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FACTORS INFLUENCING SUSTAINABILITY OF FOOD AND BEVERAGE FRANCHISEE'S BUSINESSES IN MALAYSIA

Fauziah Samsudin¹, Razli Che Razak², Nurul Hafizah Mohd Yasin³

¹ Universiti Malaysia Kelantan, Malaysia
Email: fauziah.p14e011p@siswa.umk.edu.my

² Universiti Malaysia Kelantan, Malaysia
Email: razlicr@umk.edu.my

³ Faculty of Hospitality, Tourism and Wellness, Universiti Malaysia Kelantan, Malaysia
Email: hafizah.my@umk.edu.my

* Corresponding Author

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Abstract:

The growth of the franchise business in Malaysia has significantly contributed to the national economy, amounting to approximately RM30.03 billion of the Malaysian gross domestic products (GDP), compared to RM10.02 billion in 2009. However, in terms of GDP percentage contribution, the results have been inconsistent. According to the International Franchise Association (2022), approximately 32,700 franchised businesses in Malaysia shut down within the first six months following the COVID-19 outbreak as of August 2020. Without major government advocacy, it is predicted that another 36,000 franchised units may not survive. Previously, the Malaysian government aimed to increase the number of franchise outlets from 10,720 in 2010 to 76,010 outlets in 2020, with an expected creation of 150,800 jobs and a projected GDP growth contribution of 9.4% (KPDNKK, 2016). To sustain this growth in the 21st century, franchise entrepreneurs must foster sustainable creative value while navigating the challenges of an evolving business environment and adapting to the global innovation process. Both internal and external limitations affect business survivability. This paper aims to explore franchise models by analysing different dimensions and strategies related to franchise business sustainability goals. Agency Theory, Resource-Based View (RBV) Theory, and Contingency Theory are integrated to examine the potential relationships between key variables and to develop a comprehensive research framework. A total of 241 franchisee companies from the food and beverage sector in Malaysia participated in this study. Data was collected through surveys and analysed using SPSS and Partial Least Squares (PLS) procedures to test the study's hypotheses. This study contributes to both theoretical and practical knowledge by offering a robust research framework. It provides a clear understanding of the impact of selected variables as strategic factors

influencing franchisee business sustainability. The findings can be beneficial for companies and academicians in developing effective strategies for the franchise industry.

Keywords:

Business, Characteristics, Environment, Franchisee, Sustainability

Introduction

The global community is increasingly focused on business sustainability, exemplified by the International Conference on Business held in Dubai in 2022. This conference aimed to unite prominent academic scientists, researchers, and scholars to exchange insights and share their findings on various facets of innovation, technology, art, and the cultural dimensions of business in the pursuit of sustainability. The rise in popularity of franchise business models has surged in tandem with the intensification of globalization.

As both a commercial and social paradigm, franchising offers a myriad of economic and social advantages, including job creation, economic advancement, and the proliferation of entrepreneurship (Alon, 2019). In the realm of franchising, the global economy is significantly shaped by the obligations of franchisors and franchisees, commencing with the strategic imperatives of business frameworks, including employment innovation, economic modernization, entrepreneurial advancement, capacity enhancement, and skills development. According to Dant and Grinhagen (2014) and ITA (2016), this business strategy has been employed for over a century by numerous enterprises to expand their operations. Hanim (2014) further noted that the franchise system serves as an exceptionally efficient distribution channel, enabling customers to access products or services with ease through franchisees. However, the National Employment Report (ADP) indicates a decline in franchise employment growth, which fell to 3.1% in 2017 from 3.6% in 2016. Broadly speaking, the report from the Bureau of Economic Analysis (BEA; 2017) reveals that real GDP growth was adjusted downward to 3.2%, reflecting a concerning trend within the franchise industry (IFA, 2018). The international franchise business outlook for 2018–2022 is illustrated in Table 1. According to the data, the output of franchise firms diminished significantly from 16.3% in 2021 to 4.9% in 2022.

Table 1: International Franchise Business Economic Outlook: 2018-2022

Year	2018	2019	2020	2021	2022
Establishment	760.476	773,603	753,770	774,965	792,014
Percentage change		1.7	-2.6	2.8	2.2
Employment	8,274,532	8,503,661	7,532,305	8,192,600	8,449,162
Percentage change		2.8	-11.4	8.8	3.1
Output (\$ billions)	767.1	794.2	677.2	787.7	826.6
Percentage change		3.5	-14.7	16.3	4.9
GDP (\$ billions)	452.1	473.4	446.3	474.2	501.0
Percentage change		4.7	-5.7	6.2	5.7

Source: IFA,2022.

In Malaysia, franchise business arrangements have flourished for over four decades. The food and beverage franchise sector plays a pivotal role in bolstering Malaysia's economy, creating employment opportunities, generating revenue, and contributing significantly to the nation's GDP. This underscores the franchise sector's substantial contribution to Malaysia's GDP, highlighting its significance to the national economy. The Contribution of Malaysia's Franchise Revenue Towards GDP is illustrated in Table 2. According to this statistic, Malaysia's GDP experienced a decline of 7.62% from 2019, amounting to USD\$337.34 billion in 2020. The GDP percentage rose between 2009 and 2010, while from 2011 to 2020, it displayed erratic fluctuations and a continuous decline as a proportion of the national GDP.

Table 2: Contribution of Malaysia's Franchise Revenue Towards GDP

<u>NO</u>	<u>YEAR</u>	<u>FRANCHISE CONTRIBUTION TO GDP (\$ Billion)</u>	<u>NATIONAL GDP (\$ Billion)</u>	<u>% GDP Growth</u>
1	2020	35.00	337.34	-5.53%
2	2019	32.00	365.18	4.41
3	<u>2018</u>	<u>30.03</u>	358.79	4.84
4	<u>2017</u>	<u>27.00</u>	319.11	5.81
5	<u>2016</u>	<u>26.60</u>	301.26	4.45
6	<u>2015</u>	<u>26.80</u>	301.35	5.09
7	<u>2014</u>	<u>26.15</u>	338.06	6.01
8	<u>2013</u>	<u>24.60</u>	323.28	4.69
9	<u>2012</u>	<u>23.40</u>	314.44	5.47
10	<u>2011</u>	<u>21.48</u>	297.95	5.29
11	<u>2010</u>	<u>22.34</u>	255.02	7.42
<u>12</u>	<u>2009</u>	<u>10.02</u>	202.26	<u>-1.51</u>

Source: MFA and KDPNHEP,2021; World Bank, 2022

Literature Review

Understanding the Concept of Food and Beverage Franchising

A robust business strategy is imperative for a thriving franchising concept, and numerous insights have emerged that elucidate the factors contributing to a business's franchisability and its attractiveness for investment. It is essential to present a succinct overview of the critical components of the franchising enterprise within the food and beverage sector to establish a common understanding. In Malaysia, the food and beverage sector represents the largest segment of the franchise industry. As reported by FIM (2018), in Malaysia, the top four franchise markets by sector in 2018 were dominated by the food and beverage sector (40.30%), followed by Others (12.30%), Services (11.0%), and Clothing (10.70%). According to Bradach (1998), Quinn and Alexander (2002), Michael (2003), and Kaufman et al. (2007), certain fundamental characteristics are prevalent among chain restaurants and retail organizations that engage in franchising, including the shared identity of their 'physical outlets,' the formalization of product and service protocols, and the utilization of diverse outlet sizes distributed across various geographic locations. These trademarks are also prevalent among local franchise establishments such as Secret Recipe, Burger King, Tea Live, and others. According to Jayakumar and Samad (2011), the standardization of products and services affirms that all outlets within franchised restaurants are capable of delivering a benchmark experience to customers. For instance, the food and beverage franchise sector exemplifies the standardized nature of organizational activities, such as the daily preparation of fried chicken and burgers at McDonald's outlets. The standardization in product production, as articulated by Hoover et al. (2003), guarantees the quality of the products and services rendered through precise knowledge, ensuring that all outlets and chains provide consistent products and services by adhering to identical sizes, time-frames, and other distinct processes. The expansion of franchise outlets in the food and beverage sector, as noted by Bradach (1998) and Michael (2003), can influence outlets on an international, regional, and local scale. Customers value the convenience of having easily accessible locations (Kaufman et al., 2007). The franchisor's business model format or system must be adhered to and disseminated by the franchisee in order to expand market share and develop a mutually agreed upon satellite location. Given the nature of this service sector, characterized by limited interaction time between agent and consumer, the franchisor requires a robust system for the reliable exchange of comparative information from both franchisor and franchisee. As noted by Eldridge (2011), the franchisor provides ongoing training, marketing resources, and technical support to the franchisee, underscoring the significance of a strong relationship within this business framework. Furthermore, contractually, according to Eldridge (2011), the franchisee is obliged to sign a contract or enter into a formal agreement and pay a nominal annual fee upon joining the franchise network. The duration of the contract pertains to the length of the relationship between the franchisee and franchisor, as well as the time-frame prior to the renewal of the existing contract (Tractenberg et al., 2004). For instance, in Malaysia, the Malaysia Franchise Act 1998 mandates a minimum franchise continuity of five years. Upon selecting a preferred franchise and negotiating a business agreement, the franchisor is compelled to invest time and capital into building the business. In general, to initiate a franchise venture in Malaysia, the start-up costs range from RM85,000 to RM3.5 million. The royalty fee varies depending on the franchisor's brand; for example, the royalty fee for Burger King is approximately 4.5% of total sales (MFA, 2019). The franchisee is required to remit a monthly royalty fee, typically allocated for advertising or promotional expenditures to the franchisor, as stipulated in the franchise business agreement (AFI, 2013).

The Sustainability of Franchisee's Businesses in Malaysia

The long-term viability of franchise enterprises has emerged as a significant focal point in franchise business studies, suggesting that franchisee operations are similarly influenced (Bordonaba-Juste et al., 2011; Weaven et al., 2010). According to Davies et al. (2011), franchising entails a considerable level of risk, as the successful and appealing exploitation of market opportunities heavily depends on the unwavering commitment and meticulous compliance of all partners involved. As posited by Stanworth et al. (2001), the maturity level of a business can also serve as a predictor of the longevity of enterprises operating within a franchise framework. For enhanced security and efficiency in its operations, the franchisor must rigorously test the business's concepts—encompassing sales, marketing, product or service offerings, pricing strategies, and staffing approaches—for a minimum of two years (Stanworth et al., 2001). This process necessitates time for testing and making various enhancements to its business plans (Stanworth, 2001). Moreover, the franchise entity must be capable of achieving its strategic objectives, such as market sales, geographic expansion, and target market penetration, among others (Stanworth et al., 2001). Most franchisees are obligated to commit at least five years to the business concept under current franchise agreements. According to the Observatory of European SMEs (2002), firms that operate for over five years appear to reach a critical juncture. Below Figure 1, illustrates the downward trajectory of the franchise sector in Malaysia. Referencing data from 2015 to 2022, the total number of franchisors in the food and beverage sector decreased from 54 in 2015 to 22 in 2022, reflecting a decline rate of 59.26%.

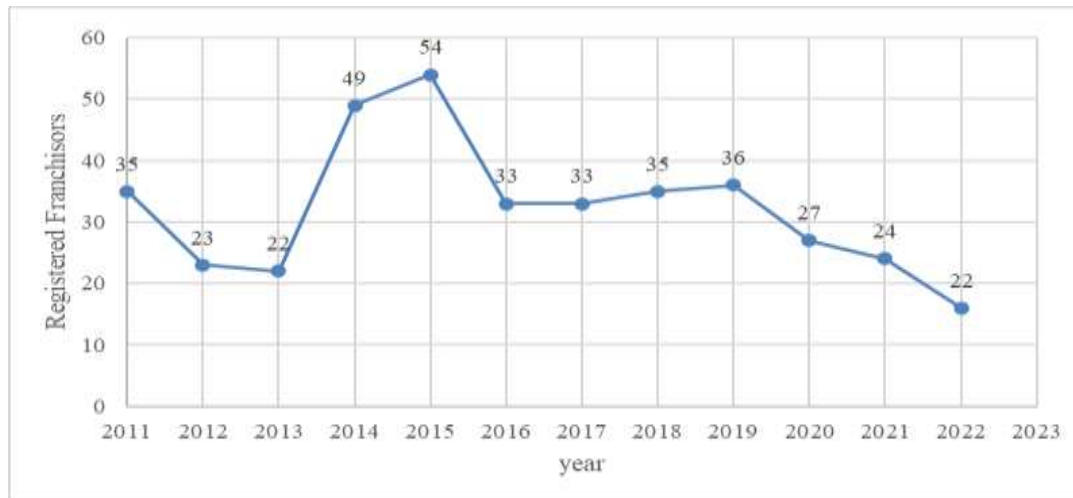


Figure 1: Registered Food and Beverage Franchisors in Malaysia

Source: KPDNHEP, 2022.

Table 3: Malaysian Franchise Industry Statistic (2015 – 2022)

Description	2015	2016	2017	2018	2019	2020	2021	2022
Registered franchise business	749	807	839	850	856	945	1157	1197
Cancel/Termination	NA	NA	0	24	24	39	55	56
Termination %	NA	NA	0%	2.8%	2.8%	4.1%	4.8%	4.7%
Bumiputera	NA	NA	225	236	239	259	214	222
Non Bumiputera	NA	NA	605	628	631	675	475	491
Others	NA	NA	9	10	10	11	413	428

Source: (KPDNHEP, 2022)

Table 3 depicts the diminishing trend of the franchise industry in Malaysia, revealing that the total number of terminated franchise businesses surged by 40% from 2017 to 2019. This indicates a corresponding reduction in the number of franchisees within Malaysia. Consequently, it is imperative to identify and address the underlying causes of these challenges to enhance sustainable business strategies. A survey conducted among franchisors and franchisees during the movement control order and lockdown in Malaysia indicated that the total sales of franchise businesses have plummeted by as much as 80% across all sectors, with 70% of this decline stemming from the food and beverage sector (KPDNHEP, 2021).

The Strength of Agency, Resource Based View and Contingency Theories Applied

As technology, organizational structure, and environmental factors serve as pivotal elements in evaluating business performance and sustainability, the TOE model has been referred to as a guideline model in this study. The TOE model is one of the most significant adoption frameworks at the firm level. This exploratory study employed the TOE model, which was adapted to align with the parameters under investigation. The TOE model identifies three contextual expectations of the firm that significantly influence how technological innovation is adopted, implemented, and utilized. Building on the work of Tornatzky et al. (1990), this study proposes the TOE model to expand and analyze the factors affecting the selection and acceptance of corporate performance and the sustainability of franchisee businesses. The principal-agent relationship between franchisors and franchisees is elucidated through Agency theory. A comprehensive understanding of how conflicts of interest may arise and the formulation of contracts and incentives that effectively balance the interests of both parties is invaluable. Agency theory can facilitate the design of contracts and incentive programs that bolster sustainable practices and enhance performance within the context of food and beverage franchisees' sustainable enterprises. Conversely, Resource-Based View (RBV) theory emphasizes the strategic management of an organization's resources and competencies. In the realm of food and beverage franchisees' sustainable business operations, RBV theory can be instrumental in identifying and leveraging unique assets and skills that contribute to a sustainable competitive advantage. The importance of rare, valuable, distinctive, and non-substitutable resources in driving sustainability initiatives and improving performance is underscored. Contingency theory posits that there is no universal approach to organizational management, asserting that the context in which a strategy is executed determines its efficacy.

This theory can be utilized to uncover the contingent factors that influence the interplay between sustainability practices and performance outcomes in the context of food and beverage franchisees' sustainable business operations. It underscores the critical necessity of aligning sustainability policies with the specific market, regulatory, and environmental conditions that franchisee firms must navigate. The constraints inherent in Agency, Resource-Based, and Contingency theories are likely to impact the relationship between franchisors and franchisees over time. To achieve business stability, entrepreneurs must invest time in comprehending the intricacies of their enterprises and recognizing the variations in trends observed across diverse local markets. According to the theories applied, this research may conclude that, from the perspectives of Agency, RBV, and Contingency theory, franchising serves as a mechanism for businesses to acquire supportive capital, enabling them to realize economies of scale with reduced monitoring costs through equity incentive structures and principles that could influence businesses sustainability.

The Context of Franchisee Characteristics

The contemporary business landscape necessitates a discerning and adept franchisee with the acumen to genuinely comprehend competitive dynamics. A pivotal element in this equation is the franchisee's capabilities, as the franchisor must select a franchisee likely to derive satisfaction from the system. Research indicates that a content franchisee is more collaborative with the franchisor and plays a significant role in the financial success of the franchise organization.

A study conducted by Nyembe (2015) and Rose (2011) underscores the necessity of possessing advanced skills in marketing, operations, and human resources, which must be inherent in every franchisee. In a similar vein, Gorovaia and Windsperger (2013) posited that franchisee performance is contingent upon their own resources and competencies. Moreover, Dada, Watson & Kirkby (2015) assert that franchisees are generally anticipated to exhibit commendable entrepreneurial skills and capabilities in managing their outlets. This study, viewed from the perspective of franchisee characteristics, provides a validated framework to elucidate how franchise companies cultivate a competitive advantage through experience, knowledge management, and knowledge transfer within the organization. The franchisor can enact preventative measures by scrutinizing franchisee quality and employing a rigorous selection criterion for franchisees. This approach mitigates opportunistic behavior, enhances system performance, and reduces long-term monitoring expenditures. The most significant contributors to franchise performance stem from the franchise's substantial and indirect resources, such as management acumen and knowledge within their purview (Gorovaia & Windsperger, 2013). In essence, the capabilities of entrepreneurs profoundly influence their operational methodologies.

The Context of Organizational Management

The selection of an organizational management structure constitutes a pivotal decision undertaken by management, as it bears long-term implications for corporate performance (Sorenson & Sorensen, 2001; Mitsuhashi, Shane, & Sine, 2008). The significance of an organization's role warrants broader exploration in facilitating business sustainability (Ashykin, 2022). An intricately devised strategy, encompassing the empowerment of teams to harmonize their behaviors effectively, is imperative for a company's triumph. Potential franchisees may perceive franchising as a cost-efficient avenue for distribution that fosters an interdependent power-sharing framework while preserving organizational autonomy. Leaders

or managers assume a behavioral role in shaping the conduct of individuals and groups through the cultivation of relationships and effective communication between subordinates and franchisors, all directed toward the attainment of established objectives. In a global context, the digital age and the proliferation of social media networks have engendered unparalleled opportunities for relationship cultivation within organizations. According to Johanson and Vahlne (2003), an organization's international expansion commences with the nurturing of existing partnerships. The firm elects to advance its relationship development incrementally, predicated on the dynamic interplay between knowledge acquisition and commitments, particularly in uncertain environments (Johanson & Vahlne, 1977, 2006, 2009). Should the franchisee organization's constitution prove unsustainable, a substantial enhancement of the company's economic model becomes imperative. The interplay between transformational leadership (where leaders inspire, motivate, and foster innovation) and transactional leadership (where leaders emphasize results and adhere to structured systems) can culminate in heightened job satisfaction for subordinates. Effective communication is paramount for motivating, persuading, or modifying attitudes to realize corporate objectives. Several stages in management communication facilitate the effective conveyance of messages within an organization. Figure 3 illustrates the organizational management disputes and their corresponding indicators.

The Context of Franchisor Support

The role of the franchisor transcends the mere introduction of the franchisee to the business; it encompasses the promotion of the franchise, the vigilant monitoring and regulation of the franchisee's conduct, and the safeguarding of the business and intellectual property's esteemed reputation (Covic et al., 2019a). Franchisor support, which includes training, the efficacy of the operational system, and the brand name, constitutes fundamental characteristics that significantly influence franchisee performance (Ehsan, 2015; Ruiz-Ortega et al., 2013). Michael and Combs (2008) assert that the performance of franchisees is intricately linked to the support rendered by the franchisor. This perspective is corroborated by Minguela-Rata et al. (2012) and Brookes (2014), who contend that ongoing franchisor support is vital for both initial establishment and sustained success. Wu (2015) further underscores that franchise performance is contingent upon the resources provided by the franchisor and the dynamics of the relationship between the two parties. Franchisor support emerges as a critical determinant influencing financial performance and the survival of franchise enterprises on a global scale (Nijmeijer et al., 2014). Franchise networks that deliver a standardized product or service substantially contribute to their overarching success (Watson et al., 2016). Continuous support from the franchisor is imperative for franchisees to uphold elevated performance levels and ensure long-term sustainability. Over time, franchisees may encounter operational hurdles or fiscal setbacks if support and training are not strategically directed toward enhancing profitability (Paswan et al., 2014). It is essential for franchisors to cultivate integrity, trust, commitment, and robust relationships with franchisees to guarantee enduring success. In the absence of adequate support, franchisees may find it challenging to maintain operations, which can adversely affect the overall franchise network (Ruiz-Ortega et al., 2013). The franchisor can impart knowledge—including business operations, store management, marketing, and advertising—through comprehensive training (Gorovaia & Windsperger, 2013). Strategic initiatives aimed at augmenting both tacit and explicit knowledge among franchise entrepreneurs and consultants are crucial in surmounting challenges and enhancing performance (Watson et al., 2016). The below Figure 4, illustrates the nuances of franchisor support and its associated indicators.

The Context of Business Environment

Environmental change is regarded as a principal source of both opportunities and threats within the realm of strategic literature (Liao et al., 2003). Franchise entrepreneurs must cultivate a comprehensive understanding of how to adeptly navigate sustainability challenges, which encompass financial, social, and environmental risks, obligations, and opportunities, to enhance both the immediate and enduring value of their enterprises. Franchise entrepreneurs and their respective outlets are compelled to actively pursue new information, engage in corporate social responsibility initiatives, and develop their operations in accordance with established policies. According to Smith (2014), some entrepreneurs have retreated from the endeavor of challenging the status quo due to insurmountable obstacles. Franchisors also play a pivotal role in spearheading research and development (R&D) initiatives, creating value-added products, and implementing efficient systems to bolster successful franchise operations (Shukri, 2015).

Given the anticipated growth in significance of the restaurant industry, franchisees operating across diverse geographic regions and societal contexts must re-calibrate their business strategies to remain competitive. Functioning within dynamic and competitive landscapes necessitates that businesses cultivate organizational processes for the management of external knowledge (Lev et al., 2009). Franchised outlets must perpetually adapt to environmental fluctuations and harmonize internal and external factors to attain optimal performance. The capacity to adjust to both environmental and organizational transformations is paramount for sustaining business viability and profitability. Should franchisees fail to align their strategies with the evolving market conditions, their enterprises may encounter substantial challenges in achieving long-term success. To bolster profitability, franchisees must implement standardized policies and operational protocols that resonate with their intrinsic motivations. Strategic modifications, such as embracing R&D, value-added offerings, and streamlined business systems, empower franchises to maintain their competitive edge (Shukri, 2015). Figure 5 illustrates the contentious business environment and its associated indicators. This study delves into the intricate relationship between franchisee characteristics, organizational management, franchisor support, business environment, and the sustainability of franchisee operations in Malaysia. Its objective is to furnish a more profound understanding of these interconnections to enhance organizational performance and bolster the long-term viability of franchise enterprises.

Franchisees and franchisors are pivotal in sustaining franchise operations. They must continually benchmark their performance against industry standards and leading competitors to glean insights into network efficacy and exemplary practices (Franchising World, 2017a). The success of franchisees is affected by an array of factors, including technological advancement, innovation, promotional strategies, competitive differentiation, value co-creation, the capitalization of high-return opportunities, as well as empowerment and support (Naidu, Gurmeet, & Jashwini, 2021). In a fiercely competitive business landscape, firms are compelled to operate under conditions that foster robust performance to ensure sustainability. Although the franchise system has thrived over the past decade, businesses must cultivate a high-performance ethos to sustain long-term viability. The evolution of performance measurement has encompassed a diverse array of financial and non-financial metrics over time. Recent research underscores the significance of entrepreneurial orientation within franchise relationships (Dada & Watson, 2013a) and the performance of franchise systems (Dada & Watson, 2013b). Franchisees are indispensable for fostering innovation and generating new

ideas within the franchise framework (Dada, Watson, & Kirby, 2012; Bürkle & Posselt, 2008; Cox & Mason, 2007; Clarkin & Rosa, 2005; Stanworth et al., 2003; Bradach, 1998; Darr, Argote, & Epple, 1995). A superior level of organizational performance is requisite to attain sustainability and enduring success in the franchise sector. To realize sustainability, organizations must cultivate, sustain, and enhance the competencies and knowledge of their teams. Figure 2 shows the conceptual framework for this study.

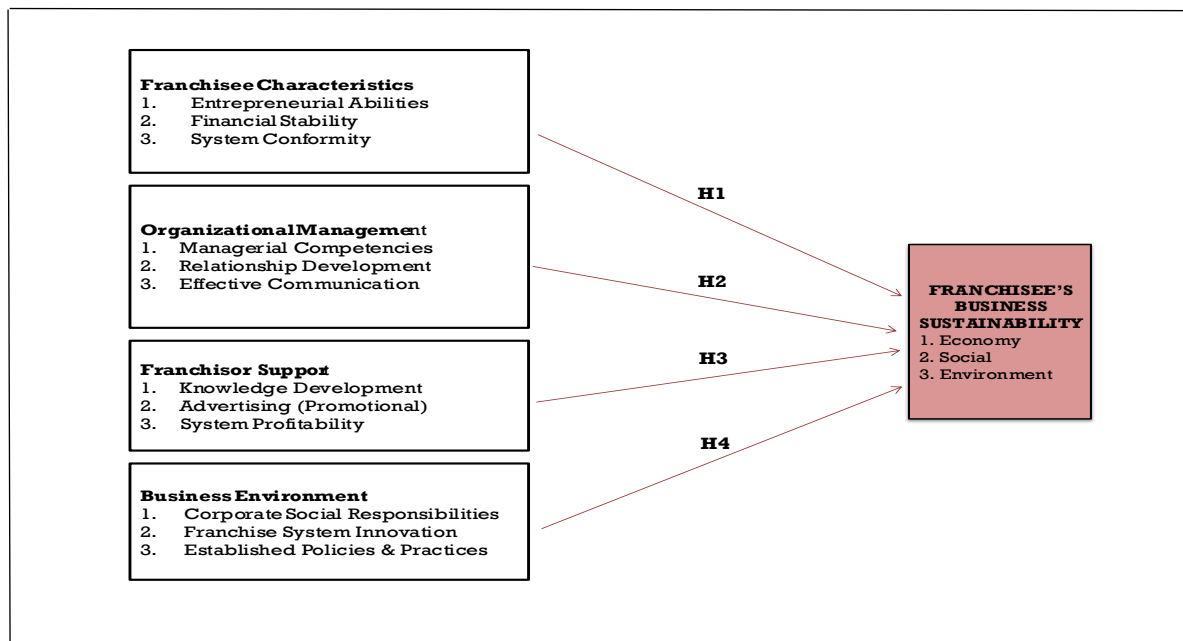


Figure 2: Research Framework

The Research Findings

Table 4: Hypotheses Testing Results

Hypo-thesis	Relationship	Std Beta	Std Error	t-values	P-values	BC LL	BC UL	Decision
H1	Franchisee Characteristics → Franchisee's Business Sustainability (FBS)	0.036	0.096	0.377	0.707	-0.163	0.214	Hypothesis was not supported
H2	Organizational Management → FBS	0.203	0.091	3.533	0.000	0.156	0.511	Hypothesis was supported
H3	Franchisor Support → FBS	-0.165	0.140	1.182	0.237	-0.449	0.097	Hypothesis was not supported
H4	Business Environment → FBS	0.617	0.133	4.635	0.000	0.362	0.893	Hypothesis was supported

Table 4 delineates the results pertaining to the hypotheses of this study. For hypothesis H1, a plethora of studies has underscored the significance of franchisee characteristics—such as entrepreneurial orientation, experience, and personal attributes—in propelling business success and sustainability. The findings contest the prevailing notion that individual traits possess universal significance and advocate for a more nuanced comprehension of their role in diverse cultural and economic contexts. Regarding hypothesis H2, prior studies consistently emphasize organizational management as a pivotal catalyst for business sustainability. Effective management practices, encompassing strategic planning, resource optimization, leadership, and decision-making, have been demonstrated to enhance operational efficiency and long-term viability. The supported result aligns with extant literature, affirming that robust organizational management significantly enhances franchisee business sustainability in Malaysia. Regarding hypothesis H3, numerous studies underscore franchisor support as an essential element for franchisee success, positing that effective support—encompassing initial training, ongoing guidance, marketing, and operational assistance—enhances franchisee performance and sustainability. However, this research did not establish a correlation between franchisor support and franchisee business sustainability. In relation to hypothesis H4, research across various contexts has illuminated the business environment—comprising market conditions, regulatory frameworks, and resource accessibility—as a pivotal factor in business success. Accordingly, this supported result suggests that the business environment has an impact on the sustainability of a franchisee's enterprise. This is in line with recent studies conducted on registered franchisees worldwide, notably in Malaysia. Therefore, it can be said that enhancing in tandem with the existing state of the business environment can prevent a franchisee's firm from failing quickly. Table 5 shows the summary of the research gaps, research questions, findings, conclusions and contributions of the study.

Table 5: Summary of The Research Gaps, Research Questions/Objective, Findings, Conclusion and Contributions

Research Gaps	Research Questions/Objectives	Findings	Conclusion	Contributions
Past research has examined the relationship between franchisee characteristics and franchisee performance in the international setting. Therefore, this study aimed to investigate franchisee characteristics as the cause of food and beverage franchisee's business sustainability in Malaysia.	RQ1: What is the relationship between franchisee characteristics and franchisee's business sustainability? RO1: To examine the relationship between franchisee characteristics and franchisee's business sustainability.	Franchisee characteristics do not affect franchisee's business sustainability.	The finding was not consistent with previous study as earlier researchers who stressed the significance of franchisee characteristics in affecting franchisee business (Gaul, 2015).	Franchisee characteristics was not essential since it has no direct impact on franchisees' firm to maintain their businesses. This could be the result of disparate perceptions of local and worldwide franchise practices on entrepreneurial abilities, financial stability and system conformity.
Past research has examined the Relationship between organisational management and franchisee performance in the international setting. Therefore, this study aimed to investigate organizational management as the cause of food and beverage franchisee's business sustainability in Malaysia.	RQ2: What is the relationship between organizational management and franchisee's business sustainability? RO2: To examine the relationship between organizational management and franchisee's business sustainability.	Organisational management directly affect franchisee's business sustainability.	Increasing organisational management tend to increase franchisee's business sustainability.	Organisations have been driving sustainability, where some efforts have focused on the firm itself and some on how organisations contribute to society such addressing the relationship with customers and vendors.

Table 5: Summary of The Research Gaps, Research Questions/Objective, Findings, Conclusion and Contributions

Research Gaps	Research Questions/Objectives	Findings	Conclusion	Contributions
Past research has examined the relationship between franchisor support and franchisee performance in the international setting. Therefore, this study aimed to investigate franchisor support as the cause of food and beverage franchisee's business sustainability in Malaysia.	RQ3: What is the relationship between franchisor support and franchisee's business sustainability? RO3: To examine the relationship between franchisor support and franchisee's business sustainability	Franchisor support does not affect franchisee's business sustainability.	The finding was not consistent with previous study as earlier researchers who stressed the significance of franchisor support in affecting franchisee business (Ruiz-Ortega et al., 2013 & Asgharian,2015).	Franchisor support is not essential since it has no direct impact on franchisees' firm to sustain their businesses. This could be the result of disparate perceptions of local and worldwide franchise practices on knowledge development, advertising (promotional), and system profitability.
Past research has examined the relationship between business environment and franchisee performance in the international setting. Therefore, this study aimed to investigate business environment as the cause of food and beverage franchisee's business sustainability in Malaysia.	RQ4: What is the relationship between business environment and franchisee's business sustainability? RO4: To examine the relationship between business environment and franchisee's business sustainability.	Business environment directly affect franchisee's business sustainability.	Increasing business environment tend to increase franchisee's business sustainability.	Market circumstances, competition, economic trends, legal requirements, and local demography are all included in the category of business environment variable. A franchisee's company's profitability, expansion, and long-term viability can all be directly impacted by these outside variables.

Research Methodology

The research design for this study delineates the comprehensive plan and strategy for executing the research. This encompasses determinations regarding the research approach, data collection methodologies, sample selection procedures, data analysis techniques, and the overarching structure of the study. A quantitative sampling method is employed in this study, that categorized into cluster random sampling. The population is further segmented into subgroups based on geographic regions: East (Pahang), Central (Selangor), South (Johor), North (Penang), and West Malaysia (Sarawak). Respondents are randomly selected from each region. The study incorporates all franchisees in Malaysia who are registered with the Malaysian Franchising Association (MFA) and I-franchise Malaysia. The instrument for data collection in this study consisted of a series of questions meticulously developed based on prior research and either adopted or modified by experts employing a quantitative approach. The questionnaire was judiciously crafted with a coherent format to facilitate clear comprehension and responses. In this study, a five-point Likert scale was employed in the questionnaire to elicit responses from participants. Each of the items was assessed using a 5-point Likert scale, where 1 signified "strongly disagree" and 5 denoted "strongly agree," as endorsed by Dawes (2008). The five-point scale is unequivocal and straightforward, thus simplifying the interpretative process for participants. The questionnaires were disseminated employing a "face-to-face" strategy, whereby the researcher personally delivered them to each outlet. Figure 3, shows the research design of the study.

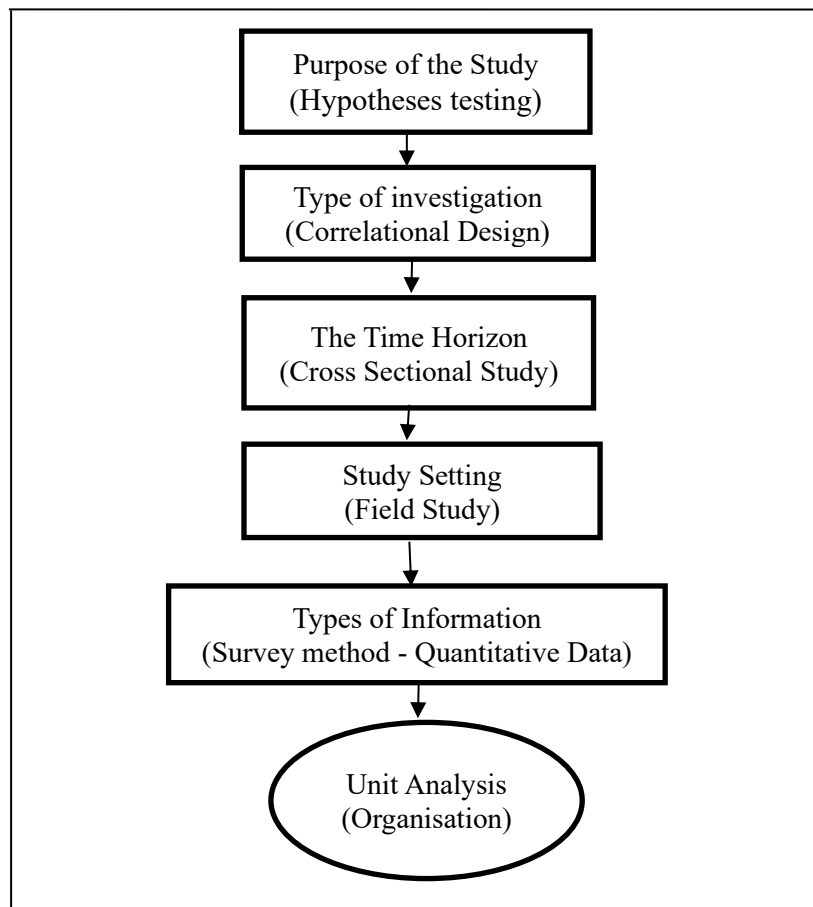


Figure 3: The Research Design

Table 6: The Sample Size of Selected Food and Beverage Franchise Brands in Malaysia

First Stage (Region)	Second Stage (State)	No. of Franchisees	Secret Recipe	Tea live	Subway	Kenny Rogers	Gloria Jean's Coffee
Central	Selangor	313	20	217	55	15	6
South	Johor	105	20	53	26	3	3
North	Penang	91	19	42	25	3	2
East	Pahang	43	14	22	3	2	2
East	Sarawak	41	19	7	8	5	2
Malaysia							
Total		593	92	341	117	28	15

Source: The Malaysia Franchise Association, 2019.

To establish the requisite sample size for this study, the GPower formula was employed, indicating a minimum of 84 samples. However, Salkind (1997) advocates for an additional 50% to account for the anticipated return rate of surveys, culminating in a target sample size of 242. Accordingly, this study aimed to distribute approximately 250 questionnaires, with a sample size range spanning from 84 to 242. Ultimately, 246 questionnaires were returned by participants, of which 241 were deemed usable after meticulous screening for completeness. Given that the sample size resides within the recommended parameters and fulfills the minimum requirements to evaluate the research model, it is considered adequate for estimating population parameters and proceeding with the analysis. This sample was derived from food and beverage franchisees registered with the Malaysian Franchising Association and I-franchise, encompassing prominent brands such as Secret Recipe, Tea Live, Subway, Kenny Rogers, and Gloria Jean's Coffee. To mitigate bias, all questionnaire items were meticulously developed, pre-tested, and grounded in authentic multidimensional concepts, adhering to the recommendations of Simsek et al. (2007). Figure 4 shows the data analysis process.

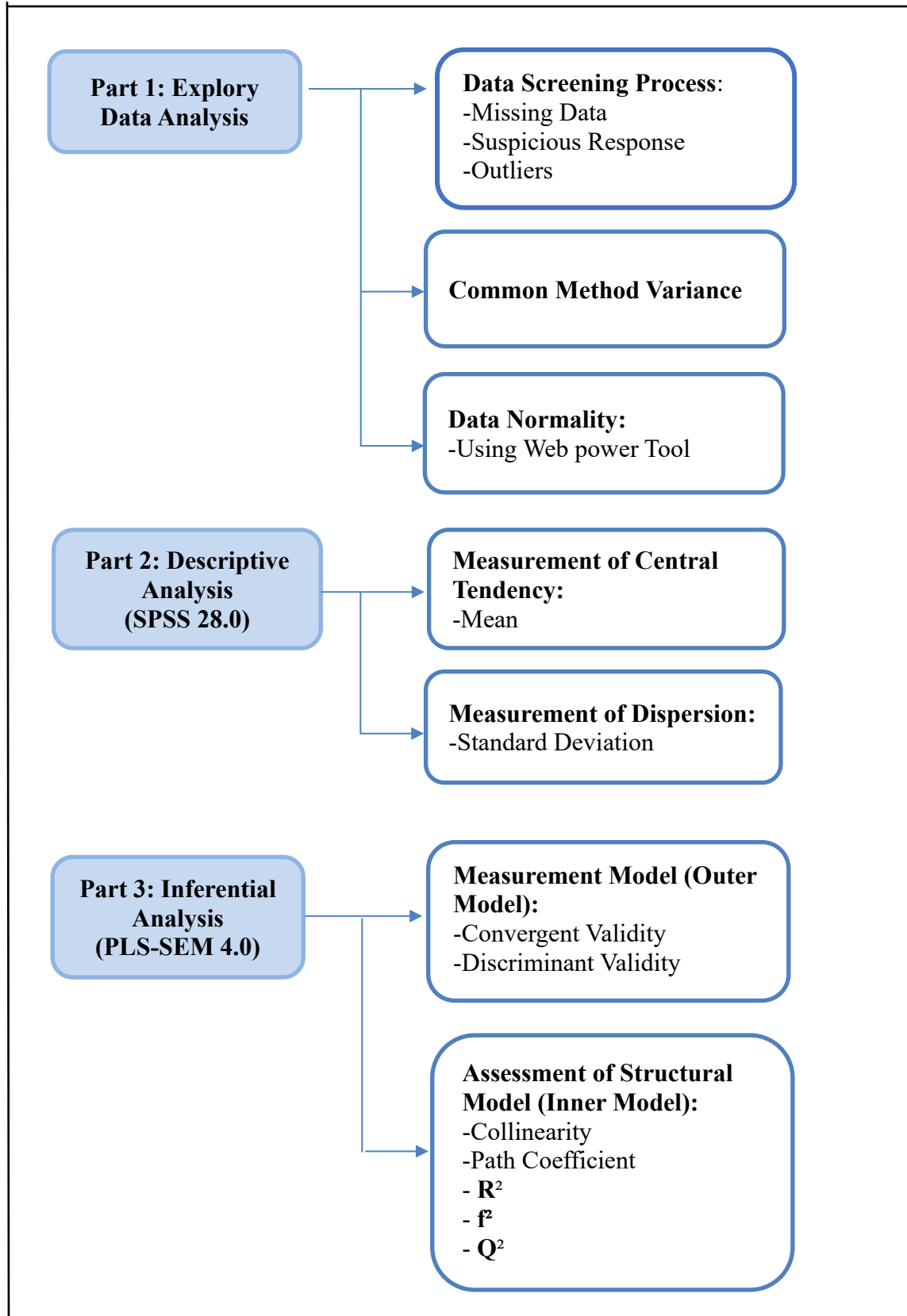


Figure 4: The Main Data Analysis Process

Conclusion

This study enriches the existing body of literature by incorporating additional factors from the dimensions of franchisee characteristics, organizational management, franchisor support, and the business environment into an expanded research model, thereby elucidating the extent of franchisee business sustainability. The proposed model yields critical insights, revealing that while the influence of these factors is relatively weak, it remains a significant contributor to sustainability within franchise operations. Notably, a positive correlation exists between Organizational Management and Business Environment with Franchisee Business Sustainability (FBS). Conversely, no discernible relationship is found between Franchisee Characteristics and Franchisor Support with Franchisee Business Sustainability (FBS). Consequently, this research delineates a strategic framework for enhancing Franchisee Business Sustainability in Malaysia by fortifying the impact of Organizational Management and Business Practices of franchisees. The significance of embracing sustainable practices within the food and beverage franchise sector, particularly in Malaysia, is accentuated by this study due to its multifaceted advantages. Sustainable practices not only yield a favorable environmental impact but also engender substantial economic and social benefits. This study makes noteworthy contributions to the literature on franchising business sustainability. Firstly, it introduces a novel perspective for scrutinizing the evolution of franchising systems, thereby broadening our comprehension of the diverse dimensions of sustainability within the franchise business context. The research not only provides empirical evidence but also conducts a thorough investigation into the economic, social, and environmental factors that underpin the long-term viability of franchisee enterprises. By examining the interplay among various elements such as franchisee characteristics, organizational management, franchisor support, and the business environment, the study furnishes invaluable insights into how these components influence the survival and expansion of franchisee operations.

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