised business models examined.

Practical Implications – This paper addresses three significant factors for consideration of real estate agency franchising phenomenon. In the first instance it furnishes the scarce body of knowledge with investigation into the capacity of franchise business model to survive and continue to deliver excess financial returns. Secondly, it considers the concept of franchising as having a boundless future and, lastly, it considers the possibility of a franchising business model as being potentially bounded from a structurally operational perspective.

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

Keywords – *Value Capture, Value Creation, Competitive Advantage, Resource Strategy, Innovation and Technology*

INTRODUCTION

Franchising is described simply as a method which allows for expansion of a business and distributing the goods and/or services through a contractual arrangement. In business format franchising, which is applicable to the service based industries such as real estate, the method is augmented to include business systems as well as trademark and brand.

As a service based industry, real estate is adorned with independently owned and mostly locally operated firms which have historically characterised the Australian residential real estate sector. It is becoming a widely accepted fact that since the inception of the franchising concept, the business format has indeed grown exponentially within this industry sector. Its success is predominantly due to the service oriented nature of the real estate industry as well as the existence of contrary yet complementary scales of business operation between the provision of service and development of a business goodwill attached to it that real estate industry lends itself rather well to this business format (Anderson et al. 1998; Caves & Murphy 1976).

It follows that franchising as a business strategy has been widely recognised and embraced in Australia based on its innate ability to provide those with the entrepreneurial tendencies with a prosperous vehicle towards capitalising on the partnership potential between innovation and profit making (Frazer et al. 2014, Wright & McAuley 2011). Furthermore franchising major drawcard lies in the inherent ability to offer those with entrepreneurial approaches to run their businesses from two contrasting perspectives confirming the intangible link between entrepreneurship and franchising.

The latest research produced by Frazer et al. (2014) and contained within the Franchising Australia 2014 report states that there are currently 1160 business format franchisors operating within the franchising sector compared to 1180 in 2012 when the last report was conducted. Unlike in many other countries across the world, Australian franchising sector provides for inclusion of co-operative networks or co-operatives as they are commonly referred to within the sector. Co-operatives are regarded as franchises in a legislative respect although they inherently differ in the type of contractual agreement binding the parties, type of member fees as well as the extent of provision of systems to their network members. The Franchising Australia 2014 report thus estimates that there are some 79000 franchised units operating within the business format system.

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

It is unseemly that franchising phenomenon remains an under-researched field in Australia. As a business format which has attracted much popularity from diverse industry sectors within the Australian economy, the lack of research is truly staggering. Studies conducted to date within Australia have focussed on broad areas such as franchise sector growth attributes (Australian Bureau of Statistics 1994), motivational strategies for international expansion, service quality, franchise survival, and franchise structure (Welch 1989, 1990; McKosker 1989, 1992, 1994, 1996; Frazer 1998, 2001; Frazer & McKosker 1995, 1996), and effects of the Franchising Code on the industry (Lim & Frazer 2002; Weaven & Frazer 2003; Rao & Frazer 2005, 2006). First reports into real estate franchising commenced in late 90’s from Griffith University thus providing reliable source of Australian data. It is only since 2000 that the focus of Australian research progressed to franchising structure which suggests a development of an awareness of franchising strategy as a more complex business format which is able to move beyond its traditional boundaries of operational strategies. Indeed it is established by Price (2000) that there are only a handful of studies that lean towards examination of operational dynamics within franchising. Most studies instead are focussed on adopting a pragmatic approach with a particular perspective which inherently fails to present an in-depth account of franchising as a potentially successful business format on an operational basis.

Thus the design of this study is directed towards the analysis of the operational business modelling strategies adopted by both franchised and non-franchised Australian real estate industry organisations. Specifically this study aims to uncover if there are similarities in operational strategy exhibited by the franchised and non-franchised real estate organisations by paying particular attention to resource mobility and the part it plays in strategy formation. It is envisaged that this paring back of operational strategy will bring to light a better understanding of what lies at the heart of operational structure so that the emergence of alternate business models within the Australian market can be explained. Furthermore undertaking this study will thus furnish the scarce body of literature with explanations of the growing trend towards more unconventional types of business models emerging within the Australian real estate industry sector and the challenges they pose to the franchise business model as having a boundless future as well as the concept of franchising as being boundary-less.

This paper will thus commence with outlining the literature review predominantly concerning organisational resource capabilities in terms of how it provides organisations with competitive advantage in the marketplace. In particular it contemplates the role of resources in organisational propensity to capture as well as create value through technology and innovation. Next the methodology adopted to conduct this study is outlined followed by the findings. Finally the paper will end with a discourse on how the findings impact the Australian real estate industry and provide potential areas of future research.

LITERATURE REVIEW

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

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

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

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

Value Capture and Value Creation

It is suggested that structural changes occurring within the real estate industry are directly responsible for influencing the real estate agency market. This is supported by the recent survey conducted by Real Estate Business (2013) which shows evidence of structural changes taking place in the market by highlighting the divergence in development and uptake of business models which vary substantially from the standard format of franchising, currently regarded as a preferred choice of a format for the independent agencies. By placing a greater weight on the notion of sharing resources without losing independence, trade name and brand, as well as operating procedures and systems is found to be ultimately affecting the product mix, the agency arrangements, and the legal liability of the real estate agencies and thus leading the way for innovative redevelopment and revision of standard business models.

Bulk of the past research has seen scholars focus on resource-based approaches to management and strategy thus attempting to “value” organisations resources or capabilities (Barney 1991, Makadok & Coff 2002). Priem et al.(2012) state that these approaches have significantly impacted on contributing to knowledge in areas of technology, innovation, entrepreneurship and strategic management. In more recent times, scholars are placing the focus more on the demand side of the value equation rather than the “producer” side or resource side. Indeed it is becoming increasingly important to scholars in the strategic management field to view strategy through the widely ignored consumer lens on value creation. Value creation is defined in terms of innovation “that establishes the consumers’ valuation of the benefits of consumption” (cf. Priem 2007 pp. 220) where essentially the issue lies with the concept of value innovation which aims to create “novel and superior buyer value” (Aspara & Tikkanen 2014 pp. 593). On the other hand, value capture is defined as “appropriation and retention of by the firm of payments made by consumers in expectation of future value from consumption” (cf. Priem 2007 pp. 220).

Value creation has been advocated by many scholars in recent times. By using a domestic production model Priem (2007) found that as consumers are able to interact with products or services to realise their own product or service, so can an organisation apply complementary approaches to increase the consumers’ benefits in innovative ways such as increasing the consumers’ ability to experience enjoyment from increasing the consumers’ product knowledge, decreasing the effort required by the consumer to use the product, and increasing internally within the domestic environment the potential for consumer teamwork. Alongside same lines, Gans et al. (2010) found that in order for the producer of value to be able to be embraced as a member of a particular value system, they must first compete with other producers of the same value. It is only after the producer becomes a member of the value system that they can have an opportunity to compete over value capture with the other members of the value system. Similarly Aspara & Tikkanen (2014) showed configuration effects of value capture vs value creation on organisational performance whereby organisations which placed high emphasis on value creation and low emphasis on value capture resulted in higher performance independent of the size of the organisations, whilst when an organisation placed equal emphasis on both value capture and value creation, increased organisational performance was achieved only by larger organisations.

In essence these studies show not only that value creation must come before value capture, it is essential to organisational success that value creation for consumers is included alongside value capture in the organisational strategy.

Unfortunately, there is a distinct lack of research regarding value creation from the demand side in the real estate industry in existence. It is the researcher's belief that the real estate industry as a service based industry is well placed to benefit from implications of demand side value creation. As shown by Spinelli et al. (2004) the real estate industry participants inclusive of consumers or the public are intrinsically interlinked via the services produced by the real estate organisations and as such offer a huge potential for exploring creation of value. Additionally as the industry is focused on people and their intrinsic needs, it is important that the industry stakeholders such as franchisors and franchisees are equipped with foreknowledge in order to accurately assess the consumer preferences as they change depending on the market forces (Priem et al. 2012).

Innovation and Strategy

The extant literature on strategy and innovation points to several concepts amongst which innovation is regarded as the most significant as contributing largely to the rethinking of traditional strategy (Chesbrough & Appleyard 2007) as well as being crucial to business performance on the basis that it represents a means of survival as well as growth (Han et al. 1998). Furthermore research has shown that administrative, product and process innovations are resolutely related to organisational performance (Parnaby 1991). It is further suggested that as organisations respond to global changes, the focus is swiftly shifting to the deployment of technological resources to help build and sustain competitive advantage (Hambrick et al. 1983).

Innovation is defined as "the generation, acceptance and implementation of new ideas, processes, products or services" (cf. Thompson 1965, pp. 36). Furthermore innovation is classified as technical or administrative however technical category is additionally classified into process innovation and product innovation as suggested by Pennings et al. (1994). The distinction between technical and administrative innovation is important as it relates to the distinction between social structure and technology (Evan 1996). This is specifically crucial to the concept of value creation adopted by the real estate organisations.

Chesbrough & Appleyard (2007) are divergent in their approach to strategy by examining the sustainability of business models. They do this by analysing the implications for competitive advantage by way of assessing the effects of innovation, ecosystems, and networks on organisational strategy. They argue that traditional business strategy adopted by organisations to date has led the organisations to behave defensively in the market place by constructing barriers to competition rather than promoting openness. In the light of technological advances, organisations are now beginning to experiment with novel business models "by focusing on harnessing collective creativity through open innovation" (cf. Chesbrough & Appleyard 2007, pp. 57). Thus they argue that this new approach calls for a totally new approach to strategy which they call "open" strategy, where the principles of traditional business strategy are balanced by the innovation.

The implications of open strategy carry over into introduction of new business models where organisations are able to expand their value creation. The new business models must be able to be sustained into the future and they must do this by way of capturing a portion of the value created from innovation. Thus it is suggested that open strategy will in essence balance out value creation and value capture, and it is a significant approach to follow for those who are leaders of innovation.

The concept of open strategy and innovation is of specific interest to this research on the basis that the Australian real estate industry landscape is showing signs of independent organisations following this innovative approach to business modelling. Whilst traditional franchise models are still very much in operation and continue to account for over 52% of the organisations operating under this operational model structure in Australia, there are a growing number of independents which are maintaining their independent status and expanding at the same rate as the franchises (Frazer et al. 2014).

Indeed there is a growing body of evidence to suggest that real estate industry is fast becoming a “technology-based” industry (R. Hedditch 2015, pers. comm, 28 January 2015). This is based on the pretext that the industry is exhibiting a divergence from the traditional view where ownership and control are the main key indicators of strategic success. Instead a growing body of the industry’s stake holders are now seeing potential value to the organisation brought on by acquisition of external resources which are not owned by the organisation in question, but where these resources none the less create value for the organisation in question. Chesbrough & Appleyard (2007) suggest that these external resources tend to be volunteer contributors, innovation communities and ecosystems and other surrounding networks. Iansiti & Levian (2002) embellish on this notion by suggesting that in the modern world the focus of competition is rapidly shifting away from the management of internal resources to the management of resources that are outside of the direct ownership of the organisation. They go on to explain that in networked environments the performance of an organisation is driven to a large extent by structure and characteristics of the network which impact the incorporated behaviours of its partners, competitors and customers.

METHODOLOGY

Sample and Data

This research explores operational strategies employed by franchised and non-franchised organisational forms to ascertain the convergences and divergences in the operational structures and capabilities exhibited by different organisational forms within the Australian real estate landscape. To this end the study collected survey data from a sample of Australia-wide franchised and non-franchised organisations. The sample of 25 real estate organisations was drawn from two separate sources; a specialised industry consultant who was instrumental in providing valuable information regarding the most popular business models found in operation within Australia as well as Real Estate Business (REB) publication which is Australia’s only dedicated daily news for the real estate industry and provides the latest research on essential market intelligence, latest sales and marketing strategies and informed industry developments. As the sample gained is correlated from two separate industry sources assured that the sample was representative of the industry’s intellectual constitution.

To furnish the sample, an invitation to respond to the survey was sent via email to 150 identified respondents consisting of either franchisors/licensors and franchisees/licensees, principals, managing directors and CEO’s of each representative organisational business model. To those that had failed to respond within 14 days, the researcher followed up with a follow up email. In total 30 responses were received back fulfilling the expectation of 20% response success rate was achieved thus fulfilling the adequate representation of the population (Tashakkori & Teddlie 2003). Table 1 illustrates the characteristics of the final sample.

Table 1 – Sample Characteristics

R'dent	Type	Where	Pos'n	Office #	State	Emp #	Revenue $	Org Age
1	F	State	Fsee	MU	VIC	>51 emp	10.01-20mil	11-20
2	F	Local	Fsee	MU	VIC	11-50 emp	5.01-10mil	<5
3	CO	State	Lsee	SU	QLD	11-50 emp	<5mil	21-35
4	IAN	Multi National	MD	SU	NSW	11-50 emp	10.1-20 mil	21-35
5	B	National	COO	MU	AUS	>101 emp	>20.01 mil	<5
6	F	Multi National	Fsee	SU	NSW	<10 emp	<5mil	<5
7	IAN	Multi National	Principal	SU	NSW	<10 emp	>5mil	11-20
8	IAN	Multi National	Principal	SU	VIC	11-50 emp	<5mil	>36
9	IAN	State	CEO	MU	VIC	<101 emp	<20 mil	21-35
10	CO	Local	Lsee	SU	VIC	11-50 emp	n/a	21-35
11	CO	Nat	Lsee	MU	NSW	11-50 emp	5.01-10mil	>36
12	IAN	Local	Director	MU	WA	11-50 emp	10.01-20mil	5-10
13	IAN	State	MD	MU	VIC	>51 emp	n/a	21-35
14	IAN	State	MD	MU	VIC	11-50 emp	5.01-10mil	21-35
15	IAN	Multi National	MD	MU	VIC	11-50 emp	5.01-10mil	5-10
16	IAN	State	MD	MU	VIC	11-50 emp	5.01-10mil	>36
17	JV	State	CEO	MU	WA	>101 emp	>20mil	11-20
18	JV	Local	MD	MU	ACT	51-100 emp	n/a	11-20
19	B	Nat	CEO	MU	AUS	>101 emp	>20mil	<5
20	F	Multi National	Fsor	MU	AUS	>101 emp	>20mil	11-20
21	F	State	CEO	MU	VIC	<50 emp	<5mil	<5
22	F	State	Fsor/CEO	MU	VIC	>101 emp	5.01-10mil	21-35
23	F	Local	CEO	MU	VIC	>101 emp	>20mil	21-35
24	F	Local	Fsor	MU	WA	>101 emp	10.01-20mil	21-35
25	F	State	Fsee	SU	VIC	11-50 emp	10.01-20mil	21-35
26	CO	Multi National	Lsee	SU	NSW	11-50 emp	<5mil	21-35
27	IAN	National	Principal	SU	VIC	11-50 emp	<5mil	21-35
28	F	Multi National	Fsee	SU	SA	11-50 emp	n/a	>36
29	CO	Local	Principal	SU	SA	<10 emp	< 5mil	>36
30	CO	Multi National	Principal/Lsee	SU	VIC	11-50 emp	<5mil	>36

Table Legend:

F – Franchise	SU – Single Unit
CO – Cooperative	F'see – Franchisee
B – Boutique	F'sor – Franchisor
JV – Joint Venture	L'see - Licensee
IAN – Independent Agency Network	MD – Managing Director
MU – Multi Unit	CEO/COO – Chief Executive Officer/Chief Operational Officer

Measures Employed

As previously stated there is no prior research conducted in the area of operational strategy within the real estate industry. To ensure the validity of the survey the questions required thorough analysis by those who are considered to be in the “know” such as industry experts who are enriched with operational knowledge gained through vast experience in the operational field of real estate as well as longevity of exposure to the industry. The researcher therefore utilised a panel of five Australian real estate industry professionals with expertise in the operational strategy employed by real estate organisations to ensure the survey content was representative of the study aim as well as to ensure that all study respondents are able to easily understand the content as well as the context of the questions.

The survey consisted of three distinct parts, each designed to glean a general perspective on the operational strategy employed by each business model, whether franchised or non-franchised. First part focused on operational structure, second part was dedicated to exploration of operational dynamics, and lastly third part provided an insight into the drivers of operational strategy adopted by the selected respondents. The response scale utilised was a 7-point Likert scale, with 1 = “nil importance” and 7 = “extremely high importance” as cornerstones. Table 2 describes the independent variables used in the survey.

Table 2 – Independent variables – Survey

Set of Questions	***Operational Strategy***	**What are the similarities and differences between franchised and non-franchised business models?**
	Driving factors for success	
	Performance measures	
	Operational focus	
	Brand value	
	Resource capability	
	IT	
	Structural adjustment	
	Organic growth	

The responses from the survey were initially disseminated according to whether the respondent organisation is franchised and non-franchised in order to even out the received responses. As such franchises and co-operative organisations were classified under a franchised category whilst boutique agencies, independent agency networks and joint venture agencies were allotted to the non-franchised category. Data was thus analysed using the Spearman’s coefficient correlation technique and ANOVA single factor technique to highlight areas of convergent operational strategy.

FINDINGS

In order to ascertain the presence of a relationship between the franchised and non-franchised respondent organisations, spearman’s correlation analysis was applied to selected independent variables displayed in Table 3. The correlation findings are exhibited in Table 3 and point to a very strong presence of a relationship between the two categories in terms of operational capabilities. Broad areas of structural adjustment and operational focus were highlighted as showing lesser strength however showing a positive correlation. The correlation findings thus insinuate a strong parallelism in operational strategy between franchised and non-franchised organisations.

Table 3 – Spearman's Coefficient: Franchised vs Non-Franchised

	Independent Variables	*Correlation Coefficient*
Operational Capabilities	Organic Growth	0.954
	Structural Adjustment	0.332
	IT	1
	Resource Capability	0.853
	Success Drivers	0.838
	Operational Focus	0.524
	Performance Measures	0.896
	Brand Value	0.677

Delving further, anova single factor analysis was appropriated on the extended contributing factors highlighted under each independent variable outlined in Table 4. Table 4 thus displays findings appropriated according to a mean comparison test between franchised and non-franchised organisational categories. It can be seen from the findings that whilst many of the extended independent variables measured intimate vast similarities between the categories, differences are spotlighted in shaded areas and pertain to company specific organic growth, structural adjustment due to changes in fiscal and political policies, current level of information technology employed by each category, access to financial resources and lastly, the access to managerial capabilities.

Table 4 - ANOVA Single Factor Analysis: Franchised vs Non-Franchised

	Independent Variables	*Franchised (Mean)*	*Non-Franchised (Mean*	*p-Value*	*F*	*F crit (α = 0.05)*	*F crit (α = 0.10)*
Organic Growth	Company Specific	5.6	6.3	0.093	3.031	4.196	2.893
	Industry Wide	4.8	4.7	0.859	0.031	4.210	2.901
	Australia's Current Economy	4.8	5.1	0.529	0.406	4.196	2.893
	Australia's Future Economy	4.5	4.8	0.535	0.394	4.196	2.893
	International Factors	2.9	2.8	0.783	0.077	4.210	2.901
Structural Adjustment	Fed Gov Monetary Policies	4.7	3.8	0.282	1.199	4.196	2.893
	Fed Gov Fiscal Policies	4.6	3	0.028	5.321	4.196	2.893
	Fed Gov Political Policies	4.3	2.8	0.033	4.983	4.196	2.893
	Fed Gov Legislative Policies	4.5	4.7	0.808	0.059	4.210	2.901
	Industry Related Policies	4.7	4.9	0.763	0.093	4.196	2.893
IT	Current IT	5.6	6.3	0.093	3.031	4.196	2.893
	Future IT	4.8	4.7	0.939	0.005	4.196	2.893
Resource Capability	Financial	4.5	5.6	0.043	4.460	4.196	2.893
	Operational	*5.3*	*5.9*	0.27	1.264	4.196	2.893
	Strategic	6.1	6.3	0.42	0.669	4.226	2.909
	Managerial	6.1	6.6	0.151	2.172	4.196	2.893
Success Drivers	Values	6.6	6.6	0.938	0.006	4.196	2.893
	Brand	5.9	6.3	0.307	1.081	4.196	2.893
	Economies of Scale	5.6	4.9	0.116	2.623	4.196	2.893
	People	6.8	6.9	0.603	0.275	4.196	2.893
	Innovation	6.2	6.5	0.295	1.138	4.196	2.893
	Robustness	5.8	6.3	0.285	1.186	4.196	2.893
	Niche Market	5.3	4.8	0.476	0.521	4.196	2.893
Operational Focus	ROI	5.9	5.8	0.821	0.052	4.196	2.893
	Profit	6.3	5.9	0.281	1.208	4.196	2.893
	Geographical Presence	5.6	5.1	0.362	0.856	4.196	2.893
	Market Saturation	5.2	6	0.102	2.85	4.196	2.893
	Local Knowledge	6.3	6.6	0.445	0.601	4.196	2.893
	Transmission of Information	5.9	5.7	0.663	0.194	4.196	2.893
	Levels of labour force etc	5.9	5.7	0.393	0.749	4.196	2.893
	Rates of Activity	4.9	5.6	0.227	1.526	4.196	2.893
Performance Measures	Productivity	6.3	6.4	0.529	0.406	4.196	2.893
	Quality	6.6	6.6	0.969	0.001	4.196	2.893
	Time To Market	5.6	6.1	0.381	0.791	4.196	2.893
	Customer Satisfaction	6.8	6.9	0.408	0.704	4.210	2.901
	Profitability	6.5	6.3	0.503	0.46	4.196	2.893
Brand Value	Organisational Culture	6.1	6.2	0.794	0.069	4.196	2.893
	Public Perception	6.1	6.6	0.131	2.421	4.196	2.893
	Identity	5.3	5.1	0.853	0.035	4.196	2.893
	Reflection of Self Values	5.6	5.1	0.385	0.777	4.210	2.901
	Reflection of Business Values	6.0	5.9	0.741	0.111	4.210	2.901
	Managerial Capability	5.7	6.5	0.09	3.090	4.196	2.893

As franchised organisations are larger networks with generally higher ability to capitalise on economies of scale due to their large size, they tend to have a greater advantage over the non-franchised organisations. However despite this advantage the franchised organisations are subject to higher legislative requirements and as such are more concerned with fluctuations occurring in political and fiscal arenas resulting in changes in federal government. On the other hand their vast size provides them with an unparalleled advantage over the non-franchised organisations when it comes to having greater access to financial resources which enables them with an ability to attract and invest in managerial talent as well as invest more heavily in information technology.

DISCUSSION

At the core of the body of knowledge lies the notion of resources and its significance in the operational design of real estate organisations. The notion of resources, their acquisition, distribution and transformation within the organisational scope of operations bears vast implications on not only why real estate organisations choose to franchise but also contribute immensely towards offering plausible explanations as to how organisations create and capture value and thus achieve competitive advantage as an integral part of operational strategy.

The study findings show evidence in the Australian modern market place of the effects of external influences affecting the strategic approaches adopted by the real estate organisations. The presence of ever changing economic conditions, rise of political uncertainty and the meteoric rise of technological advances are directly responsible for the key stakeholders in the real estate industry to reassess and re-evaluate the choice and structure of the business model (Ivanov 2014). This is in support of findings produced by Real Estate Business (2013) which found that there is a visible growing trend for “a strong performance of networks with business models outside of the traditional norm”. Whilst it is still the case of the franchised networks being in main control of the market share, there is a nevertheless a growing trend towards more complex “hybrid” type business models being adopted by independent organisations sprouting in the market place.

These recent developments in the market place spurred on by challenging economic conditions and scarcity of capital resources provide key indicators of the growing trend of finding a sustainable model of operation where benefits such as resource sharing, risk mitigation and increased market efficiency point to entrepreneurs opting for “interdependence” rather than independence (Flint-Hartle & de Bruin 2008).

On an organisational level, information technology is affecting the strategy employed by organisational forms. This is evident in the study findings with the non-franchised organisations placing a greater weight on the level of current information technology which spans acquisition and implementation of technological systems designed to improve organisational performance such as state of the art contact databases. As such organisational forms which are able to adopt such arrangements are regarded as being more flexible. In the light of this, flexibility in the organisational form is viewed as an advantage as it promotes a fast response to innovative processes which enables them to compete more effectively in changing environments brought on by economic volatility such as globalisation, uncertainty and changes in labour and consumer sectors (Halal 1989).

Chesbrough & Appleyard (2007) argue that as a result of technological advances organisations are more likely to sustain competitive advantage through harnessing collective creativity offered by the concept of open innovation. Thus they claim that strategy should be approached from a purely new direction where the principles of traditional business strategy are balanced by the innovation. Furthermore they claim that adoption of open strategy allows organisations to freely experiment with novel business models so that they can expand their value creation potential.

The concept of open strategy and innovation is of specific interest to this research on the basis that the Australian real estate industry landscape is showing signs of independent organisations following this innovative approach to business modelling. Whilst traditional franchise models are still very much in operation and continue to account for over 52% of the organisations operating under this operational model structure in Australia, there are a growing number of independents which are maintaining their independent status and expanding at the same rate as the franchises (Frazer et al. 2014). Furthermore there is evidence to suggest that Australian stake holders are forming partnerships where the type and mix of ownership is highlighted in the operational strategy. For example where there was a burgeoning need to comply with the franchisor's set of operating guidelines, there is now instead a decreasing need for compliance with the franchisor and an increasing need to maintain independence while still benefit from an operational alliance with a network of organisations. Similarly there is less of an emphasis placed on the traditional notion of stability created through conformity and uniformity and a much greater emphasis placed on using innovation from different strategic markets to gain essential knowledge for expansion and growth as is particularly evident with the non-franchised organisations.

The significant implications of research into computing industry by Iansiti & Levian (2002) point to the existence of complex networks of organisations as a common feature of the modern business world. The insurgence of innovative independent business models flooding the real estate industry is a testament to this theory. Whereby the traditional Australian real estate business landscape consisted of dominant franchises and less dominant independent operators, the onset of technology and innovation has seen many independent organisations become as operationally sufficient as franchises. The emphasis today appears to evolve around strengthening the organisational knowledge base through indirect ownership of resources and operational flexibility. Independent organisations are surging ahead with forming alliances and partnerships with other similar organisations and thus shifting the competition focus to external sources. Indeed these organisations are instrumental in forming external networks where they can source innovative ideas and thus improve their performance.

The findings point to a greater reliance of non-franchised or independent organisations on managerial capabilities than franchised organisations predominantly as franchised organisations have greater access to resources to invest in attracting managerial talent generally through acquiring established independent offices. As franchised organisations apply standardisation across their network, this negates the opportunity for flexibility and it is the ability to be flexible in the marketplace that provides non-franchised or independent organisations to respond more freely to changes. This affirms the previous research findings that organisations in general can through established operational routines and flexibility in allowing managerial decisions facilitate coordination of resources more effectively and efficiently within the scope of the organisational network. It can then be concluded that the Australian real estate landscape is embedded in the essence of the resource based theory which revolves around managerial capability to use the organisational knowledge base and operational capabilities to obtain resources to achieve and preserve competitive advantage (Combs et al. 2004).

The findings also point to a high degree of operational strategy involving the concept of value capture. Diversification into external resource markets by the non-franchised category of organisations has provided these organisations with an ability to gain competitive advantage. Such innovative principles also point to the vast opportunity to tap into the exploration of value creation. The real estate organisations capture value in essentially two main ways; in the first instance by relying on the consumer's willingness to pay for their services whether it be renting and/or leasing property, selling and/or buying property, marketing the property, negotiating a sale or advising and/or appraising potential properties for sale and/or lease. In the second instance by acquiring resources through direct or indirect ownership depending on the market forces driving the market structure. There is huge potential for the real estate organisations to create value also. As shown by Spinelli et al. (2004), the real estate industry is intrinsically focused on people and their inherent needs, and as such it is important that the industry stakeholders such as franchisors and franchisees include value creation alongside value capture in their organisational strategy and thus be in the position to improve organisational profitability by accurately assessing the consumer preferences as they change depending on the market forces.

CONCLUSION AND FUTURE DIRECTIONS

The study shows a parallel operational strategy approach is adopted by both franchised and non-franchised categories of organisations found in operation across Australia. The onset of technological change, increased dependence on acquisition and implementation of technological systems, and fluctuating economic conditions and governmental changes have led to independent or non-franchised real estate organisations to become innovative in their operational strategy and as a result are able to compete on the same level as their franchised counterparts.

This development is in stark contrast to not so distant past when the franchised organisations enjoyed the operational monopoly over the non-franchised independent organisations. Ability to not only acquire resources from external resource markets but also distribute and transform the resources across the organisational network through deployment of operational flexibility is shown to be the main factor in achieving competitive advantage for the non-franchised organisations.

Furthermore the study is a testimony to the proof that Australian real estate industry stake holders are employing innovative practices through forming partnerships which are breeding high flexibility in the operational sense where ownership of resources and control over the organisational network are highlighted as indicators of strategic success. This development follows the notion of open innovation where organisations can benefit from an operational alliance with other organisations or a network of organisations to gain competitive advantage.

Whilst there is plethora of evidence to suggest that both franchised and non-franchised organisational categories adopt value capture in their organisational strategy, there is also an indication of some value creation principles being deployed within their operational strategy. To this end it can be said that there is scope to explore the concept of value creation in greater detail through the demand side of value creation by looking through the consumer lens. As consumers are said to be the arbiters of value so the real estate organisations with their inherent focus on people and their needs are well positioned to reap the benefits of involving innovative practices to create value for the consumers and thus aid value capture in improving the organisational profitability.

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