PHD THESIS

The Impact of Strategic Resources and External Support on Franchisee Survival Ability: The Mediating Role of Market Orientation

by

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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

Faculty of Entrepreneurship and Business
UNIVERSITI MALAYSIA KELANTAN

2025

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THE IMPACT OF STRATEGIC RESOURCES AND EXTERNAL SUPPORT ON FRANCHISEE SURVIVAL ABILITY: THE MEDIATING ROLE OF MARKET ORIENTATION

ABSTRACT

Franchisee businesses play a vital role in Malaysia's economic recovery, growth, and development. Despite their significance, franchisees encounter enormous survival challenges that cause extensive disruptions and decrease their survival ability. The franchisees had to restructure their resources and capabilities while seeking external assistance to adapt and prevent business failure. However, the enabling factors that contribute to franchisee survival during crises remain underexplored. Thus, this study explores the impact of strategic resources and capability factors on franchisee survival ability (FSA) amid a global crisis. Guided by Resource Scarcity Theory (RST), Resource-Based View (RBV), and Agency Theory (AT), the study investigates internal factors, financial resources (FR) and human capital (HC) along with external factors, franchisor (FS) and government support (GS), hypothesised to influence survival outcomes. Furthermore, the study portrays market orientation (MO), which has been rarely tested in franchising, as a mediator between those variables and franchisee survival. A quantitative research design was employed, with survey data collected from 280 franchisee businesses in Kuala Lumpur and Selangor, Malaysia. The data were analysed using Structural Equation Modelling (SEM) with SmartPLS version 4.1.0.6 to test the hypothesised relationships. The findings indicated that financial resources, franchisor support, and government support have significant positive effects on franchisee survival ability. Moreover, market orientation was found to mediate the relationship between financial resources and franchisee survival. This study is among the first to integrate the mediating role of market orientation and the influence of government support in providing a comprehensive analysis of how strategic resources and external support contribute to franchisee resilience during global crises. The findings suggest that franchisee survival during a crisis depends not only on the availability and accessibility of resources but also on the capacity to strategically orient towards the market, thereby aligning with and extending Resource Scarcity Theory. The findings offer valuable insights for franchisees, franchisors, governments, and other stakeholders seeking to promote long-term franchise success. By identifying critical survival strategies, the study contributes to the improvement of the franchise ecosystem, which supports Malaysia's broader economic growth and development aspirations.

Keywords: business survival, franchise, market orientation, resources, external support

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KESAN SUMBER STRATEGIK DAN SOKONGAN LUAR TERHADAP DAYA TAHAN FRANCAISI: PERANAN PENGANTARA ORIENTASI PASARAN

ABSTRAK

Perniagaan francaisi memainkan peranan penting dalam pemulihan, pertumbuhan dan pembangunan ekonomi Malaysia. Walaupun mempunyai kepentingan yang besar, sektor ini berdepan cabaran untuk bertahan yang ketara, sekali gus menjejaskan keupayaan daya tahannya. Francaisi terpaksa menstruktur semula sumber dan keupayaan mereka serta mendapatkan bantuan luar bagi menyesuaikan diri dan mencegah kegagalan perniagaan. Walau bagaimanapun, faktor pemboleh khusus yang menyumbang kepada kelangsungan hidup pemegang francais semasa krisis masih kurang diterokai. Justeru, kajian ini meneroka kesan sumber strategik dan faktor keupayaan ke atas keupayaan kelangsungan hidup francaisi (FSA) dalam konteks krisis global. Dengan menggunakan kerangka teori *Resource Scarcity Theory* (RST), *Resource-Based View* (RBV), dan *Agency Theory* (AT), kajian ini mengenal pasti faktor dalaman utama seperti sumber kewangan (FR) dan modal insan (HC) serta faktor luaran iaitu sokongan pemberi francais (FS) dan kerajaan (GS) yang dihipotesiskan mempengaruhi daya tahan francaisi. Selain itu, kajian ini menghubungkan orientasi pasaran (MO), yang diuji secara terhad dalam kajian francais, sebagai pemboleh ubah pengantara antara faktor-faktor tersebut dan daya tahan francaisi. Reka bentuk penyelidikan kuantitatif telah digunakan melalui kaedah tinjauan ke atas 280 perniagaan francaisi di Kuala Lumpur dan Selangor, Malaysia. Data dianalisis menggunakan *Structural Equation Modeling* (SEM) dengan SmartPLS versi 4.1.0.6 untuk menguji hubungan antara sumber yang strategik, sokongan luaran, orientasi pasaran dan daya tahan francaisi. Dapatan kajian mendapati sumber kewangan, sokongan francaisor, dan sokongan kerajaan mempunyai kesan positif yang signifikan terhadap keupayaan kelangsungan hidup francaisi. Sementara itu, orientasi pasaran didapati menjadi pengantara secara signifikan antara sumber kewangan dan kelangsungan hidup pemegang francais. Kajian ini merupakan antara yang pertama mengkaji kesan peranan pengantara orientasi pasaran dan pengaruh sokongan kerajaan dalam menyediakan analisis menyeluruh tentang cara sumber strategik dan sokongan luaran menyumbang kepada daya tahan pemegang francais semasa krisis global. Penemuan menunjukkan bahawa kelangsungan hidup pemegang francais semasa krisis bukan sahaja bergantung pada ketersediaan dan akses kepada sumber, tetapi juga pada keupayaan untuk berorientasikan pasaran secara strategik, sekali gus menyelaraskan dan memperluas Teori Kekurangan Sumber dengan menekankan keupayaan penyesuaian sebagai mekanisme kelansungan hidup. Penemuan ini memberi pandangan yang bernilai kepada francaisi, francaisor, kerajaan dan pihak berkepentingan lain yang berminat untuk mempromosikan kejayaan francais dalam jangka panjang. Dengan mengenal pasti strategi survival kritikal, kajian ini menyumbang kepada penambahbaikan ekosistem francais yang menyokong pertumbuhan ekonomi dan aspirasi pembangunan Malaysia secara menyeluruh.

Kata kunci: daya tahan perniagaan, francais, orientasi pasaran, sumber, sokongan luaran

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"In the name of Allah, Most Gracious, Most Merciful"

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LIST OF ABBREVIATIONS

AT	Agency Theory
CB SEM	Covariance-based Structural Equation Modelling
COVID-19	Coronavirus Disease 2019
DOSM	Department of Statistics Malaysia
FDP	Franchise Development Program
FR	Financial Resources
FS	Franchisor Support
FSA	Franchisee Survival Ability
GDP	Gross Domestic Product
GS	Government Support
H	Hypothesis
HC	Human Capital
HRDF	Human Resources Development Fund
I-CVI	Item Content Validity Index
IFA	International Franchise Association
KPDN	Ministry of Domestic Trade and Cost of Living
LM	Linear Model
MCO	Movement Control Order
MFA	Malaysia Franchise Association
MO	Market Orientation
MSMEs	Micro, Small and Medium Enterprise
NIE	New Institutional Economics
OECD	Organization for Economic Co-operation and Development
PLS SEM	Partial Least Square Structural Equation Modelling
PNS	*Perbadanan Nasional Berhad*

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RBV	Resource-Based View
RO	Research objective
RQ	Research question
RST	Resource Scarcity Theory
SEM	Structural Equation Modelling
SMEs	Small and Medium Enterprises

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LIST OF SYMBOLS

%	Percent
α	Alpha
β	Beta
≥	Greater than or equal to
≤	Less than or equal to
=	Equals
&	Ampersand
$	Dollar

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Franchise business survival played a leading role in economic recovery and managed to survive several economic crises. Franchises continuously contributed to the country's economic growth, development, and government policy indicators for economic recovery. The franchise sector has been contributing $860.1 billion of the world's total economic output with 805,000 establishments and 8.7 million employments (International Franchise Association, IFA, 2023).

The sector has become the key instrument of the economic recovery engine, attracting new entrepreneurs, stimulus business development (Bashir & Saqib, 2023) and promoting technological advancement among small and medium enterprises (Alon et al., 2021). In Malaysia, the franchise sector was the top three national Gross Domestic Product (GDP) contributor (Suhaidi, 2022), and became the national engine of economic recovery (David, 2021) with RM30 billion GDP contribution by 2022 (Ministry of Domestic Trade and Costs of Living, KPDN, 2022), 1154 registered franchise (Bernama, 2023) which offers stable 80,000 employment opportunities with 1.4 billion wages (Britshi, 2021).

Thus, franchise business possesses a favourable economic value, fostering the growth and internationalization of national enterprises, particularly in developing nations (Islam et al., 2023). The positive value of franchising and its economic impact

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have positioned this business arrangement as a key role and policy for national economic recovery and development (Lanchimba et al., 2021). Consequently, it is critical to conduct a comprehensive analysis of every factor that contributes to the resilience of franchisees to retain their strategic role in the national economy, and their contribution to franchise networks, stakeholders, new entrepreneurs, and customers.

Investigating survival ability in a franchisee business is a continuing concern in the 21st century, as several volatile, uncertain, complex, ambiguous and turbulent events have put business organizations in resilience mode and failure risk, such as financial crises, political crises, wars, and extreme natural disasters. These events have caused widespread economic distress, increased firm mortality rates, and business failure due to financial distress, and operational and managerial problems (Amankwah-Amoah, Khan & Wood, 2021). Recently, the Coronavirus Disease 2019 (COVID-19) pandemic issue has received considerable critical attention and has become a significant global economic issue to looked into.

The crises described as a 'Black Swan' event by Mishra (2020), which is the worst economic shock with an outsized impact, unpredictable, and very challenging to compute its probabilities and consequences (Giunipero, Deslow & Rynarzewska, 2022). In addition, the novel exogenous shock is worst to study in specific business sectors to develop better survival ability that might differ according to the crises, nature of the business, method of responds, the state of vulnerability (firm sizes, capabilities) and political/geographical setting (Miklian & Hoelscher, 2022; Dada, 2021).

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Despite the turbulence external environment, a firm must be able to avoid the risk of closure and business failure (e.g., insolvency or closure or voluntary 'winding-down' of a business) from inefficient internal managerial problems and poor performance (Giunipero et al., 2021). In franchising, according to Wong (2021), before the pandemic crisis, there were already business failure cases reported among franchisees in Malaysia. Researchers categorized the franchise failure factors in Malaysia into financial and non-financial factors. Despite lack of financial capability, the non-financial factors include entrepreneurial factors (poor treatment, franchisors or/and franchisee attitude, and franchise self-interest); business management factors (location, too fast expansion of the franchise business, poor management of the franchise business, franchisor and franchisee relationship); and institutional factors (legal obstacle).

To stay afloat during the tumultuous times and uncertainty, proper management and integration of internal and external factors to reallocate resources, reduce costs, and generate positive cash flows or revenue should be implemented (Amankwah-Amoah, Khan & Wood, 2021; Hernández, Rueda Galvis & Vásquez Capacho, 2021; Zalena & Zahira, 2020). Organizations must leverage their resources and capabilities to adapt, cope, and consider changing their business landscape to conform to the new normal, such as dynamic business processes, remote working, innovation, digitalization, and rethinking new business survival models (Bergami & Corsino, Daood & Giuri, 2022). A critical strategy for handling crises, organizational resilience has drawn interest from academics and businesses. Yet, there are still various unexplained internal and external factors of business resilience that require further research investigation and validation (Cheng, Liu, Chen & Mao, 2022).

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Therefore, a systematic literature review was performed to identified the gap and contextual literature which indicates six key factors influencing franchise survival, namely (1) marketing strategies, (2) value proposition focusing on customers, (3) managerial capability, (4) franchisor-franchisee relationship, (5) franchise resources, and (6) entrepreneurship. However, these elements were internal resources and were investigated through monetary-based analysis such as survival rate analysis, intention to stay, success, failure, exit, and long-term performance. As the pandemic crisis has been an important event, however, there has been limited research on how environmental factors such as the economic crisis affect franchises up to this point (Alon et al., 2021). As a result, the current study looks on a broader viewpoint by integrating internal resources, franchisor support, government support and strategic orientation of market orientation for appropriate responses and adaptation to the macroeconomic conditions, market change, and high uncertainty to sustain franchisee growth (Ayup-Gonzalez, Calderon-Monge & Carrilero-Castillo, 2019; Najib, Rahman & Fahma, 2021).

Furthermore, according to Abed (2022), business survival's critical focus during the pandemic crisis is operations management, which includes the business structure, practice, and process, which have not been examined. Therefore, the market orientation strategy is selected as the survival strategy, which is part of the marketing process (Antia et al., 2017), taking into account the internal and external stakeholders to effectively use strategic resources to survive a crisis. According to the literature, market orientation has a potential mediating effect, yet it lacks empirical validation in the franchisee perspective (Bui et al., 2021).

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Considering that, the study addressed the knowledge gap by examining the market orientation strategy as the potential mediating effect between franchisee internal and external resources and franchisee survival ability. Previous research on franchisee survival has commonly used traditional or monetary approaches and has not distinguished franchisee failure from franchisor non-performance, and there is an ethical issue with franchisee failure reports from franchisor databases that need further investigation (Dada, 2021). While existing research has identified several factors that contribute to franchisee resilience, much of the focus has been on general performance metrics, with limited attention given to the specific conditions under which franchisees' capability to survive during global crises like the COVID-19 pandemic.

Therefore, the study fills in this gap by investigating franchisee survival in Malaysia, using a hybrid approach combining monetary and non-monetary approaches and obtaining primary data from the franchisee organization through a survey study that was developed according to the literature review and theoretical perspective. Under the circumstances, Resource Scarcity Theory (franchisee survival ability), Resource-Based View (strategic resources and capability), and Agency Theory (franchisor support) were employed as the underpinning theory in the current study, which provide the theoretical framework of franchisee survivability.

1.2 Problem Statement

Franchise has been portrayed as the engine of economic recovery and has been Malaysia's most favourable business model for new ventures and business expansion (Sulaiman, 2021). The government has shown increasing interest in the

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industry by investing RM5 million to implement the "Micro Franchise and Affordable Franchise Development Program Owned" to improve the livelihoods of those impacted by the COVID-19 pandemic (KPDN, 2022).

Even though the franchise system is a successful business model, the business format does not significantly increase the survival rate of franchise outlets (franchisee) (Dada, 2021). Thus, it is unclear whether franchising has a survival advantage compared to independent businesses (Lafontaine, Zapletal & Zhang, 2019). Previously, franchise survival scholars claimed that franchisee failure rates are quite high compared to independent businesses, especially among new ventures (Bates, 1990, 1998; Lafontaine, Zapletal & Zhang, 2019). Moreover, franchises in Malaysia were already reported to have survival issues in managing their business effectively and efficiently, and some of them had already been terminated due to poor performance (Wong, 2021)

Recently, there has been increasing concern for franchisees' continuity due to a significant decline in growth from the recent pandemic crisis (Malaysia Franchise Association, 2021). As of August 2020, a total of 10,875 franchised companies had permanently closed in the United States (Bui et al., 2021). While on average, franchise survival rates declined to 92.5 percent during 2020 and the franchise's brand magnitude also declined by 1.1 percent between 2019 and 2020 (Johnson, 2022). Besides that, according to FRANdata (2022), franchise output decreased by 14.9 percent and total GDP reduced by 5.7 percent in 2020. Moreover, the temporary and permanent closure of businesses has created major unemployment concerns with a total reduction of 11.4 percent (Neise, Verfürt & Franz, 2021). As reported, 36,000 franchise businesses are at a higher risk of failing to continue operation (Bui et al,

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2021) proven that franchise organizations appear to have been poorly prepared for global crises and have demonstrated a low business resilience capacity and capability to absorb the impacts that may lead to business failure.

Franchise survival rate showed a huge business failure during the recent crises (Bui et al., 2021) and a similar trend also occurred in Malaysia where franchises claimed to be struggling to survive due to the high risks, complexity of dealing with operations, and uncertainty in making decisions, which led to business closure and increased the intention to exit business among franchisees (Malaysia Franchise Association, 2021). During that period, franchise termination increased from 2.8 percent in 2019 to 4.7 percent in 2022, and 14.9% decline of franchise output and 80% decline in performance, reflecting a growing concern over business sustainability (KPDN, 2022). Furthermore, the franchisee failure rate in Malaysia is approximately 20 percent which attribute to managerial problems such as financial mismanagement, weak human capital and a lack of strategic support (Samsudin & Abdul Wahab, 2018). In addition, according to report Kuala Lumpur dan Selangor has been significantly affected by COVID-19 crisis, with a sharp increase in closure due to operational and financial pressure compare to other states (Bernama, 2021; Zainuddin, 2021). However, there remains a lack of localized data and empirical research addressing business survival including franchising business in these high-density business zone.

Despite the concern about franchise significant survival challenge (Boiral et al, 2021), only a few empirical studies have been conducted on business survival practices in Malaysia and little is known from the perspective of the franchisee resilience especially among the vulnerable franchisees in Malaysia (Othman et al.,

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2023, Abd Aziz et al, 2022, Abd Ghani et al, 2022). Past research has primarily focused on franchisor performance, overlooking franchisee's capabilities to sustain during a hazard event (Othman et al., 2023). Therefore, a review of franchise survival has been done to identify all factors that determine franchisee continuity and survival. The review indicates that there have been very few empirical investigations on the franchisee survival perspective and market orientation, as survival strategies are not studied in great depth. In addition, scholars specified that it is significant to validate the fostering factors of franchisee survival (Bui et al, 2021). Addressing the literature gap, the study identified the main factors, namely financial resources (FR), human capital (HC), franchisor support (FS), government support (GS), and market orientation (MO), and tested the impact on franchisee survival ability (FSA).

To understand the FSA framework in a crisis context, this study uses RST, which states that a lack of access to critical business resources, namely financial resources, during the economic crisis, affects the franchisee's ability to survive and grow. RST also recognizes that, in addition to internal resources, resources that can be obtained from external support are important in improving the franchisee's survival rate. The Resource-Based View (RBV), theory emphasizes on the importance of tangible (financial), intangible (human capital), and capability (strategic capabilities). According to RBV, the franchisee's ability to leverage strategic resources and capabilities is important to navigate the business in a state of high uncertainty. Next, complementing RST and RBV, Agency Theory (AT) helps explain the important role of franchisors in supporting franchisee survival. This is because franchisees operate under constraints imposed by the franchisor. Effective franchisor support can reduce risk and goal inconsistency, also increase franchisee survival prospects. The novelty of this study is that by integrating these theories

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together, this study builds a more comprehensive framework to identify the impact of strategic resources and capabilities on franchisee survival during a crisis.

Furthermore, there is still confusion about the best strategies that franchises should employ to survive and sustain a business during a crisis (Boiral, Brotherton, Rivaud & Guillaumie, 2021). In a crisis-prone environment, franchisee survival is not determined solely by the availability of strategic resources. Rather, it depends on how franchisees interpret market changes and effectively use their internal and external assets. Moreover, according to Day (2013), having resources is not sufficient without capabilities (strategies) to deploy them effectively in achieving better performance. Therefore, this study introduces Market Orientation (MO), suggested by Bui et al. (2021) as a mediator that facilitates the transformation of resources (financial, human, franchisor, and institutional) into adaptive strategies that enhance survival. By mediating this relationship, MO provides a mechanism that aligns with the Resource-Based View (RBV), bridging the gap between the potential value of resources and the realized survival outcomes during a crisis. It was found that MO is significantly aligned with firm resources to gain a competitive advantage and business survival (Khuwaja et al, 2019). In addition, previous research confirmed that with limited resources, the MO strategy can increase business ability to survive in a crisis (Bokhari et al., 2022; Beliaeva et al., 2020; Morris and Jones, 2020).

If the issue of franchisee survival remains unresolved, more franchisees will fail in the uncertain post-COVID market environment, which will result in reduced economic contributions, increased unemployment, and weakened confidence in the franchise model itself. Furthermore, the lack of empirical guidance may hinder the effectiveness of government and franchisor interventions. Theoretical frameworks

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such as RST, AT, and RBV are still underdeveloped to explain crisis resilience, so this study addresses this critical gap by examining the role of strategic resources such as financial resources, human capital, franchisor and government support, and market orientation as a mediator in strengthening franchisee survival during turbulent times.

1.3 Research Questions

The research questions for this study are as follows:

1) Do financial resources have a relationship with market orientation and franchisee survival ability?
2) Does human capital have a relationship with market orientation and franchisee survival ability?
3) Does franchisor support have a relationship with market orientation and franchisee survival ability?
4) Does government support have a relationship with market orientation and franchisee survival ability?
5) Does market orientation have a relationship with franchisee survival ability?
6) Does market orientation mediate the relationship between financial resources, human capital, franchisor support, and government support with franchisee survival ability?

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1.4 Research Objectives

This thesis aims to verify the franchisee business survival model during the COVID-19 pandemic crisis in Malaysia. With this as the main objective, this study aims to achieve the following:

1) To determine the relationship between financial resources with market orientation and franchisee survival ability.
2) To determine the relationship between human capital with market orientation and franchisee survival ability.
3) To determine the relationship between franchisor support with market orientation and franchisee survival ability.
4) To determine the relationship between government support with market orientation and franchisee survival ability.
5) To determine the relationship between market orientation with franchisee survival ability.
6) To examine the mediating role of market orientation in the relationship between financial resources, human capital, franchisor support, and government support with franchisee survival ability.

1.5 Significance of the Study

The study's primary purpose is to understand the franchisee's ability to survive the external shocks through its strategic resources, managerial capability, and external supports. Therefore, the study aims to make a practical and theoretical contribution as delineated in the following subsection.

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1.5.1 Theoretical Contribution

The study provides an important opportunity to delve into franchisee survival perspectives during the global crisis, as there is a very limited amount of theory-based empirical research conducted to identify factors and examine their impact on business survival (Abed, 2022). The study offers some critical insights into franchisee survival constructs, which are different from franchisee performance variables because the factors associated with a firm's performance and success may not automatically become factors related to a firm's survival and performance. Several researchers argued that the conventional survival measurement, particularly in the dynamic context of a crisis, is insufficient and call for a more comprehensive conceptual improvement (Sallatu and Indarti, 2018).

Business survival studies usually use the performance outcome approach, but in this study, the franchisee's survival variables are classified as a separate variable where the measurement, thus according to Sallatu & Indarti (2018), it requires further investigation. This study makes a significant theoretical contribution by advancing the understanding of franchise survival through the integration of Resource Scarcity Theory (RST), Agency Theory (AT), and the Resource-Based View (RBV). The study produces a multi-theoretical framework that increases the understanding of franchisee survival, adding depth to RST by considering issues other than resource restrictions. By synthesizing these theories, the current study advances RST as part of a holistic framework for better explaining the franchise business continuity in resource-constrained situations especially during crisis-prone conditions.

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Resource Scarcity Theory is the main theory that defines franchising business survival, growth, and expansion (Oxenfeldt and Kelly in Madanoglu & Castrogiovanni, 2018). RST focuses on explaining how franchising differs from an independent business, the creation of franchising, franchisor capital accumulation through franchising, and the franchising development model (Castrogiovanni et al., 2006). The RST demonstrates that franchisee business operations with exhaustible resources, but with efficient managerial capability, franchisees could recover, survive, and sustain the business over time. RST satisfies the needs of the franchisee during difficult times as compared to the franchisor, attributed to franchisees' limited resources, lower endowment, and control over franchisee resources (brand reputation, franchisee decision, and technical know-how).

RST's primary concern is internal monetary resources, but it does not emphasize how franchisees strategically employ these resources to develop resilience. The theory also has some limitations in explaining the franchisee organizational situations in the context of crises, especially in identifying strategic resources, managing franchisor support and external resources, franchisee business, and thriving in the turbulence. RST generally focuses on accumulating resources, but it does not emphasise how franchisees strategically employ these resources to develop resilience. It overlooks how continuing skill development and operational improvements can maintain franchisees in the long run.

RST gives a fundamental understanding of the necessity of resources for growth and expansion, but it lacks the strategic, dynamic, and relational components required for franchisee survival, especially in challenging

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environments. To close the gap, the present study offers important insight to RST by exploring the influence of strategic resources, capability, and external support systems that create organizational capability to sustain operations during crises. Yet, RST alone is not enough to explain franchisee survival ability, as RST is an internal measure. Therefore, as according to Combs et al. (2004), franchising research should be explained using more than one theory, the study adding depth to RST by addressing factors beyond resource in the context of franchisee survival by using multiple theories such as Agency Theory and RBV can help to close these gaps and give a more comprehensive framework.

Thus, this study theoretically integrates RST (only measures financial support from franchisor) with Agency Theory (AT) to better explain the financial and non-financial franchisor support, and to better explain the franchising business format's implication to franchisee resilience. Agency Theory (AT) explains the 'duty of good faith' in franchising relationships (Terry & Di Lernia, 2009), where the franchisor is the 'principle,' and the franchisee is the 'agent' that significantly affects the franchise's long-term performance (Chiou et al., 2004; Madanoglu & Castrogiovanni, 2018; Morrison, 1997). Mutual relationships, collaboration, and good communication between these two crucial parties exclusively rely on franchisor integrity, capability, leadership, and support (Kremez et al., 2022; Sanfelix & Puig, 2018). Franchisor support maximizes franchisee satisfaction and motivates them to remain in the system (Adeiza et al., 2017; Frazer & Winzar, 2005; Morrison, 1997) and sustain franchisee success (Kremez et al., 2022). According to AT and RST, Franchisor support as a franchising business arrangement helps franchisees survive hazardous situations.

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Business survival is the outcome of strategic resources and capability (Onyebuchi, 2018); however, RST and AT did not mention precisely on the matter. RST and AT provide valuable insights into sustaining franchises over time in the franchising system; however, RST and AT have limited explanations on other important strategic resources and capabilities and how they are managed, arranged, and aligned to gain superior performance in the context of survivability. Subsequently, the present study combines RST and AT with Resource-Based View (RBV) to explain how strategic resources and managerial capability maintain a competitive advantage to pursue superior outcomes and offer greater benefits compared to its competitors (Porter, 1990).

RBV also discusses resources controlled by the firm and the capability they possess as complex bundles of skill and collective learning to control turbulent situations (Amit & Schoemaker, 1993; Day, 2013; Kozak, 2018). RBV emphasizes competitiveness and neglects the significance of a business strategy that successfully adjusts internal resources to market conditions (Morgan et al. 2009). Nevertheless, RBV is criticized for failing to explain how resources are obtained, generated, and employed, for lack of managerial implication, and for failure to include the changing market conditions (Miles, 2012). Thus, to close the gap, the study employs market orientation (MO) as a mediator to assemble, integrate, and manage bundles of tangible and intangible resources to gain better outcomes. MO compliments RBV to integrate changes in the market into the organization, and by focusing on the most critical activities in the organization to obtain survivability.

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Hence, this study hopes to close the theoretical and empirical gaps by incorporating market orientation as a possible mediator within the framework of RST, AT, and RBV, which aligns internal and external resources with market conditions to thrive in precarious situations. Furthermore, organizational survival is also determined by external factors. Works of literature have confirmed the positive contribution of external factors such as the government as a formal institution to enable businesses to sustain their operations, recover, and survive economic shock through incentives, legal restrictions, training, consultation, control, and standards.

Subsequently, this study improves the understanding of franchisee survival by combining Resource Scarcity Theory, Agency Theory, and the Resource-Based View, to provide a comprehensive understanding of how financial resources, human capital, franchisor support, and government assistance, mediated by market orientation, collectively influence franchisee survival during periods of crisis, a perspective that has been largely unexplored in the Malaysian franchising context. The approach focuses on the way strategic resources, capabilities, and external support work together to strengthen franchisee resilience during crises.

1.5.2 Practical Contributions

Literature has proven that failure exists in the franchise business, and a crisis worsens their survival ability, especially among franchisees. The pandemic crisis has created interest in further understanding franchisee resilience as the effective crisis responses must be sector-specific or according to the business type

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(Antonescu, 2020). In addition, academics and business professionals continue to debate the survival of franchisees, especially during difficult times. Due to the limited knowledge of franchisees' perspectives, there is a need to study the survival factors of franchisees during economic downturns, such as the pandemic. The findings of this study hope to assist franchise players, future franchise entrepreneurs, franchise association, and policymakers to better understand the conditions for franchisee survivability to better respond, manage, and introduce business operations measures and policy implementation for future outbreaks.

The recent 'Black Swan Crisis' experience globally, along with the way the business sectors react and adjust to the calamity, is still unclear (Boiral et al., 2021). According to studies, franchise businesses, especially franchisees, were greatly affected due to the swift spread of COVID-19. Hence, the franchise sector was ill-prepared and was unable to put in place timely measures, leading to business failure (Sulaiman, 2021). However, previous research on organizational survival in crises has been mostly descriptive or conceptual (Boiral et al., 2021). While there is evidence to show that academic research on the franchise sector is limited in Malaysia (Abd Aziz et al., 2020), especially from the franchisee perspective (Bui et al., 2022; Abd Ghani et al., 2022). Thus, this study aims to fill the gap regarding franchisees' ability to sustain operations during highly uncertain times, which is significant to the sustainable franchisee business model.

In addition, during a challenging period, effective managerial capability is crucial to better respond to survive the crises as businesses have limited resources. However, empirical studies on effective strategies to deal with the COVID-19 pandemic among franchisees are still lacking. Previous franchise studies were based

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on franchisors' survival rate, and there has been no study done to look at the survival of franchisee business models during the black swan crises, such as the pandemic. When we look at franchisees' resource portfolio, they have limited resources when compared to franchisors, which leaves them vulnerable and limits their ability to respond during economic recession. Therefore, market orientation is a significant survival strategy for franchisees (Bui et al., 2021) as scholars have found that market orientation activity can be implemented even with limited resources (Beliaeva et al., 2020). Therefore, this study fills in the gap to test MO as the potential mediator for the franchisee survival ability model.

The study also highlights the effective support system from the government and franchisor support received by franchisees during the crisis. The support the franchisee receives from the government and franchisor consists of financial and non-financial support to help the franchisee sustain their operations during challenging situations. Therefore, the present study validates the positive relationship franchisor and the government have, to support and help businesses survive the crises. Additionally, the findings help the franchisor and government to better understand the franchisee's situation and the need to better govern, aid, and facilitate them in future crises. The franchisee survival model also helps the government to improve franchise rules, regulations, policies, economic incentives, and programs to further develop the Malaysian franchise sector.

Franchisee survival performance mentioned in literature frequently measure survival drivers in (1) contextual drivers (age, size, brand), (2) profit strategic drivers (franchise fee, start-up cost and royalties) and (3) strategic drivers (agreement, franchisor and franchisee relationship/assistance, location, and

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ownership) (4) internal managerial capability and (5) customer value proposition. However, there has been little research on the practical strategies adopted by businesses to tackle and survive the current crises (Katare et al., 2021). Therefore, this study contributes to the practical gaps to empirically examine and validate market orientation strategy (MO) as a potential managerial capability to react and adapt the catastrophic events to gain survivability among franchisees. Then, a franchisor can align this strategy with the franchising operation or business manual to safeguard the franchisee in the event of future outbreaks.

In addition, franchisees should also seek external support through their reconfiguration capability from the government policy, program, and funds. Efficient support programs and interventions are essential for maintaining franchise business survival. However, it is still unclear if the policy, incentives, and programs effectively overcome difficulties among different business types during the recent crises (Salmah & Siti Rahayu, 2021). Therefore, there is a need for specific in-depth research to be carried out according to business type or sector to identify policy implications that might be different across sectors or types (Lee et al., 2021; Yang & Yu, 2022).

The current study also aims to contribute to an effective franchise support system (franchisor and government support) that emerged from the pandemic crisis and could be applied to future economic downturns. Since the hazards continue to change in the future, the study may practically assist the government and franchise players to better respond, reconfigure their resources, and efficiently implement a strategy for a new business model to adapt to future economic downturns,

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specifically to help with franchisee recovery necessities, requirements, and challenges.

1.6 Scope of the Study

This study aims to examine the impact of franchisees' strategic resources (i.e., financial resources and human capital) and external support systems acquired by franchisees during the pandemic crisis (i.e., franchisors and government support) in Malaysia. Business survival ability during the crises is an outcome under the scope of RST, AT, and RBV theories among franchisees in Kuala Lumpur and Selangor, Malaysia.

The study focuses on organization-level capabilities to retain business; therefore, the franchisee organization is the unit of analysis. From the population of 7,599 franchisee organizations in Malaysia in the year 2021 (Mohamad, 2021), the organization has to meet the research criteria, such as only franchisee businesses, businesses started their operation before 2019, and businesses that continue to operate after the global crisis. To obtain a more comprehensive study, the study emphasizes franchisees across operational sectors, which include domestic and foreign franchisees as well as master franchisees.

The survey method was used for the quantitative data collection process. Questionnaires are distributed among franchisees (owners) or top management (managers or executives who are involved in the company's decision-making) to ensure the accuracy of the information obtained. Finally, the present study uses

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Structural Equation Modelling as a statistical technique to analyse structural relationships among multiple variables.

1.7 Operational Definition

The operational definition of this study is as follows:

a) Franchisee Survival Ability

Business survival is the organizational capability to pursue superior outcomes by reallocating resources and enhancing managerial capability efficiently to adapt and recover during and after a shock (Najib et al., 2021). Chong et al (2009) defined business survival ability as ‘a firm's capacity to endure and sustain operations, particularly during economic crises. Therefore, in this study, franchisee survival ability is defined as the franchisee capability to deploy its strategic resource, as well as effectively utilize franchisor and government support to survive a crisis. The global crisis in the study is defined as a damaging cross-border event that indicates conditions that arose which exceeded the organization's ability to cope with the issue due to unprecedented and unexpected large-scale risk generating consequences that affect the organization, which need to be addressed immediately.

b) Financial Resources

The company's financial resources are the total value of its monetary assets, which can be used to finance operations, business structural change, and innovation to survive a crisis (Debrulle et al., 2020). Financial resources include liquidity assets, current assets, and capital structure (Al-Qadi et al., 2018) that can be turned into cash. Cash can also be gained through bootstrap finance (Block et al., 2022) and financial support (Dung, 2020) to operates and sustain business. In this study, financial

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resources are defined as the financial asset owned by the franchisee from the business's monetary asset/fund, financial capability, and access to finance that have significant consequences on the franchisee's organizational ability to grow, continue operation and remain in the market, as well as its ability to survive the crisis.

c) Human Capital

Human capital is an intangible asset or a set of skills and talents that the employee possesses in an organization which is defined as a set of employee knowledge, skills, capabilities (Ghi et al., 2022), attitudes, talent, learning ability (know-how), motivation of the workforce (AlQershi et al., 2021), experience and education (Aminu & Mahmood, 2015), employee personal attribute (Ruiz et al., 2016), and productiveness (Putri et al., 2019) which brings about organizational value. In this study, it is defined as the employees' experience, personal attributes, digital skills, and productivity to manage and sustain a franchisee operation during a global crisis.

d) Franchisor Support

Franchisor support, according to Abdullah et al. (2008), is financial and non-financial support to franchisees, including business support, training, sharing expertise, and abilities; while the franchisee contributes with prior training, understanding of the local market, and process innovation, as well as royalties and entrance fees. In this study, it is defined as financial and non-financial support such as business support, training, sharing expertise, and expertise where franchisors work together with franchisees to enhance performance during the pandemic crisis and to assist them in managing the organization, sustaining operations and surviving the crisis.

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e) Government Support

Government is the formal institutional arrangement that helps an organization to grow (Najib et al., 2021) and enhance organizational capabilities by improving managerial capability (Adam & Alarifi, 2021) and financial support (Abd.Hamid et al., 2003), to overcome the crises (Iweka et al., 2016). According to Yang and Yu (2022), government assistance for business survival includes hard support (financial) and soft support (advisory). In this study, government support includes financial and non-financial supports such as training and consultancy, policy, and financial support that help franchisees increase resources and capability to continue and grow in a turbulent market.

f) Market Orientation

Market orientation (MO) is the managerial capability to understand and satisfy customers and business functions that can integrate the external environment to create superior value for stakeholders (Narver et al., 1990). MO is the organization that designs and implements strategies on organizational knowledge, responsiveness, and understanding of customers to sustain business operation (Gonzales et al., 2005; Fakhreddin et al, 2022). In this study, it is defined as the organizational strategy (capability) that focuses on identifying consumers' needs, competitors' actions, coordination, and responsiveness among departments in creating products or services to maximize customer satisfaction to increase value, and sustain franchisee business.

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1.8 Research Organisation

The organization of the present research starts with this chapter illustrates the overview of the franchise sector in Malaysia, development, and the challenges faced by the franchisee entrepreneur during calamity. Then, the first chapter discusses the issues, research questions, objectives, gaps, and significance of the study. Next, the discussion is Chapter Two, which contains a review of the relevant theories and literature and the scope of the findings on the research questions raised in this chapter. In addition, it provides an in-depth discussion of the literature to date, the applicable theories, and the hypotheses formulated after reviewing the empirical research and framework. Then, Chapter Three discusses the study's methodology, including the research design, instruments, measurements, data collection, and analysis. While Chapter Four discusses the findings of data analysis and Chapter Five provides a brief overview of the study's findings, and summarises the entire chapter, by discussing the results gained by using the appropriate literature that suits the topic of investigation

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CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter briefly addresses and discusses the background of the study context for franchising, particularly in Malaysia. Next is the discussion of franchise definition and theoretical background. After that, the literature highlights the previous work on franchise performance, success and failure factors, and survival determinants in general and specific to the franchise business. Next, the concept and mediator of the study was explained. Finally, research framework was developed and hypotheses were rationalized and summarized.

2.2 Franchise Industrial Background

Franchising is a favourable economic value, the fastest-growing business format, and has become one of the most popular means to be involved in a business for various activities. Therefore, the franchise has become one of the strategies to propel economic development, recovery, growth, and development. Franchising has attracted more new entrepreneurs to venture into franchising because a franchise is the easiest way to do business (Yeoh, 2009). A franchise is a business format that complements guidance and support in terms of managerial, marketing, and operational aspects from the franchisor (Raha & Hajdini, 2022). Thus, the franchise sector is essential in promoting the progress of Small and Medium Enterprises (SMEs) in Malaysia (Abd. Hamid et al., 2003). As a result, the franchise has become

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an integral part of the entrepreneurial development engine for the country (Gillis et al., 2020). As a franchise business develops over the years, it is crucial to understand the franchise's history and origin that have made it grow until today. Thus, the following examines the origin, history, and development of the franchise business format, defines franchises, highlights their contributions, and explores the development status of the franchise sector globally and in Malaysia.

2.2.1 The Origins and History of Franchise

During the early days, according to the Capital Raising Theory for the franchise, franchise development is accomplished to gain funds, and franchising is the mechanism by which the franchisor raises more money (Li & Xia, 2019). Learning the origins and history of franchising helps us comprehend its evolution into a business expansion mechanism and its value in today's business world. The franchise timeline illustrates the concept of franchising throughout history, including its understanding, improvement, and evolution.

Looking back at the origins of the word franchise, the franchise's history predates Christopher Columbus' arrival on the American continent, and the word franchise originated from the Central European languages rather than English. The phrases Frank and France are also derived from the same root, which means a location where one can be free. Later, during the Middle Ages, in England, the term "franchise" came to be connected with citizenship (the privileges that come with being a citizen and the opportunity to vote); thus, franchise truly means ‘freedom’ (Weber, 2013). Within the Roman Empire, Latin was the common language, so the word ‘franchise’ was derived from the verb ‘frango’, which

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means to break into parts. Whereas, in the American Heritage Dictionary of the English Language, a franchise comes from the word ‘franche’, which means free or exempt, where the sovereigns, such as the king, government, and church, granted franchises for various activities (Blair & Lafontaine, 2005).

There have been two eras in the history of the franchise: (1) the Tax Collection Era and (2) the Business Format Era. The earliest roots of the franchise system most likely dated back to the Roman Empire's tax collection system period. The Roman Empire comprised several semi-autonomous states, each of which was governed by an official appointed by the Senate in Rome. This official's job was to collect taxes from the public and send the remaining funds to Rome after paying for service delivery expenses (administration). After deducting his expenses, the Governor then paid the remaining sum to the Roman Treasury as fees (Weber, 2013).

Later, Guild organizations established a franchise in the 12th century; when William the Conqueror arrived in England in 1066, he implemented a similar tax collection system. The sheriff was the title William gave to his governors, where, to maintain their membership, the guilds required their members to pay an affiliation fee and an annual fee (set by the guild). Guild participation increased the wealth of the merchant classes. Early in the 19th century, alcohol's impact in Britain and other European countries expanded. Thus, the German brewer ‘Spaten’ is credited with creating the franchise business model. Taverns (franchisees) were given permission by Spaten (franchisor) to sell their beers, also known as the franchising relationship of the brewery industry (Weber, 2013).

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The second era was the modern franchise, which was known as business arrangements or contracts; in 1950, the Singer and McCormick Company (franchisor) opened a national dealership and authorized repairers after obtaining a national dealership (franchisee) (Blair & Lafontaine, 2005). The franchising strategy of the Singer Sewing Machine Company was the first manufacturer of consumer goods to implement a franchise-based distribution system during the nineteen century in the USA (Asgharian Bourkheili, 2015). Later, during the Industrial Revolution in the late 1900s, an important event led to a change in the distribution systems. Automobile manufacturers in Michigan, tire producers in Ohio, and oil refineries in Pennsylvania, New York, and New Jersey began to cluster in particular geographical regions. The world's oldest enduring example of a franchise is the automobile industry, such as General Motors Corporation (Balram, 2022).

Modern franchise has grown and developed into a business format era, and in the 1900s, American soda fountains started their fractional franchise. During the 1910s to 1920s, in American automobile sales and repairs, General Motors introduced the first motor gas stations, a franchise in history. Franchising is not an industry but has been known as a marketing concept or legal business since the 1940s (Meldelsohn, 2004). While in the UK, their franchise started later in the 1950s (Weber, 2013). Since the 1950s, other companies, such as McDonald's, Burger King, Coca-Cola, Pizza Hut, and Holiday Inn, have applied the franchise business format and strategy to expand their business operations (Asgharian Bourkheili, 2015). Since then, the franchise's business model grew rapidly in the 1970s and 1980s with the establishment of franchise trade associations to regulate the industry as shown in Figure 2.1.

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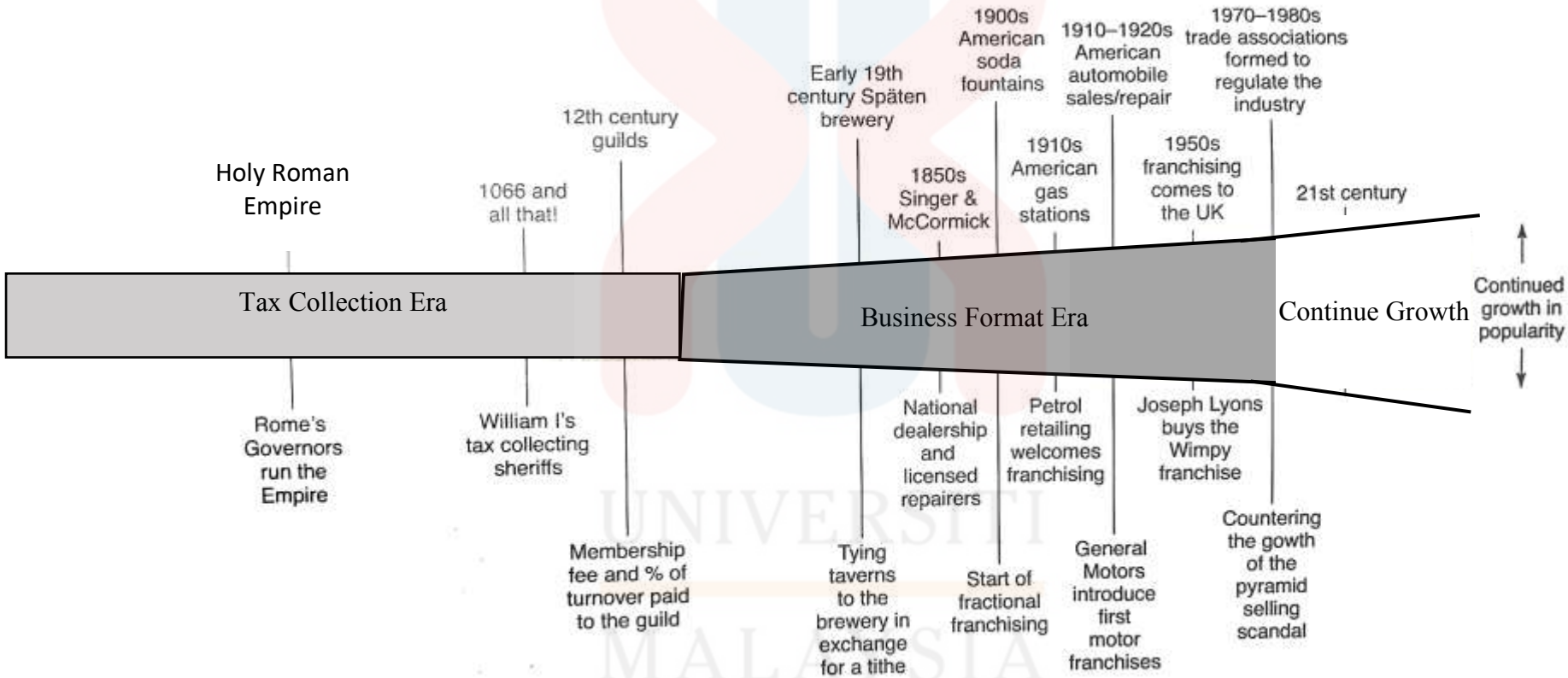

Figure 2. 1: Timeline of Franchising

Source: Webber (2013)

Franchising in Malaysia has undergone a significant evolution, in line with the changes that have occurred in the United States, where the franchise model has shifted from a traditional product distribution model to a comprehensive business format franchise. Initially, a franchise involved a manufacturer that gave the merchant the right to sell products within a specific territory, with minimal control over operations. Over time, the franchisor realized the need for greater control to protect the integrity of its brand, which led to more structured operating agreements and guidelines. Additionally, franchise contracts have evolved to address emerging challenges, incorporating clauses to reduce franchise-franchisee conflicts and adapt to legal developments. These changes reflect the maturity of the franchise as a business model, emphasizing the importance of standardized operations and brand consistency (Lafontaine & Blair, 2009).

Franchising in the modern era has evolved beyond its traditional model, adapting to new economic and strategic realities. Additionally, franchises are increasingly being used for international expansion, allowing companies to enter foreign markets with reduced risk by partnering with local franchisees (Abd Aziz et al., 2021). Manufacturers are also using franchises to gain greater control over product distribution amid changing consumer behavior. Furthermore, the entry of institutional investors into the franchise requires enhanced financial exposure and strategic planning to meet investor expectations and ensure system-wide growth (Sulaiman, 2021).

Prior to the COVID-19 pandemic, most franchisees operated within the framework of a traditional model that relied on physical premises, face-to-face interaction, and limited use of technology. However, after COVID-19, the franchise

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landscape changed drastically as franchisees had to make adjustments to business operations according to the new normal. The transition to e-commerce, contactless delivery, as well as the use of digital technologies such as mobile apps, QR codes, and cloud systems, are becoming basic features of post-COVID business model. Franchisees also play a more active and entrepreneurial role in ensuring business continuity through the adaptation of digital strategies and flexible operations. Franchisor support has also shifted, such as the provision of financial assistance, digital support and virtual training, while the relationship between the two parties has become more strategic and collaborative in the face of crises (International Franchise Association, 2021).

2.2.2 Global Franchise and Economic Growth

Franchises are important to both businesses and the economy, social and institutional aspects of a country; therefore, studying their continuity is important. Franchise contribution to the global economy can be seen through their national gross development product (GDP), employment or job supply, and national output contribution. The franchise business model has made a significant contribution to a country's GDP and employment. According to the literature, franchises have been found to play a significant role in economic growth and development in their country of origin, the United States, and other countries through international franchise chains from the US to Canada, Western Europe, or Japan (Lanchimba et al., 2020). Table 2.1 illustrates the significant franchise contribution to the global economy since 2016 until 2022, where the franchise contribution has an increasing trend except in 2020 due to the pandemic crisis.

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Table 2.1: Franchise business economic outlook (2017-2023)

	2017	2018	2019	2020	2021	2022	2023
Establishments	748,752	760,476	773,603	753770	774,965	774,965	811,247
% change	2.2 %	1.6 %	1.7 %	-2.6 %	2.8 %	1.8%	2.9%
Employment ('000)	7,976	8,208	8,434	7,532	8,162	8,421	8,603
% change	4.6 %	2.9 %	2.8 %	-11.4 %	8.8 %	2.8 %	2.2%
Output ($Billions)	720.4	760.3	787.5	677.2	787.7	823.7	5863.1
% change	6.8 %	5.5 %	3.6 %	-14.9 %	16.3 %	4.6 %	4.8%
GDP ($Billions)	427.5	452.1	473.4	446.3	474.16	499.2	526.3
% change	5.6 %	5.8 %	4.7 %	-5.7 %	6.2 %	5.3%	5.4%

Source: International Franchise Association (2017-2023)

Based on the data in Table 2.1, the franchise sector has developed significantly from 2015 to 2022 (franchise establishment). It can be seen that the contribution of franchises to the economy in general has increased over time. However, the outbreak of the COVID-19 pandemic at the end of 2019 has caused the growth of the sector by a negative 14.9 percent. In terms of brands, the growth of franchises by country (in terms of brand development) in the 21st century is shown in Figure 2.2. Based on the figure, even though franchising was established and developed in the USA (Abd. Hamid et al., 2003), during the 21st century, the franchise market in Korea and India has surpassed the USA in terms of the establishment of new brands. Korea has experienced the fastest franchise growth in terms of brand. The number of franchisors increased from 3,923 to 4,664 between 2014 and 2016, while the number of franchisees increased from 208,099 to 230,054 (Lee & Seo, 2022).

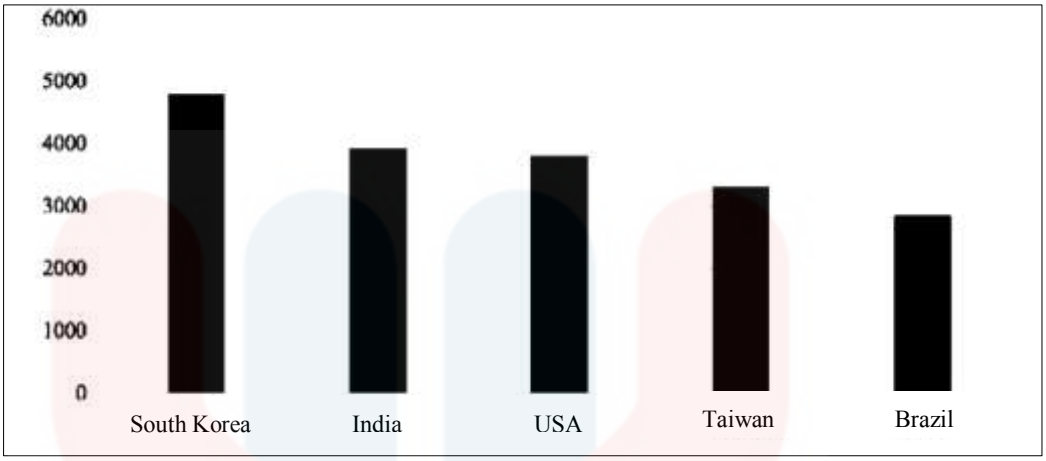

Figure 2. 2: Top five countries by number of franchise brand

Source: Bretas & Alon (2020)

Franchising is an entrepreneurial activity where franchising is based on a business relationship between two independent firms in which the franchisor grants the franchisee the right to use its brand name and business model in exchange for economic compensation in the form of royalties and upfront fees (Lanchimba et al., 2020). Thus, franchise also has an important contribution as the entrepreneur development in the global economy. Franchising is a successful business as both franchisor and franchisee have effective entrepreneurship relationships and mutual business alliances (Prihandono et al, 2023). Therefore, franchise business format has become the medium of entrepreneurial tools especially in developed and developing countries (Bui et al., 2021; Michael, 2014).

Franchising is the economic development strategy through job creation, business expansion and skill development. But the most significant contribution of franchising to the economic development is, knowledge transfer (innovation and technology) (Baresa et al., 2017) where franchise has become the development strategy for more than 49 countries all over the world (Lanchimba et al., 2020). Knowledge spill over in the franchising is the process when franchisor, the brand

owner with successful business format and operation, transmits its company's expertise in exchange for economic compensation from franchisees through the knowledge transfer of franchising technology, innovation, routines, procedures and managerial expertise (Michael, 2014; Ayup-Gonzalez et al., 2019).

Franchising innovation, learning and a competitive environment is an essential entrepreneurial capital that increases national economic development through the increased commercialization of knowledge of the human capital, ideas on the market, technology and increases the amount of entrepreneurship capacity to gain efficient production and productive economic activities (Schumpeter & Swedberg, 2021). Therefore, knowledge spillover has been the major explanation of franchising in the world's economic growth and development that shows the development from the Knowledge Economy Era to the Entrepreneurial Economy Era that has roots in 1970's (Audretsch et al., 2009).

Franchises have been identified to have a knowledge spillover effect in several developing countries especially in economic, social and institutional aspects (Lanchimba et al., 2021). According to past literature, franchises transfer of business know-how which includes well-developed supply relationships, marketing effectiveness and operation manuals that can result in cost advantages and more efficient operations for franchising businesses (Lafontaine et al., 2019, (Ayup-Gonzalez et al., 2019). The franchise knowledge spill over ultimately contributes to local economic growth, employment creation, and global competitiveness (Acs et al., 2013). Hence, the next section describes franchise development in Malaysia and its contribution to the local economy.

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2.2.3 Franchise Contribution to Malaysia Economic

The franchise has been the backbone of the Malaysian economy (Omar, Ishak, Jusoh, & Space, 2020). The growth in Malaysian franchises has increased over the years as many new entrepreneurs are interested in venturing into entrepreneurship through franchising due to the benefits offered by this sector. Hence, the SME sector's development is promoted through franchising (Malaysia Franchise Association, 2022). Franchising has become the key instrument for creating new entrepreneurs, creating jobs, and generating income (Abd. Hamid et al., 2003). Besides that, the franchise sector has also been allocated incentives to promote technological advancement among Micro, Small, and Medium Enterprises (MSMEs), community development, and the economy's progress (Alon et al., 2021). In Malaysia, franchise is part of small and medium-sized (SMEs) businesses and has played a significant role in SMEs' development and growth (Adeiza et al., 2017). The franchise growth in Malaysia is shown in Figure 2.3.

In Malaysia, according to the data from the KPDN, which looks after the industry, there are 1,197 franchises registered in Malaysia, where 713 are local franchise ownership, while 428 are foreign franchise ownership, and 56 have cancelled the franchise registration (KPDN, 2022). Franchise has become the third largest GDP contributor with RM35 billion income (Suhaidi, 2022) and has established itself as the national engine of recovery during the crises (David, 2020). This business format was also the fastest-growing business in Malaysia, with RM30 billion sales value in 2022 (Bernama, 2022). Table 2.2 shows the franchise's steady GDP contribution to the national income since 2009.

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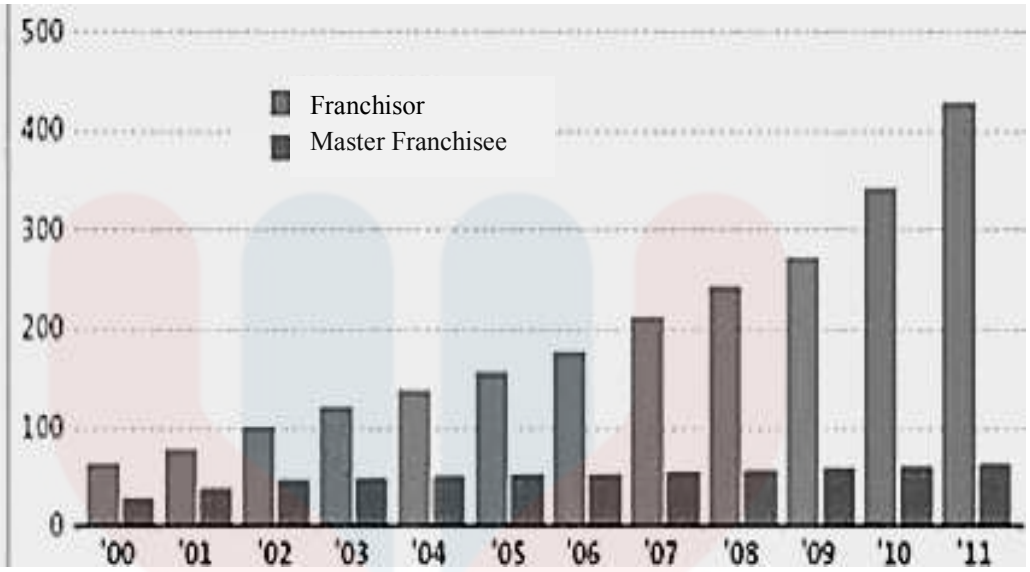

Figure 2. 3: Growth of Malaysia's Franchising Industry

Source: Malaysia Franchise Association cited in KASS (2013)

The franchise sector has been found to have significantly progressed and grown well in terms of total increase of local franchisors, master franchisees, and foreign franchisors registered in Malaysia (Leong, 2014). The latest data shows that a total of 119 Malaysian franchise brands have successfully penetrated 55 countries worldwide with annual sales revenue of RM30 billion (MDTCL, 2022). This sector has shown a remarkable growth rate in sales and market share with a growth value of 10 percent annually. The number of franchise companies has also increased from 211 companies in 2016 to 258 companies in 2020 during the 11th Malaysia Plan period. The growth of franchises can be seen through an increase in the number of new registered franchisors.

In the year 2021, there are 614 local franchisors, 68 master franchisees and 408 foreign franchisors registered in Malaysia (MFA, 2021). These franchising companies include food and beverage, education, health and beauty, retailing and services. The sales value of franchise companies has also increased from RM14.6

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billion in 2020 to RM30 billion in 2022 (KPDN, 2022) as in Table 2.2. In terms of the number of registered franchises, based on the KPDN report, there are 1,197 franchises registered and 713 are local brands with more than 3,000 outlets worldwide while 428 are foreign brands franchisor (Azuar, 2022; Mohamad, 2023).

Table 2. 2 : Malaysia franchise contribution to economic growth

Year	Contribution to Growth Domestic Product (RM)
2022	RM36 billion
2020	RM14.6 billion
2019	RM32 billion
2018	RM30.3 billion
2017	RM27 billion
2016	RM28 billion
2015	RM26.8 billion

Source: KPDN (2015-2022)

In terms of economic development, the rapid growth of franchises helped the country reduce its rate of unemployment. The franchise sector contributed to local employment with 80,000 employees with a total salary of RM1.4 billion annually (Britshi, 2021). The Malaysian franchise market can be broken down into several sectors (as a percentage of all franchises), including food and beverage (42 percent), clothing and accessories (10 percent), education and childcare (11 percent), services & maintenance (11 percent), beauty and healthcare concepts (8 percent), ICT (3 percent) and convenience stores (2 percent) (MFA, 2021). Table 2.3 shows the 634 franchises in the different states of Malaysia, where most of the franchises are concentrated in Selangor and Kuala Lumpur.

Regardless of the substantial contribution of the franchise sector to the Malaysian economy, the growth and development of the franchising sector in Malaysia is still considered to be in its infancy stage of development, especially

among the homegrown franchises. Compared to the overseas counterparts, homegrown or domestic franchisor development, particularly among Bumiputera, continues to expand at a slower rate (Nik Hazimah et al., 2022) even though the business format was already established during the 1940s.

Table 2.3: Number of franchises in Malaysia based on states

States	Number of Franchises	Percentage
Johor	65	10.25
Kedah	10	1.58
Kelantan	7	1.10
Melaka	15	2.37
Negeri Sembilan	5	0.79
Pahang	7	1.10
Perak	19	3.00
Perlis	0	0.00
Pulau Pinang	27	4.26
Sabah	7	1.10
Sarawak	10	1.58
Selangor	264	41.64
Terengganu	6	0.95
Kuala Lumpur	190	29.97
Labuan	1	0.16
Putrajaya	1	0.16
Total	634	100.00

Source: KPDN (2022)

Furthermore, the outbreak of the COVID-19 pandemic has caused disturbance to franchise operations and performance. According to the Organization for Economic Co-operation and Development (OECD) (2021), the economic impact of COVID-19 was devastating for young and small businesses, self-employed workers, and foreign labourers. Persistently high unemployment among these groups highlights the need to improve social protection and policy support that significantly contribute to business resilience and fasten Malaysia's economic recovery.

2.2.4 Franchise Development in Malaysia

Historically, Malaysians have long used a concept known as "pawah" which is identical to the franchise system. Commonly, the method is implemented by granting the right to use agriculture or breeding farms. The landowner grants the right to farm the agricultural land or to breed cattle through a "pawah" arrangement. Based on an informal agreement, both parties benefited from the profit. Generally, there is no formal agreement under this "pawah" system (Hassan et al, 2022; Abd. Hamid et al., 2003). Later in 1940, Malaysia had its first franchise when Singer and Bata brands entered Malaysia. Then, followed by the petrol station and automotive dealership. However, they were not recognized as franchising business format as these company were just international brands that operated in Malaysia at that time (Leong, 2014).

The awareness of franchises as a business model, especially in food and beverage business (F&B) began to grow when A&W, Kentucky Fried Chicken and McDonald's outlets were opened in Malaysia. The A&W franchise from the United States came in the 1960s, and became the pioneer of fast-food industry in Malaysia. Later in the 1973, Kentucky Fried Chicken (KFC) established its first outlet in Kuala Lumpur and later opened other outlets all over the country, dominating half of the local fast food market share (Zamani et al, 2020). Next in 1980s McDonald's and Pizza Hut started their first outlet here (Leong, 2014).

The franchise business format became popular since 1990's where the primary factor for its popularity among Malaysian is because the businesses can quickly achieve business success and have been the safest method of doing business in the country (Filzah et al., 2013). The first Malaysia's homegrown franchises began

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in the 1980s with the establishment of Sate Ria and Marrybrown Family Restaurants, followed by EON (automotive), PETRONAS (petrol stations), and Royal Selangor (crafts/gifts) (Abd. Hamid et al., 2003). Roughly, these franchises added to the domestic retail sales of 5 percent. Among the most successful homegrown franchises are Hotel Seri Malaysia, MarryBrown, Nelson, Kyros Kebab, Anakku, Clara International, and Sinma; while the successful foreign franchises in Malaysia are Kentucky Fried Chicken, McDonald, A&W, Pizza Hut, and Hard Rock Café (Filzah et al., 2013).

In Malaysia, the franchising business concept started booming in the 1990s when the government actively involved in promoting franchise business through the Franchise Development Program (FDP) (Leong, 2014). Consequently, according to Leong (2014), the Malaysian government has aggressively promoted and supported the franchise business and making Malaysia Asia's fastest emerging franchise market. After 40 years since the first franchise was set up in Malaysia, franchise business has flourished as a successful and promising business method. The success is mainly due to Tun Dr Mahathir Mohamad, the Prime Minister of Malaysia (1981 to 2003), who saw the potential of franchise to help boost the economy. Tun Dr Mahathir Mohamad viewed franchising potential as,

> "… franchising is the fastest, most effective, and productive way to expand a business".

In line with Tun Mahathir's belief in the potential of the franchise business model, the Franchise Development Programme (FDP) was set up in 1992. It was set up based on these objectives: (1) to increase the number of entrepreneurs in the franchise sectors and (2) to develop homegrown products and services into franchise businesses in Malaysia (MFA, 2022). FDP offered seminars and financial support

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packages to assist Bumiputera to enter the franchising industry. In 1994, the core development of the franchise industry was assigned to the Implementation Coordination Unit. This unit established the "Malaysia Franchise Association" (MFA).

A year later, a unit under the Implementation Coordination Unit, the "Franchise Development Department," was placed under the purview of the "Ministry of Entrepreneur and Cooperative Development" (MECD) and renamed as "Franchise and Vendor Department" (Leong, 2014). The establishment of MFA was to be a one-stop information centre for existing and prospective franchisors and franchisees. The association has enormously contributed in fostering viable business models and encouraging successful franchises, particularly among new entrepreneurs looking to enter the industry (Ishak, 2010). Unfortunately, in the late 1990s, franchise fraud cases were reported by *Perbadanan Nasional Berhad* (PNS), where the agency claimed that 75 percent of initial franchise loans were reported as 'non-performing loans.

Besides that, franchises in Malaysia also reported difficulties in managing their business effectively and efficiently, where some had already been terminated due to poor performance (Wong, 2021). There have been previous reports of Saté Ria franchise failure due to problems with management skills and related fraudulent activities. In addition, Sate Ria's management lacked financial regulation. At that time, no franchise law existed in Malaysia, and franchising had problems with moral hazards for the franchisee (issues of trademark and pattern) (Lokman Mansor in Sidek, 2013). There were loopholes in the franchise system where some unscrupulous businesses aggressively promote their franchise opportunities,

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recruiting franchisees and taking advantage to collect franchise fees. As a result, franchisees were not properly guided and were left without proper support from the franchisor.

The Malaysian government found a lack of franchise rules and regulations, especially for fraud and franchise business ethics, to govern this industry. To address this, the Malaysia Franchise Act was introduced later in 1998 (updated on April 28, 2022) to regulate the sector (Leong, 2014). According to this act, all franchises operating in Malaysia are required to register with the Registrar of Franchises under the Ministry of Entrepreneur Development and Cooperation (Ishak, 2010). The countries that currently have laws to specifically regulating franchising are the United States, Americas, Brazil, Mexico, Venezuela, and the Canadian provinces of Alberta and Ontario; in the Pacific Rim countries, Australia, China, Indonesia, Malaysia, and South Korea; and Europe, France, Romania, Russia, and Spain (Costello & Cole, 2001). Moreover, Malaysia one of the seven countries, namely China, Indonesia, South Korea, Tunisia, Saudi Arabia, and Vietnam, in the world that has specific franchise laws and regulations outside the United States, which incorporate franchise disclosure, relationship, and registration (Piper, 2023).

In 2009, the Ministry of Entrepreneurship and Cooperative Development was placed under the authority of the Ministry of Domestic Trade, Cooperatives, and Consumerism and has remained till today. There was a change in its name to the Ministry of Domestic Trade and Consumer Affairs (KPDN) through the *Bahagian Pembangunan Francais dan Jualan Langsung*. Franchising was used as a platform for entrepreneurship development in Malaysia (Leong, 2014). This enabled the nation to establish a Bumiputera Commercial and Industrial Community, which was

delineated in the ‘Second Outline Perspective Plan (OPP2) 1991-2000’ and also the National Development Policy (NDP). Hence, in 1991 “The Franchise System: A Strategy Towards Creating a Bumiputera concept of Commercial and Industrial Community" was launched. It was created to persuade Bumiputera to consider franchising as an alternative approach to operating and managing an organization (Hoe, 2003).

The Malaysian government recognises franchising as a fast strategy to boost local entrepreneurship and stimulate growth in Malaysia; thus, RM74 million was allocated for franchise entrepreneurial development and programmes through Pernas as the authorized agency. The government has currently launched the National Franchise Development Master Plan (PIPFN) 2021-2025 to boost the franchise industry (MFA, 2023). Moreover, Malaysia has been one out of the seven countries (China, Indonesia, South Korea, Tunisia, Saudi Arabia and Vietnam) in the world that has specific franchise laws and regulations outside the United States which franchise disclosure, relationship and registration (Piper, 2023), which divulged in Malaysia Franchise Act 2022. Under the 12th Malaysia Plan (2021-2025), the franchise sector has been identified as one of the export growths sectors for the structural transformation and modernization of the distribution trade industry (Economic Planning Unit, 2022).

Franchisee business in Malaysia is structured and administered by Perbadanan Nasional Berhad (Pernas), with 713 local and 428 foreign brands. Under the agency, the Franchise Institute was established to train prospective franchisee entrepreneurs. Various funding grants and projects have been implemented, such as Empowering Women Entrepreneurs Through Franchising, Project Be Your Own

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Boss, and Project Ecelerator. More than 1000 franchisees have been created from this program through synergistic collaboration between the private sector and the government in developing a more effective franchise ecosystem through MyFranchise (MFA, 2021).

Table 2. 4: Malaysian Registered Franchise Industry Statistic (2015 – 2023)

Description	2017	2018	2019	2020	2021	2022
Registered franchise business	839	850	856	945	1157	1197
Cancel/Termination	0	24	24	39	55	56
Termination %	0%	2.80%	2.80%	4.10%	4.80%	4.70%
Bumiputera Franchisee	225	236	239	259	214	222
Non Bumiputera Franchisee	605	628	631	675	475	491
Others	9	10	10	11	413	428

Source: KPDN (2016 - 2022)

However, the data on franchisees was very difficult to obtain; moreover, Malaysia even faced the issue of unregistered franchises, which led to social issues that affect the trust of consumers and franchisees (Wong, 2020). The Table 2.4 illustrates the number of franchisees registered each year. According to the data, in 2021 and 2022, the number of failed and terminated franchises decrease from 4.8 to 4.7 percent. The data has clearly shown that the franchise had a survival challenge during the pandemic crisis. However, the franchise sector also faces the problem of a lack of reliable information (Wong, 2020) and very little research has been conducted in the field of franchising, especially among franchisees (Hizam-Hanafiah et al., 2022). In understanding franchisee resilience, the next section will explain the underpinning theories that explain franchisee survival ability.

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2.3 Underpinning Theories

The theoretical background establishes a foundation for the research and provides perspective and structure to conduct the investigation. Adopting existing theory simplifies and improves our knowledge, aids in the construction of relationships between variables, and allows for the comparison of study findings from various contexts (Foy et al., 2011). To better understand the issue, the general definition of "business survivability" is defined as;

> "the moment of birth, i.e., entering the Register of Entrepreneurs/business and the moment of death of an enterprise, i.e. deregistering from an entrepreneur's database, which can be defined more broadly not only as closing or suspending its activity, but also as insolvency or bankruptcy" (Kozak, 2018, pp. 183).

In today's business world, organizational resilience or survival has captured the interest of academicians. According to literature, the perspective of business survival can be divided into the survival of new entry or start-up (Bates, 1998; Lafontaine & Shaw, 1998; Quatraro & Vivarelli, 2015), survival through a business ecosystem or crises (Najib et al., 2021; Salunkhe et al., 2021), survival in a new or international market (export) (Alon et al., 2021) and survival over a long term period (sustainability) (Bordonaba Juste et al., 2009). Short-term survival during turbulence is the function of corporate resilience resources (Coleman et al., 2013; Kalnins & Chung, 2006; Pham et al., 2021), resource and capability (proactive strategies) (Duchek, 2020), and social resources to enhance positive economic outcomes (performance, efficiency, competitive advantage) (Tengblad, 2020). Business survival is described as a measure, feature, outcome, philosophy, objective, or capability personal level (entrepreneur characteristics) and firm level (organizational resources, innovation, R&D, legal structure, commercial strategy, top management, etc.) (Hernández et al., 2021). Thus, the present study employs business survival as

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the organizational capability to survive an event as a result of external environment pressure.

The business survival study started with the perspective of Charles Darwin's Evolutionary Theory. The theory served as the foundation for studying a firm's survival ability by defining the term from a biological science perspective, from the organization's inception to its adaptation to the business environment (Sallatu & Indarti, 2018). Some of the researchers who brought this Evolutionary Theory into organizational studies and adopted the survival discourses were Hannan and Freeman (1977) and Aldrich (1979) (cited in Sallatu & Indarti, 2018). Thus, the Evolutionary Theory of the Firm was developed through organizational and Darwinism Theory. Since then, the business survival theory and research have grown.

According to Hillmann et al. (2021), conceptualization and measurement of business survival are still facing problems and need further development and validation. Franchise survival has been defined in many ways, some measure in terms of survival rate analysis (Lafontaine & Shaw, 1998), survival during the early stage (Bates, 1998), long-term survival (Bordonaba Juste et al., 2009) (Yokum et al., 2006) and survive in new setting (internationalization) (Ayup-Gonzalez et al., 2019). According to the literature review of franchise survival and continuity, the most common theories used is reflected in Table 2.5.

According to Table 2.5, the theory of AT and RBV is are widely used theory to describe franchise resilience. However, during the crisis, resource shortages and a lack of readiness have limited organisation strategy options for managing the COVID-19 impact (Eggers, 2020). Under the circumstances, Resource Scarcity

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Theory (RST), Resource-Based View, and Agency Theory were employed as the underpinning theory in the present study, which provides the theoretical basis to explain franchisee survival during the recent economic downturn. These theories were explained in detail in the next section.

Table 2.5: Theories used to describe franchise survival

Theories	Number of studies
Agency Theory	8
Resource-Based View	5
Resource Scarcity Theory	2
Entrepreneurial Theory	2
Human Capital Theory	1
Institutional Theory	1
Psychoanalytical Theory	1
Signalling Theory	1
Transaction Cost Economics	1

2.3.1 Resources Scarcity Theory

Resource Scarcity Theory (RST) stems from economic theory, examining the impact of resource availability and scarcity on organizations, and how franchise business survives, particularly in situations where access to financial and managerial resources is limited. This theory addresses the influence of resource limitations on organizational behaviour, decision-making, and social structures. RST in entrepreneurship was developed by Oxenfeld and Kelly (1969), Caves and Murphy (1976), Norton (1988), and Lafontaine and Kaufmann (1994) (in Diaz-Bernardo, 2012).

Oxenfeld and Kelly (1969), who proposed the theory, argued that franchising facilitates rapid market penetration in the early phases of firms' growth trajectories by facilitating access to key resources. Oxenfeld and Kelly (1969) and Norton (1988)

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used Resource Scarcity Theory, which explains that the new venture or entrepreneur uses the franchising system to gain access to a fundamental resource for growing a business (from the franchisee's outlet). While Rubin (1978) acknowledged RST as the economic theory framework in which the franchisor would discover the most optimal financial sources from the franchising business format (through franchisees). In addition to the argument that the franchisee brings together money and management, Lafontaine and Kaufmann (1994) emphasize that another advantage of franchising over selling company shares is the ability to retain business control.

Thus, RST has developed from discussing the origin of franchising to explaining why franchisors use franchises to accumulate resources, franchise integration, expansion, development, growth, and internationalization (Castrogiovanni et al., 2006). According to RST, franchising is a mechanism to gain access to capital and managerial resources needed to run a successful business. Efficient resources and capabilities provide efficiency and enable firms to achieve economies of scale. RST outcome is based on economic efficiency that explains franchise expansion and development in the evolving market (Hachemi Aliouche et al., 2015). As a result, RST is employed for clarifying the market performance of a franchise, attributing its survival (Combs et al, 2004), success, or failure to resource inadequacies. (McDermott & Buttler, 2023) and growth (Castrogiovanni et al., 2006).

Literature detailed RST in discussing franchising business to achieve business survival. During challenging times, lacks capital and resources, and needs to grow, influence franchise to initiate a decision to continue growing and develop the business survival ability (Combs et al, 2004). Franchise business tries to strive by

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achieving minimum efficient scale within limited resources and managerial skills to avoid failure (Madanoglu et al, 2018). Moreover, local insights help franchisees manage resources, maintain operational standards, and adapt to rapid market changes (Díaz-Bernardo, 2012). Accordingly, franchisee business longevity is dependent on their ability to manage resources, adjust strategies, prioritise local solutions, and receive appropriate franchisor support during difficult times.

The success of the franchisee increases the performance of the franchisor. Therefore, selecting franchisees according to certain criteria is crucial for the franchise system's success. However, RST is often used in franchise research, mainly focusing on the franchisor, the franchising format's need to sustain in the long run and to explain the difference between a franchise and an independent outlet (Castrogiovanni et al., 2006). According to the systematic literature review on franchising strategy, Abd. Ghani et al (2021) mentioned that RST has been widely used as an underpinning theory to explain franchising strategy, whether in franchisor or franchisee business. However, the study on RST in explaining franchisee survival is limited to only seven studies.

According to RST, as illustrated in Figure 2.4, franchisees with limited resources and capability can survive and grow by accumulating new internal resources and management skills (McDermott & Butler, 2023). The franchisee significantly contributes to the sustainable success of the franchise system (Lafontaine et al., 2019); however, the franchisee has limited resources. In a global economic crisis or uncertain market conditions, franchisees are more vulnerable to survival issues (Bui et al., 2021). During turbulence or early development of franchising, RST is significant in explaining the franchisee's early growth with limited resources.

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Organizational responses and growth during economic or environmental shocks correspond to the availability of internal resources and capability (owned by an entrepreneur or a corporation). Due to a crisis, the business experienced financial challenges, a decline in operations and economic activity.

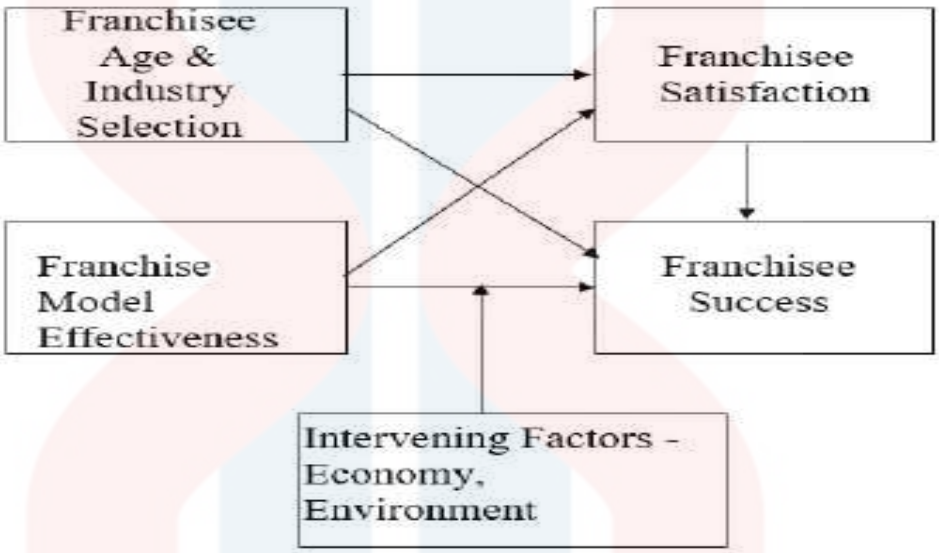

Figure 2. 4: Resource Scarcity Theory in Franchisee Success

Source: McDermott et al. (2023)

Therefore, the efficient allocation of limited resources and capabilities is crucial in preventing organizational failure (Ganlin et al., 2021). The ability to enhance an organization's capabilities is a key determinant of its survival (Landini et al., 2020). To mitigate the impact of exogenous shocks, businesses must also develop managerial capabilities to effectively manage resources and improve performance. Resource constraints can drive innovation and creativity within organizations (Dhondt et al., 2018). In the context of franchising, franchisees collaborate with franchisors to adapt and recover from challenges. However, franchise businesses operate within contractual agreements, requiring business decisions to align with the terms and mutual agreements established between the franchisor and franchisee.

According to Resource Scarcity Theory, retail enterprises are expected to adopt the franchising model when faced with capital constraints. However, some businesses choose to franchise their units even in the absence of financial limitations, as many franchisors provide financial support to their franchisees (Mishra, 2017). During economic crises, franchisees often struggle with resource limitations and heightened uncertainty in strategy implementation. To overcome these challenges, they develop alliance capabilities to access external resources, particularly through government support. Additionally, franchisor support plays a crucial role in enhancing franchisee survival by providing financial assistance, strategic guidance, and operational expertise. This collaborative relationship between franchisors, franchisees, and external stakeholders highlights the importance of resource access and strategic adaptability in ensuring franchisee resilience during turbulent periods.

Consequently, RST explains that franchising can provide resource advantages, both tangible and intangible, that may be absent within an organization. RST alone cannot explain franchising business phenomena (Mishra, 2017). In addition, there are conflicting results for the theory; thus, it should be supported by other theories to gain more consistent findings (McDermott et al., 2023). Despite that, RST also does not include external support from the government as the external resources in dealing with their survival issues (Lee & Choi, 2023). Therefore, RST alone cannot fully explain the ability of a franchisee to survive and grow during a crisis. Therefore, integrating RST with a Resource-Based View and Agency Theory better explains the phenomenon.

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2.3.2 Agency Theory

According to the literature, Resource-Based View (RBV) and Agency Theory (AT) provide insights to explain why firms exit as substitution or compliment theory (Lockett et al., 2009). In a franchise scenario, according to RBV, the managerial capability and proper relationship between franchisor and franchisee are known as ‘alliance capabilities' or ‘alliance management capabilities’ (Prihandono et al, 2021). The franchisor always supports the franchisee to increase the franchise's competitive advantage and performance (Gillis et al., 2020). Therefore, AT best describes the relationship between franchisee and franchisor as the franchise literature is ‘almost exclusively’ based on AT (Barthélemy, 2011), representing the harmony of interest between franchise agents (franchisor and franchisee), and complements the RBV.

AT is a ‘management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal’s goals’ (Otungu et al., 2011). AT by Bendickson et al. (2016) is rooted in economics; however, scholars across several disciplines have used it. AT has been used since the 1970s “with the work of Ross (1973), Caves and Murphy (1976), Jensen and Meckling (1976), and Fama and Jensen (1983a and 1983b)” (in Sanfelix & Puig, 2018). AT can be defined as:

> “An agency’s relationship by which one party, the principal, delegates work elsewhere, to the agent, to carry out this work” (Eisenhardt, 1989, p. 59).

AT describes the formal authority as the basis of the contract authorized as a representative on behalf when a priority conflict exists between a person or group. Otungu et al. (2011) described AT as a method of management where one person,

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the agent, serves on behalf of another person, the principal, and is expected to further the main goals agreed upon in the contract.

Positive AT and principal-agent theory can be divided into two. Positivist researchers have concentrated on investigating the circumstances when the principal and agent are likely to have competing goals and those that are connected to governance systems (Eisenhardt 1989). The principal-agent theory is one of the novel theories used to explain contract relationships and franchise performance through the relationship between the franchisor as the principal and the franchisee as the agent (Sanfelix & Puig, 2018b; Ting, 2017). AT seeks to address two issues that can occur in an agency relationship (Eisenhardt, 1989). The motivation for franchising has been studied from the perspectives of two prominent theories: (1) AT and (2) Social Exchange Theory (Castrogiovanni & Justis, 2002).

AT was used to assess partnerships based on managerial actions, agency costs, and capital structure. According to agency theory, franchisees help cut supervision expenses because they know the market conditions and are able to manage it better. As a result, the franchisor is not accountable for any additional costs incurred by the franchisees (Ting, 2017). AT aims to address problems that emerge in the agency relationship to reduce agency costs and monitor strategy to enhance performance. The first problem is that the principal cannot verify the agent's actions as being appropriate. The second problem is when the principal and agent have different perspectives about risk; thus, they should share the risk.

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The issue is that, due to differing risk preferences, the principal and the agent may prefer alternative behaviours (Eisenhardt, 1989). The agency perspective also views franchising as the agent to minimize agency costs of the franchising system. This objective can be obtained when franchisees reduce the problem of adverse selection, which occurs when agents misrepresent information about their talents, moral hazard, and adverse selection by creating asymmetric knowledge through knowledge sharing and effective communication (Eisenhardt 1989; Ting 2017).

Besides AT explains that the franchising relationship is derived from an economic perspective of risk sharing between two parties, principals and agents. However, each of the two sides may have a different strategy for solving the issue (Eisenhardt, 1989). In such a situation, the principal will assign the agent specific tasks to accomplish the shared objectives; thus, the principal's longing for risk sharing is now of great concern. Both use the same unit of analysis, the principal-agent cooperation contract. Both theories complement each other and share the same assumption of uncertain outcomes, risk probability, and asymmetric knowledge (Ling, 2017).

For a franchise business, survival depends on the mutual support, opportunistic behaviour and intention of the franchisee to remain in the franchising system (Prihandono et al, 2021). The excellent relationship derived from AT creates franchisee-franchisor relationship satisfaction from both ongoing supports. The long-term survival of the franchise system depends on franchisee satisfaction with franchisor training and initial and ongoing support (Lee et al, 2023). Franchisors' support governance and leadership which are well delivered will not be understood by franchisees, create negative behaviour, conflict and disagreement between the

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two parties, and leads to poor franchising performance. Therefore, studies urged theories integration or combining agency with other related theories to have a better understanding of the franchising issues, proper action and better outcomes (Otungu et al. 2011).

Principal agent theory is closely related to transaction cost theory, where transaction cost is reduced by reducing moral hazard and creating efficient knowledge transfer between both parties (franchisor and franchisee). Franchisor's support is part of the franchise relationship to achieve sustainable performance, as shown in Figure 2.4.

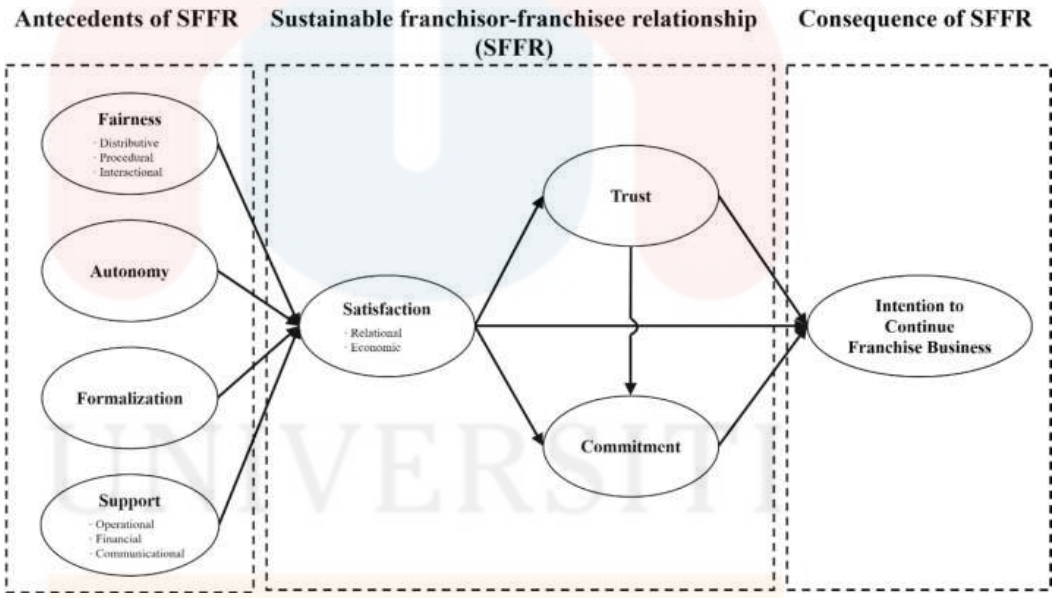

Figure 2.4: Conceptual model of sustainable franchisor-franchisee relationship

Source: Jang & Park (2019)

This can be achieved through laws and regulations (pattern, trademark, contract etc), franchisor supports their franchisee business with business support, training, sharing expertise, and abilities), and the franchisee contributes with prior training, understanding of the local market, and process innovation, as well as

royalties and entrance fees (Sanfelix, 2018). A franchisor's level of support to satisfy franchisee needs increases franchisee satisfaction, reduce franchisee and franchisor relationship conflict, and increase franchise network success (Raha & Hajdini, 2022).

Based on the framework, franchisor support (Agency Theory) and Resource Dependency Theory are integrated to explain the sustainability of the franchising relationship (Jang & Park, 2019). According to Barthélemy (2011), a franchise has typically relied on agency theory, where there is a major difference between company ownership and franchising. In company-owned outlets, the chain operator owns the facilities and operates them directly by hiring employees. In franchised outlets, the chain operator has contracts with independent entrepreneurs (i.e., franchisees) who invest their capital in the outlets, and their performance affects the franchisor because the profit stream from franchisor resources (franchise format and system) depends on franchisee performance. Therefore, franchisors should support and put effort into monitoring franchisees to enhance franchisee performance and to improve the franchising survival rate.

In conclusion, AT and RST offer valuable insights into the franchising network, where franchisor support helps franchisees grow with limited resources and survive crises. However, to explain the survival ability during the global crises and turbulence market, RBV has a better explanation of strategic resources and capability to thrive the impact. Therefore, RBV was used as the supporting theory for the study.

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2.3.3 Resource-Based View

The origin of the franchise business is best viewed from the perspective of resources (scarcity of resources), where the franchise system starts from a lack of resources. In order to accumulate resources, they choose to add more outlets or build branches, and the franchisor continues to gather internal resources through the franchisee. Therefore, when compared to franchisees, the franchisor has more growth factors, better access to financial and management resources, and better survival outcomes (Castrogiovanni et al., 2006). However, research revealed that relying simply on just RBV to explain the phenomena of a firm's survival is still seen as insufficient (Kamasak, 2017). Therefore, Resource-Based View (RBV), was integrated as franchise business suits RBV, and with the assumption of more valuable resources, the franchisee is more likely to survive, as there is a positive correlation between strategic resources on long-term performance (Hong & Sullivan, 2013).

RBV fills in the RST and AT gaps by focusing on competitive advantage to achieve superiority and supremacy, or the result when a company can offer greater benefits as compared to its competitors. The unique and strategic resources help the organization to compete with its rivals and ease the strategy and process to achieve its vision or mission (Porter, 1990). Hence, the superior outcomes include better performance, survival, satisfaction, intention to stay, growth, managerial effectiveness, and sustainability (Nijmeijer et al. 2014). As a result, the company can outperform its competitors and maintain a competitive advantage to pursue better outcomes.

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Literature on small and medium-sized enterprises (SMEs) commonly examines resilience via the lens of RBV (Esteve-Pérez et al., 2008; Nik Hazimah et al., 2022; Sallatu et al., 2018). RBV is an influential theoretical framework introduced by Wernerfelt (1984) and Barney (1991), primarily rooted in Penrose's (1959) work (in Kor & Mahoney, 2004). It aims to understand the process by which firms obtain competitive advantage and emphasizes the role of a firm's current resources in shaping its future development. It also explains the sustainability and survival of businesses (Zimuto & Maritz, 2019).

Since then, the 'resource-based perspective of the firm' has evolved as a popular paradigm in strategic management, with capabilities defined as an 'organization's ability to efficiently turn internal resources into outputs, in comparison to its competitor' (Barney, 1991). This study adopted the organizational resilience framework from the review by carried out by Hillmann & Guenther, (2021) and (Kozak, 2018) where the ability of a business to maintain its operation or function (resistance) as a response to the mobilization of resilience resources, capabilities, and behaviours. Consequently, RBV also explains why some firms did better than others in terms of survival and ability to remain in the industry during uncertain times which is demonstrated by the firm's strategic resources and capability (Shafi et al., 2020).

From the perspective of RBV, a business's ability to survive refers to the internal view of organizational resources and capacities that companies can utilize to manage the business better (Kozak, 2018). The resources and capability should be unique; hence it is hard for a competitor to compete and increase the firm's competitive advantage, thus these resources would be the company's strength to

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help improve performance (Wernerfelt, 1984). Organizational survival ability or survivability is the business orientation perspective that has a strong relationship with a firm's performance and could be achieved through a firm's competitiveness (Sallatu & Indarti, 2018).

Valuable resources in RBV emphasize an enterprise level of analysis, which focuses on internal resources (Barney, 1991). On the other hand, RBV views resources as the 'stocks of available factors that are owned or controlled by the firm'. While capabilities refer to a firm's capacity to deploy. At the same time, resources and capability are 'the combination of organizational processes to gain a desired end' (Amit & Schoemaker in Hussain & Waheed, 2019). According to this theory, the precise sorts of tangible and intangible resources, organizational culture, and strategic capability that businesses hold and manage can provide a competitive advantage in the form of a high level of performance. According to Teece et al. (2001), tangible resources are the financial, as well as physical and capital resources (physical resources of the organisation, such as plant and equipment, technology, location, and raw materials).

Intangible assets refer to the "recognition of organizational qualities and traits that are strategically significant". An organization's intangible assets are a subset of its portfolio of strategic resources, including its human capital (knowledge, skills, judgment, and insight from managers and employees) and organizational process (formal organizational structure, planning, controlling, and coordinating systems, formal and informal reporting, etc) (Teece, 2001). Human capital resources are the knowledge, skills, insight, and judgment of managers and employees within the organization. Furthermore, even though RBV focuses on resources, it regards

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intangible resources as having a negligible impact on a firm's total performance, and RBV focuses more on resourcefulness (tangible resources) (Kamasak, 2017).

While the formal organizational structure, planning, controlling, and coordinating systems, formal and informal reporting, and planning systems, and informal relationships between groups within the organization and between external organizations in a competitive environment are all considered organizational capital resources (Teece & Lowe, 2001). As in the case of a franchise, a strong brand also represents a market-related asset, which is the intangible asset (Ahmad et al., 2019). Besides the powerful brands of the franchisor, the franchise business model provides other franchisee support systems such as training and consultation (Combs et al., 2011).

According to RBV, to improve performance, an organization should have the capacity for resources and the capability to efficiently manage its strategic internal resources (Ainuddin et al., 2007). This means that organizational capabilities are needed to utilize and change these static resources into new configurations of resources that can sustain the company's competitive advantage (Teece, 2001). The capabilities are complex bundles of skills and collective learning exercised through organizational processes, which ensure superior coordination of functional activities that dynamically interact to gain more significant outcomes. Organizational capabilities are also the company's intangible resources that effectively exploit and allocate marketing and financial resources through managerial talent or strategy is the critical key in maintaining business performance (Brahmasrene et al. 2004).

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Based on Teece, Pisano, and Shuen (1997), the organizational strategy could be a possible link to tangible and intangible resources, which is a combination of competencies and capabilities. They claimed that a company's organizational procedures, managerial decisions, and strategies are influenced by its (certain) asset position to obtain a competitive advantage. RBV also comprehends that resources are internal characteristics of certain internal practices, procedures, and knowledge, where resource and capability exploration and strategy formation to increase performance (Barney, 1991). Therefore, organizational resources and capabilities should be aligned or linked using strategies, administrative processes, knowledge, relationships, attitudes, and skills to increase performance (Nijmeijer et al., 2014).

However, there are also some critics and limitations of the RBV. The theory has been criticized because it emphasizes competitive advantages more and neglects the significance of business strategies (targeted at creating the resources needed) to successfully adjust to market conditions (Coleman et al., 2013). RBV also argued that the theory lacks managerial implications, such as how to collect resources and how a manager has complete power over resource values and allocation. The RBV has also been criticized for failing to explain how resources are created and used to achieve a competitive advantage and for not considering dynamic market settings (Morgan et al. 2009).

Firm survival is the market concentration that includes internal and external factors to demonstrate the organizational ability to survive. Therefore, there is a need to link with other theories in strategic management to fill the RBV theory gap in explaining survival ability, especially on external orientation and a strategy that connects internal and external market conditions. Literature suggests that internal

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factors such as tangible and intangible resources and external factors and capability (strategy) should be used together in the same analysis to get better results. This is because resources are not productive on their own and need to be managed, well-aligned, and developed with strategies (Ferreira Azaredo & Ortiz, 2019) to increase performance.

Hence, while acknowledging the significance of resources for the endurance of firms in stormy circumstances, it is evident that the RBV in isolation does not adequately explain the competitive advantage of small enterprises operating in volatile marketplaces (Weaven et al., 2021). Due to crises or shock, the business experienced a decline in its operations and economic activity. Literature suggested that all resources and capabilities were allocated through a strategy to prevent the organization from failure (Ganlin et al., 2021). Moreover, compared to the amount, the quality of resources an organization has major impact on the business's ability to survive (Landini et al., 2020).

MO fits the capability framework as the outside-in capability, which integrates market learning and customer linking into the analysis of RBV (Day, 1994). As a result, this study employed market orientation (MO), which is part of the 'marketing action' that has a significant impact on a firm competitive advantage and organizational performance (Sandvik & Sandvik, 2003). Based on Bamgbade et al. (2022) and Ketchen Jr. et al. (2007), the RBV framework shows that strategic action (capability) that links internal organizational factors with the external factor is possible for the mediator that could affiliate firm strategic resources to gain superior performance as shown in Figure 2.5.

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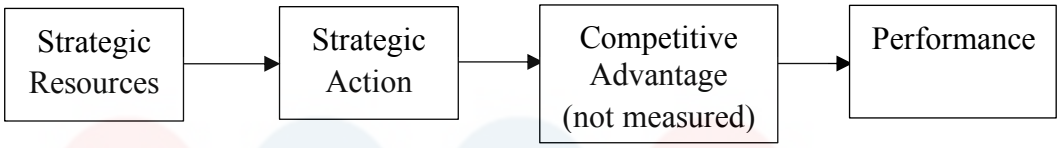

Figure 2. 5: The core concept of the resource-based view

Source: Ketchen Jr. et al., (2007)

Based on the framework in Figure 2.5, this study infused market orientation (MO) with RBV framework as the links of resource orientation and performance with the organizational environment through MO as a strategic action as a responsive capability that increases competitive advantage. Hence, a growing number of works of literature have described MO as an important strategic asset linking the internal and external markets to accomplish corporate success (Tokarczyk et al., 2007) and a firm's survival (Naidoo, 2010). MO is part of the marketing strategy and greatly contributes to RBV as an additional capability dimension to explain business survival ability. Therefore, this study employed MO as a firm strategy (responsiveness) in changing market conditions during the pandemic (as a mediator) aligned with franchisee resources (financial resources, human capital) and the external factor to obtain superior franchisee performance of survival ability.

Since the survival of an organization is not only determined by internal resources and capability, but also by external factors. Literature suggested that to endure global crises, firms must cultivate the capacity to reconfigure assets into sustainable combinations of internal and external resources consistently. Firms need funding and non-financial support from the government to help increase their capability to recover and survive (Najib et al. 2021). Yet, RBV ignores the external

factor and the constantly changing external environment (Esteve-Pérez & Maez-Castille, 2008; Coleman et al., 2013). The study integrates the external factor into RBV, as Ye et al. (2022) confirmed that government support is part of business resources; thus, in this study, external support from the government support as resources was included to better explain franchisee survivability.

2.4 Defining Franchise

Franchising business is referred to as the most successful global business model of the 21st century (Li & Xia, 2019). The franchise business model has progressively covered many industries and services throughout the world (Choo, 2001; Combs et al., 2004). Franchise is an entrepreneurial activity based on the contractual relationship between two independent entrepreneurs, franchisor and franchisee (Lanchimba et al., 2021) developed by the franchisor, who is an entrepreneur with successful experience accumulating capital and expanding business at a low-cost using the franchise business method, while franchisee with available funds can invest in entrepreneurship in a high-success business method (Leong, 2014).

There have been numerous and diverse definitions of franchise, and the majority have been designed to establish legal limits for the sector. In Malaysia, the franchise industry is regulated by the Franchise Act enacted in 1998 (Amendment in April 28, 2022). According to the act as published in MFA (2025), franchise can be categorized as in MFA (2025).

> "franchise" means a contract or an agreement, either expressed or implied, whether oral or written, between two or more persons by which—

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(a) the franchisor grants to the franchisee the right to operate a business according to the franchise system as determined by the franchisor during a term to be determined by the franchisor;
(b) the franchisor grants to the franchisee the right to use a mark, or a trade secret, or any confidential information or intellectual property, owned by the franchisor or relating to the franchisor, and includes a situation where the franchisor, who is the registered user of, or is licensed by another person to use, any intellectual property, grants such right that he possesses to permit the franchisee to use the intellectual property;
(c) the franchisor possesses the right to administer continuous control during the franchise term over the franchisee's business operations in accordance with the franchise system; and
(d) (Deleted by Act A1442).
(e) in return for the grant of rights, the franchisee may be required to pay a fee or other form of consideration.
(f) (Deleted by Act A1442).

Franchising is when a party with a successful business model licences another party to operate that company format under the trade or service mark(s) or trade name. The two parties have a legal contract for commerce. Franchising is believed to have derived from the French word 'franc' meaning 'free.' Extension indicates a privilege, in this case, to utilise a proven manner under the trade or service mark. Various definitions exist. Another strategy allows a corporation to share its resources and profit potential with independent businesspeople to quickly and effectively distribute its products and services. Some just call it a business expansion method. A brand, systems, and fees make a business a franchise in the US (Weber, 2017).

A franchise is part of retail and service organization, a long-term business relationship and arrangement consisting of a contractual agreement between two parties, the franchisor and the franchisee, whereby the franchisor grants the franchisee the rights, subject to covenants and restrictions, to do business using the franchisor's intellectual property rights, such as the brand, trade name, patents, trademarks, equipment, supply chain, etc., and also provides the franchisee with marketing and business management assistance and support, and the franchisee

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acquires the right to market goods or services under the franchisor's brand name and in return, franchisee pays fees and royalties to the franchisor (Nijmeijer et al., 2014).

A franchise business format concept or licencing type transaction as an organizational form is called franchising (Castrogiovanni et al., 2006) where franchising is the system or method of marketing goods and services, a form of entrepreneurship or business opportunity and a way of franchisor expanding business in different geographical areas (Wu, 2015; Ishak et al., 2018). Franchise business format is a duplicate of the franchisor's successful business system, especially the business model, marketing strategy, supply chain management, and operations manuals, where these arrangements are based on a specific routine, procedure, and contract set by the franchisor (franchisor policies) (Bourkheili et al., 2015).

Through the franchising business format, franchisees receive several types of operational and management support, such as premise set-up, business training, on-site guidance, business operations manual, product supply arrangements, marketing aid, and ongoing services. In terms of business ownership, franchisee must run their businesses following the franchisor's policies, guidelines, and specifications (Lee & Choi, 2023). Franchisee business begins once the franchisee, who is an entrepreneur, has an intention to start a franchise business, selects a suitable franchise brand, and operates the business (Bui et al., 2022). Once a selection has been made, the franchisee and franchisor will sign an agreement as the first step.

A franchise agreement is a formal contract between the franchisor, who owns the production technique and trademark, and the franchisee, who will utilise the franchisor's production method and sell products or services under its name. The

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franchisee will pay the franchise fee after signing the franchise agreement. Next, the franchisor will provide the franchisee with the initial services required for the store's establishment as well as initial support with the location selection or construction management, and other ongoing support which is included in the franchise package (Dada, 2018).

Later, the franchisee has to make the initial investments in land, buildings, and certain equipment based on the franchisor's advice and specifications. After the business setup process, the franchisor will provide ongoing franchise inspections and site visits (to ensure operational requirements are met), trademark access, and marketing and advertising services. In return for these services, the franchisee pays a royalty on sales and a royalty on marketing expenditures, sometimes known as an advertising charge. There are two ways to run a franchise business which are product distribution and business format. In product distribution, franchise is a product distribution franchise where the franchisee merely sells the franchisor's products and has supplier-dealer relationships (Beshel, 2001).

Meanwhile, according to Luangsuvimol & Kleiner (2005), there are three franchise classifications which are distribution-ship, chain-style business operation and manufacturing or processing-plan arrangement. In terms of franchise models or ownership, there are few options which are single unit, multi-unit, master franchisee or area representative (Webber, 2013). The franchisee operates their business independently with the governance of the franchisor and is guided by the franchise agreement to achieve better performance and growth. In return for the payment, made to the franchisor, the franchisee will receive a contract, the right to operate the business, a developed system, training, and received continuous support to develop

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and sustain their business (Mendelson, 2004). The capabilities of franchising to grow and survive were explained in the next section.

2.5 Business Survival and Failure

Business survival also known as organizational resilience (Mitsakis, 2020) has been a growing importance and interest among academics due to the COVID-19 Pandemic (Hillmann & Guenther, 2021; Gianiodis et al., 2022). The increasing business failure during the pandemic crises has demanded a better understanding of business survival to avoid more business failures in the event of future outbreaks (World Bank, 2020). Thus, it is important to identify how a business in a specific sector, such as franchising, acts to survive the current crises in order to avoid more business death in future crises.

Business survival is part of Business Continuity Management (BCM) where it is a holistic approach to crisis management and mitigating risks that can interrupt business functions and operations to ensure business sustainability, maintaining reputation, brand and customer trust, aligned with organizational goals and risk management (Mošková & Buganová, 2023). The main components of BCM are business impact analysis, risk assessment, employee training, and business continuity planning (Galoutzi et al., 2024). During a crisis, BCM is essential in enabling organizations to respond effectively and structured through strategic planning, fostering flexibility and innovation, and effective leadership and communication as a means of coping and maintaining operations during and after a crisis (Rouco & Figueiredo, 2024).

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Business survival is the central study of entrepreneurship, where certain characteristics or factors determine whether their business has the ability to survive while another does not (Korunka et al., 2010). Fundamental of business survival refers to the year of business operation, availability of upcoming plans and diversity of product or service range (Rahman et al., 2016). On the other hand, resilience concept, can be explained as an outcome, a process, or a capability (Duchek, 2020). Business ability to survive in the study is related to the business capacity which effectively uses organizational resources, capability and the support system the firms receive as a coping mechanism for continuation of business (Salmah & Siti Rahayu, 2021; Yang & Yu, 2022). However, there are challenges for franchisee continuity management during the crisis, as they are having limited resources, human capital constraints and business model modification in managing business continuity where franchisee should balance their entrepreneurial autonomy and the standards set by the franchisor. Thus, the critical elements of FSA are critical resources (financial and human capital), survival strategy (market orientation) and business support (franchisor and government support) to ensure business continuity.

In order to have clear understanding of their vulnerabilities and recovery priorities to sustain in longer-term, franchisees should avoid the critical failure factor of franchising that may cause business exit or wind up. Organizational or business failure can be defined in diverse conducts, including “discontinuance of business ownership, cessation of business, bankruptcy, and failure to make a go of it”. Hence, franchise failure factors are important to determine as reducing failure risk is essential to acquire franchise survival as it is a threat to business continuity. The ability to stay alive in business is the ability of a company to operate continuously without failing under any of the circumstances mentioned earlier. Thus, even though

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franchise business is the adoption and replication of successful business methods to franchisees, however, the franchise system is not a guaranteed success in the market because there are reports on business failures concerning both franchisees and franchisors, especially in Malaysia (Ishak, 2016).

Franchise failure is attributable to the size of the chain, the number of services it provide, its brand recognition, the length of the contract, the number of workers at the different franchised locations, and the probability of membership in franchise organizations (Calderon-Monge et al., 2017). According to Frazer & Winzar (2005), franchise failure is also associated with franchisor-franchisee conflict, franchise system size, and franchisee investment level. Besides that, Sherman (2004) reported that the failure of the franchise system is due to (1) the lack of franchisor governance and leadership, (2) lack of support and assistance for the franchisees,(3) complex and irrelevant business standards, (4) lack of franchisee obligation fulfilment, (5) lack of financial management, unprotected brands, and (6) lack of ineffective training programs, difficulties in attracting qualified franchisees, and inappropriate and unprofitable business practices.

Internal factors of franchise business failure include the inability to manage a franchise chain, poor selection and training of franchisees, poor customer orientation management, inadequate growth, high upfront fees, a failed marketing strategy, and poor contracts (Stanworth, et al., 1998). One of the recorded failure cases of homegrown franchises in Malaysia is the Sate Ria franchise. This Malaysian homegrown franchise failed when the franchisor was unable to sustain the business due to poor internal management skills and fraudulent issues. The managerial problem occurred due to the lack of financial regulation set up by the Sate Ria

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management. During the fraudulent activities, which arose at that time there was no franchise law implemented in Malaysia to govern the franchising business format, and franchising moral hazard issues among franchisees (e.g. intellectual property such as trademark and pattern problems) (Lokman Mansor, 1999).

In addition, franchises in Malaysia are also reported to have difficulties in managing their business effectively and efficiently, with some terminated due to poor performance (Wong, 2021). Other vital aspects that resulted in to the failure of franchisees in Malaysia included franchisee's attitudes, financial problems, rapid franchise business expansion and external shocks (Amy Azhar et al., 2011). Apart from internal factors, external factors such as crises have been the main factor that puts franchises in a vulnerable and survival mode. These external factors include macroeconomic conditions and environmental factors such as economic crises, turbulence events, etc. (Hernández et al., 2020).

Therefore, literature has divided business survival influence into two perspectives: internal and external factors. The internal factor, which is the founder's characteristics (personal factor), the firm's strategic resources (such as size, age, human capital, financial resources, strong brand), managerial capability (strategy, innovation, flexibility, learning or knowledge-based activity, R&D), and pre-entry experience. While the external factors such as market characteristics, industry life cycle, the sector's technological intensity, market growth, industry entry rates, and market competition (Hernández et al., 2020; Ortiz-Villajos & Sotoca, 2018). Thus, the context of internal and external factors influencing franchisee survival was employed in this study.

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Meanwhile, in terms of franchisee resilience determinant, Resources are the survival main determinant for survival and also refer to business operation, strategy (decision makers' propensity to change), business model modifications, or business strategy during a crisis to thrive (Cucculelli & Peruzzi, 2020). The probability of survival may vary depending on the company's age (more age, the more resources) and stage of development. A small business can expand via five stages: existence, survival, success-disengagement, take-off, and resource maturity. Younger firms tend to have fewer skills, capability, and resources, so they will have less survival ability. But these factors may have different effects according to crisis type, and impact, and might vary in another type of business (Kalleberg & Kevin, 1991).

Challenges in the current environment, such as the pandemic, recession, political instability, and an uncertain climate in which businesses currently operate, have put businesses in survival mode and at risk of business closure. When a business finds itself in a precarious situation and is unable to carry on with operations according to the expectations of its stakeholders, its future success and survival may be in danger. This is especially true if the business is experiencing problems before the unexpected disaster. For businesses to be able to "spring back" from such unforeseen and frequently disastrous catastrophes, organizational resilience must be developed.

It is impossible to overestimate the significance of this, and the role of organizational resilience plays in an organization's journey towards the idealized future state expressed in its mission statement and strategic goals. Without it, there is a higher chance that a situation that interferes with an organization's ability to carry out operations continually, developing new processes and routines to adapt and

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satisfy its stakeholders, which will negatively affect sales, market share, and profitability (Napolitano et al., 2015). The black swan crises, such as the Novel Coronavirus (COVID-19) pandemic, are a sudden threat that is worth looking into as it causes unprecedented challenges and outsized impact (Belitski et al., 2021). A crisis is defined by Booth (Fabeil et al., 2020) as

> "a situation faced by an individual, group or organisation which they are unable to cope with by the use of normal routine procedures due to unforeseen circumstances and new and emergent crises impacts" (Booth, 1993, p. 402).

Due to the current pandemic crisis, the study integrated external factors and internal factors through survival strategy (marketing, innovation, technology, digitalization, artificial intelligence) to develop a model for business survival. The external factor, such as government support, has been found to have a significant positive effect on business survival during the pandemic outbreak (Assefa, 2021; Najib et al., 2021; Salunkhe et al., 2021). During the previous turbulent events, Hernández et al. (2020) discovered that more educated business owners implemented strategies such as product innovation and geographic concentration that were associated with greater chances of survival, as well as consolidation of information systems and concrete strategic planning.

According to Liu et al. (2017), small firms appear to respond rationally during a crisis, and risk management and rational actor models may better explain their responses, particularly those belonging to larger firms, during a crisis. During natural disasters, rationality is a function of entrepreneurship and a desire to change (personal attribute factor), course or be economically bold during and after earthquakes to recover and thrive. Financial resources drive action and strategic response in all

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firms, regardless of the size of the company, to survive in previous catastrophic events. The response of firms to an economic downturn in terms of their innovative behaviour, could be divided into three categories (Archibugi, Filippetti, & Frenz, 2013; Fernandes & Liebenstein, 2011 in Tsiapa et al. 2018):

> (a) persistent behaviour of firms that have maintained their innovation investment despite the crises, emphasizing the value of technological accumulation;
> (b) the cyclical behaviour of firms that have decreased their investment in innovation in times of major crises due to a drop in domestic and external demand, the limited scope of new technologies, and other factors; and
> (c) counter-cyclical behaviour of firms that have increased their investment in innovation

Franchise businesses play a crucial role in economic development, and their growth and failure have a ripple effect on all other franchise participants, particularly the franchisor and franchisee. For this reason, it is significant and crucial to research franchisee survival (Thaichon et al., 2020). The empirical franchise literature on pandemic issues is shown in Table 2.6.

Table 2.6: Franchise and pandemic COVID-19 literature

Authors	Research	Method of Surviving
Hsieh et al. (2020)	Empirical study on hospitality Industries in China.	Surviving the pandemic through knowledge management success.
Hutabarat & Tua (2021)	Empirical study on food industries in Indonesia.	Surviving through brand image and food quality.
Liewin & Genoveva (2020)	Empirical study on fast food restaurant in Indonesia.	Food Safety, Food Quality, and Environment has a positive and significant effect on consumer confidence so that it affects purchasing decisions, increase franchisee profitability and survive the pandemic.

Table 2.6 (continued): Franchise and pandemic COVID-19 literature

Song et al. (2021)	Empirical study on U.S. restaurant industry.	Franchises' stock returns to financial conditions, corporate strategies, and ownership structure (financial asset).
Skawińska & Zalewski (2021)	Empirical study on the food retail industry in Poland.	Internal actions, neutralize the threats from the pandemic for their functioning, by meeting the needs of consumers through food safety.

The franchisee survival concept can be described as the intention to remain in the system, continued operations, ownership and solvency (Josefy et al., 2017). Consequently, most of the franchise literature on franchise success, performance, failure rate and franchise survival rate pay particular attention to franchise age, size, location, and financial resources. These resources have significantly reduced franchise failure rates and exit cases (Frazer & Winzar, 2005). Based on Table 2.7, franchise survival has been studied by many researchers using survival rate (Kaplen-Meier, Hazard or Cox Model), predictable time horizon and financial indicators such as financial leverage, general solvency, economic profitability, general liquidity and financial autonomy (Munroe et al., 2005.).

Table 2. 7: Business survival indicator

Author	Indicator	Method
Najib et al. (2021)	Ability to maintain positive cash flow Ability to maintain some employees Operating continuously.	Business Survival (ability)
Bartlett & Morse (2020)	The probability of survival is measured by revenue resiliency, labour flexibility, and committed costs/debt obligation.	Financial performance indicator
Cooper (1993)	As business survival is conventionalized as solvency since the small size of the organization may lead to volatility in other measures of financial performance (sales and profit).	Financial performance indicator

Table 2.7 (continued) : Business survival indicator

Author	Indicator	Method
Barbosa (2016)	Focus on a financial indicator such as financing, working capital, investment matching, profitability etc.)	Cox Model Survival Rate
Van Praag (2003)	Small business survival measures through firm growth, size and probability remained self-employed.	Survival Rate
Adam & Alarifi (2021)	Survival Indicator - financial indicator - measure an enterprise's cash availability, debt magnitude, reserved cash, accounts receivable turnover, and technology usage.	Financial performance indicator
Austin (2020)	Survival of small businesses facing an adverse macro shock, as a function of their endowment of (i) revenue resiliency, (ii) labour cost flexibility, and (iii) committed costs (e.g., lease and loan payments).	Business Survival Growth Model (BSGM),
Suraya et al. (2020)	Performance that ensures business continuity, the focus must be given to improving the performance of MSMEs through the increased locus of control and employee competency.	Organizational Performance
Naido et at. (2010)	Firm survive crises measures by organizational performance, where firm possesses the ability to withstand the challenges of the current economic crises, are in a good position to address the slowdown in business activity and their sales will rebound back to pre-crises level.	Organizational Performance

Besides that, studies that emphasized survival as the successful growth of the new entry have also been conducted. Bartlett & Morse, (2020) described business survival capability as the monetary function of (1) a firm's ability to exhibit revenue resiliency and preserve as much as revenue possible, (2) survival is also a function of labour cost flexibility and (3) survival is a function of the size of committed costs and the ability to restructure cost following a shock. Table 2.7 shows the indicator used to measure business survival.

Therefore, business survival is mostly measured using financial indicators (business performance), however, some researchers have also adopted other subjective scales (Adam & Alarifi, 2021). The fundamental of business survival refers to 'the year of business operation, availability of future plans and diversity of product/service range' (Rahman et al., 2016) and firm survival concepts are continued operations, ownership and solvency (Josefy et al. 2017), usually measured by greater than six years from its inception (Combs et al., 2004).

Some survival measures that use survival probability may vary depending on the age and stage of development of the firm. To do this, the measurement should include the fact that the business can expand through five stages: existence, survival, success, retreat, take-off, and resource maturity (Kalleberg Arne, & Kevin, 1991). Each of these stages has different challenges and requires different approaches to grow and sustain. The five management criteria, such as leadership style, organizational structure, level of formal procedures, key strategic objectives, and owner commitment to the business, are used to describe each stage and provide an index of size, diversity, and complexity (Churchill & Lewis, 2021). Despite this, survival through a specific crisis requires additional empirical research, as each crisis constitutes distinctive difficulties that differ between business types; consequently, the strategy to retain business should be specific to a business type.

However, the survival prospects of franchise business systems continue to be a topic of discussion among both academics and professionals (Othman et al, 2023; Ishak et al., 2018). Thus, as the COVID-19 pandemic outbreak occurred in 2019/2020, the hazard is significant to be the best time to test the business resilience capability among different business types and locations. This is because the crisis

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impact varies according to the type of crisis, nature of the business operation, type of industry, geography, political environment, etc. According to the franchise survival review of 38 articles from 1998 to 2024, at this point in time, there is no empirical research on franchisee survival ability through their strategic resources, capability, and external support with the mediating effect of market orientation as the survival strategy (Refer Appendix A).

2.6 Franchisee Survival Ability

Until recently, the survival factors of the franchise business format have still debatable among academics and practitioners (Bates, 1995; Kosová & Lafontaine, 2010; Perrigot et al., 2004). According to Bui et al. (2021) in their review on franchisee performance, studies on franchisee business outcomes are still very limited. Taking this into account, the study emphasized the franchisee perspective of franchise performance and closed the gap to better understand the superior outcomes of franchisee survival in terms of franchisee resources and capability to achieve the ability to survive the crises (outcomes). In order to examine the franchisee's ability to survive crises, the factors contributing to franchisee performance should first be identified. These factors may vary across the business types/sectors and countries (Najib et al., 2021). Franchisee survival and growth are constrained by the franchisor and franchisee's shared territorial obligations, agreement, and heavy reliance on the franchisor's support.

The Systematic Literature Review in Appendix A shows 38 previous literature on franchise survival which mainly focuses on multiple survival outcomes where 21 (66 percent) of the articles performed quantitative analysis and another 11

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(34 percent) were qualitative. In quantitative studies, the data shows that most of them focus on survival rate, competitiveness and franchise performance through financial, franchise characteristics, franchisee and franchisor entrepreneurial attributes, managerial, satisfaction, franchise assets, institutional, and other measurements. The data analysis used in quantitative is the Cox Regression Model, Logit Model, hazard analysis, survival rate analysis, satisfaction rate, success or failure prediction, etc. (Appendix A provides a comprehensive analysis of the current outcome of franchise survival ability from 38 articles since 1998).

While some studies address the adverse model of business survival, such as the firm exit or failure model such as such as studies by Agrawal et al. (2020), Bordonaba Juste et al. (2009), Giunipero et al. (2021), and Madanoglu & Castrogiovanni (2018). These studies used econometric analysis such as logistic, logit, Lasso regression, linear probability, and sensitivity models. Later, Calderon-Monge et al. (2017) explained the likelihood of franchise failure (to measure survival) using a financial indicator (Lasso Model) by including franchise outlet and chain growth as variables in the analysis. According to previous survival analysis, a franchisee is considered to survive when it remains self-employed for more than five years through surviving from business exit (Van Praag, 2003). Yet, there are plenty of misunderstandings concerning threats to employees, what measures and best practices or strategies businesses ought to implement, and uncertain changes in customer behaviour and orientation (Boiral et al., 2021; Solunkhe, Rajan & Kumar, 2021).

Previous frontier studies of franchise survival were Lafontaine and Shaw (1998), Shane (1996), Bates (1998), and Shane and Foo (1999), mostly focused on

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survival rate using a logistic model (survival rate analysis). According to the studies, franchise survival is the function of business longevity or long-term viability and survival of a start-up and focuses on age, size, owner characteristics, royalty rates, and growth rate as indicators. The current study is conceptualized according to Hendry et al. (2019) as an 'organization's ability to prevent and absorb changes and regain the initial performance level after an unexpected disturbance', through internal and external factors (Hernández et al., 2021). Literature suggested that a firm's survival measurement needed further investigation (Sallatu & Indarti, 2018). Thus, in the present study, the measurement of franchisee survival ability (FSA) employs a hybrid model with a combination of monetary and non-monetary measurement constructs that were developed and further validated. The survival ability of the franchisee is part of the financial and non-financial measurement of organizational performance, where survival is the corporate survival outcome or result after the crisis.

Monetary metrics are fundamental to measuring tangible performance outcomes and sustainability. These typically includes; (1) revenue trends and profitability (Lafontaine & Shaw, 1998) to maintain or grow profitability during turbulent periods are more likely to survive long term, (2) Cash flow stability and liquidity (Shane, 1996): Strong working capital and cash reserves enhance a franchisee's ability to endure periods of low sales, (3) Debt servicing capacity (Bates, 1998): Franchisees that manage debt obligations without default signal financial resilience, (4) growth in unit sales and cost control (Shane & Foo, 1999): These reflect operational efficiency and market acceptance.

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Studies on business survival in the context of franchising have typically focused on financial assessments to assess franchise sustainability, continuity, or survival. Sallatu and Indarti (2018) argued that these conventional survival assessments, particularly in the dynamic context of a crisis, are insufficient and call for a more comprehensive conceptual improvement. In response, this study adopted a hybrid model by integrating both financial and non-financial indicators in the Franchise Survival Capability (FSA) measurement, which offers a more comprehensive view of what enables franchisee units to survive outside of a crisis. The Table 2.8 below explains the FSA measurement by financial and non-financial categories.

Table 2. 8: Franchisee Survival Ability Measurement

Measurement	Classification	Refererence
FSA 1: During the pandemic, our organization has been operating continuously.	Non-monetary	(Najib et al., 2021)
FSA 2: During the pandemic, our organization was able to maintain several employees.	Non-monetary	
FSA 3: During the pandemic, our organization was able to maintain cash flow.	Monetary	(Adam & Alarifi, 2021).
FSA 4: During the pandemic, our organization was able to maintain cash availability.	Monetary	
FSA 5: During the pandemic, our organization was able to maintain reserve cash.	Monetary	
FSA 6: During the pandemic, our organization was able to maintain its debt magnitude.	Monetary	

In this study, the FSA measurement items integrate monetary and non-monetary measures, where FSA1 and FSA2 are non-monetary, and FSA3 to FSA6 are monetary. This indicator is in line with a resource-based view, recognizing that survival depends not only on financial inputs but also on intangible resources and

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relationships. According to past literature on franchise survival mostly uses the failure or survival rate method via monetary (Kosová & Lafontaine, 2010). Hence, there is a need to understand the influential factors that affect a franchisee's survival ability (Othman et al, 2023). Therefore, there is a need to develop franchisee survival construct measurements. While the factors of FSA were explained further in the next section.

2.7 Factors Affecting Franchisee Survival

By examining the relevant literature since 1998, according to the review, most literature on franchise resilience resources focused on financial assets as the main factor in sustaining franchise business in the longer term. Most of the research focuses on financial leverage, general solvency, profitability, general liquidity, and financial autonomy.

The present study focuses on franchise ability to avoid failure which focuses on franchisee decision on strategic resources and managerial capability as the capacity of resources enables the implementation of the execution plan during crisis (Obrenovic et al., 2020) to adapt, recover and survive (Bates, 1998; Calderon-Monge et al., 2017). According to the systematic reviews, most research investigates franchise financial resources as financial resources are the primary determinant of franchise performance, development, and growth (Lafontaine & Shaw, 1998; Calderon-Monge et al., 2017). In addition, past research also focuses on franchise assets such as brand, age, size, and multi-unit franchises (outlets) as determinants of franchise capacity to reduce the risk of failure and exit (Frazer &

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Winzar, 2005). Yet, human capital and external support on franchisee survival have not received sufficient attention in franchisee survival research.

From the year of publication, there has been an increasing amount of academic research on franchising from 1997 until recently, and mostly from the United States (12 articles). The studies related to franchise resilience tend to follow the crises that occur during this time, such as the Asian Economic crisis (1997-1998) and the Great Financial Crisis (2008-2010). There are seven literature context (themes) discovered in the franchisee survival ability, such as; (1) marketing, (2) managerial capability, (3) value proposition, (4) franchisor and franchisee relationship, (5) franchise resources, (6) entrepreneurship and (7) other themes. This study will focus on aspects of franchise survival in the form of resource-based capabilities and strategic capabilities owned by franchisees to deal with the negative impact of the global crisis in order to continue their operations.

Accordingly, the study acknowledges the established research in depth and identifies a new conceptual framework to test franchisee survival ability, namely, financial resources, human capital, franchisor support, government support, and market orientation strategy, and potential explanation of mediators of market orientation and measuring approach.

2.7.1 Financial Resources

Financial resources from the internal organization (Audretsch et al., 2024), financial activity or strategy (Jasiyah & Sujana, 2024), and access to external financial resources (Islam & Fatema, 2023) have a significant impact on business

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resilience during a crisis. Similarly, in franchise literature, financial assets as franchise internal resources have a significant effect on franchise survival, development, and growth (Calderon-Monge et al., 2017; Coleman et al., 2013; Esteve-Pérez & Mañez-Castillejo, 2008). Franchise resources enable the franchise to develop and survive, usually correlated to franchise age and size, where these two indicators secure franchise capabilities, experience, brand name, and resources, especially financial resources (Bates, 1998; Calderon-Monge et al., 2017) to survive and grow.

The magnitude of monetary assets and access to funding increases the chances of business survival (Chhatwani et al., 2022) as it is the main source to enable business operation (Zaato et al., 2021) and execution of strategies to achieve sustainable competitive advantage (Bartlett & Morse, 2020), increase performance (Jaworski & Czerwonka, 2018), and survival ability during a crisis (Sundarakani & Onyia, 2021). While a lack of financial resources limits a firm's ability to make effective and efficient strategic plans and increases the firm's vulnerability to external shocks (Landini et al., 2020). Financial limitations, franchise is at risk of failure and bankruptcy (Portillo-Tarragona et al., 2018; Calderon-Monge et al., 2017). Therefore, prior to the COVID-19 pandemic crisis, firms that have financial fragility faced more severe survival problems than those with better financial resources (Dörr et al., 2022). Therefore, financial resources availability is the main determinant of business survival ability, especially during a crisis (Abd Aziz et al., 2019; Woldenhanna, 2018; Najib et al., 2021).

In a franchise system, financial resources are the major determinants of franchise success (Perrigot et al., 2020). Financial capital can be defined as the

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"firm resources from strong cash flow, savings, and the total value of the company's monetary assets, initial investment, and property investment a firm has" (Debrulle et al., 2020a). According to Barney (2001), financial resources is the firm's "monetary assets, which include equity, debt capital, and retained profits, as well as debt capacity. Financial resources are also known as "all resources in financial form such as cash, creditors, liquidity asset, and capital structure" (Al-Qadi et al., 2018) and "the financial ability and sources (access to fund) that they have" (Aranda-Usón et al., 2019) or "the funding and financial opportunity that an organization can access during start-up or difficulties" (Yang & Yu, 2022).

The nature of a firm, based on the Theory of the Firm, shows how adequate financial resources can be accumulated through profit maximization, where total revenue is higher than the total cost or purchased value is greater than the economic cost of a firm (Peteraf & Barney, 2003). The framework of resource scarcity and RBV has created the understanding that financial resources lead, which allows franchises to continue business with the availability of financial resources, financial bootstrapping capability, and capacity to access external funds, which are needed to sustain the business (Aranda-Usón et al., 2019; Moog et al., 2020; Othman et al., 2015). Thus, the availability of financial resources, which is the current asset or cash flow from continuous business activity, has become a strategic factor that contributes to franchisee resilience (Bui et al., 2021). So, the firm needs to continue operating during turbulence to generate financial resources availability and secure an adequate budget to operate and sustain the business (Owusu et al., 2021).

During the crises, financial resources and financial plan implementation as contingency strategies significantly impact the franchisee's survival. The capacity of

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financial resources will determine the execution of the strategy during the crises (Obrenovic et al., 2020). In terms of the measurement, studies carried out by Scarpellini et al. (2018) employ (1) adequate financial resources, (2) the quality of financial resources, and (3) the availability of financial resources to establish a stable financial condition. Another study by Owusu et al. (2021) listed the availability of financial resources as a firm's profit, personal savings, financial support from family and friends, supplier credit, and bank loan services.

At the same time, financial resources also include external and internal sources of funds, and other financial instruments that help a firm to overcome difficulties (Landini et al., 2020). Several studies concluded that financial resources have a significant relationship with performance and survivability (Asgharian Bourkheili, 2015; Bui et al., 2021; Debrulle et al., 2020; Perrigot et al., 2020), and the measurement of financial resources is reflected in Table 2.9. Besides physical cash flow, adequate funds or current assets are also considered as financial resources. This includes receivable income, marketable securities, inventory, prepaid expenses, and other liquid assets that can be easily converted to cash (Othman et al., 2015).

Bootstrapping has become the key strategy in cost saving and maximizing revenue, and it has been reported to increase chances for a firm's survival during the COVID-19 pandemic (Abdulrahaman, 2023). Thus, Block et al., (2022) gauged the extent of a firm's financial resources gained through financial capability to generate cash and preserve liquidity from bootstrap financing such as sending joint utilization, payment reminders to customers, delaying payment on invoices or credit payment, reducing taxes, negotiating on payment terms, etc.

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Table 2.9: Past literature on financial resources and relationship with performance

Authors	Financial Resources Measurement	Relationship with performance
Debrulle et al. (2020)	Founding /initial capital (own cash, equipment, loan) Strong Cash Flow (inflow) Capacity to borrow Strong balance sheet (indicates a company is liquid, which means it has enough cash on hand to handle its liabilities)	Positive
Sundarakani & Onyia (2021)	Government Financial Support	Positive
Moog & Soost (2022)	Access to financial resources from formal and non-formal institutions	Positive (mediator to performance)
Grozdić et al. (2022)	Capital Investment (long-term investment to generate revenue)	Positive
Pu et al. (2021)	Financial support Tax incentives	Positive
Sangling et al. (2018)	Subsidies (financial support)	Positive
Assefa (2021)	Special loan facility	Positive
Moog et al. (2020).	Access to finance or financial support through: Bank, Venture capital, Business angels, Private equity, Friends and family, State funding, and government aid or program.	Positive
Najib et al. (2021)	Subsidies Economic incentives (electricity bill payments, salary subsidy assistance, and other financing support) Financial support policies such as loan restructuring policies, interest subsidies, and tax exemptions.	Positive

Bootstrapping, according to Block et al. (2022), generates cash from internal sources and is found to be a significant survival strategy to avoid bankruptcy by addressing liquidity problems among SMEs (Muo et al., 2020). According to the Block et al. (2022), this method includes selling products that are easy to sell as soon as possible, or getting money through family and friends to get cash immediately. Additionally, businesses can also negotiate to reduce or exempt payments to suppliers or creditors to maintain cash flow. Additionally, the reduction in advance

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tax payments provides immediate relief to the company's cash flow as it reduces the current tax liability.In the case of a franchise business, to reduce the financial burden, the franchisee will continue to operate under any circumstances to generate income (positive profit). To ensure positive profit, the franchisee also negotiates with suppliers or franchisor to delay or defer stock payments. In addition, negotiations for reductions or deferrals of commercial or private rent are also done to maintain financial stability during difficult times. Franchisees through the franchisor's agreement are exempted from paying franchise fees or branding fees during economic hardship until the franchisee is ready to pay.(Abd.. Ghani et al., 2022).

Besides strong cash flow or physical cash in enterprises, access to financial funds, together with investment finance, has a significant impact that adds to franchisees' ability to remain resilient (Moog & Soost, 2022). Therefore, they need to have the capacity to access financial funds (loans, financial incentives, and financial support) from financial institutions or the government. Moog & Soost (2022) measured financial resources through the extent to of firms are funded by the financial organization and social capital funds (family support). While for a firm with limited financial resources will have to access financial resources that are measured using the access to financial loan/fund/scheme support (Assefa, 2021) and other financial assistance (subsidies, tax allowances, grants) (Bretas & Alon, 2020; Dung, 2020).

The study utilized three financial resource dimensions from Othman et al. (2015) and the measurement items' are as follows, (1) the availability of financial resources (adapted from Moog & Soost, 2022); (2) financial bootstrapping (adapted from Block et al., 2022); and (3) the financial fund received from banks (adapted

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from Assefa, 2021). Another important factor that contributes to franchisees' survival during a turbulent situation is human capital, which will be discussed in the following section.

2.7.2 Human Capital

Human capital is the human element of the franchising business development model, which is critically important for business survival (Austin, 2020; Cucculelli & Peruzzi, 2020; Duchek, 2020). Human capital is the firm's intangible human asset, as it provides value, future benefits, or returns to the firm (Aledo Ruíz et al., 2017) to enable firms to survive economic shock or crises (Duchek, 2020). During a crisis, human capital engagement strategy, especially knowledge sharing, has shown a significant impact on organizational performance, where human capital is the company's most valuable asset since they have the information, skills, and talents needed to survive (Ahmed et al. 2020). However, there are still limited studies examining these intangible resources, such as human capital capability, as the determinant of business survival, especially during a crisis (Alnoor, 2020). Therefore, the present research filled in the literature gap by examining the impact of human capital, which includes experience, personal attributes (perseverance, inventiveness), skill/talent, and training, on franchisee survival ability.

According to Teece et al. (2001) in RBV, there are two types of tangible and intangible resources. Human capital is an intangible asset that refers to the recognition of organizational qualities and traits that are strategically significant. Human capital is defined as a set of knowledge and competence, skills and training, innovation and capabilities, attitudes and skills, learning ability, and motivation of

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the people who form the organization (Cristian Ionel et al., 2010). Human capital is the intellectual resources that need to be engaged in the sharing of management knowledge, expertise, and skills to gain business success. Human capital is also a collection of features that include the experience, knowledge, creativity, innovation, and energy, which people invest in their work (Saluy et al., 2021). Therefore, many organisations recognise that employees are their most valuable asset, as they possess the ability to compete with both internal and external organisations within their respective industries (Ahmed et al., 2020).

Literature concluded that human capital has a multidimensional construct (Khan & Quaddus, 2018) where it can be measured using financial and non-financial methods. The financial measurement according to Abderraouf, (2020) summarized by Human Resource Accounting is the financial measurement of human capital, which includes investment of human resources, in the form of financial reports. Human capital has also been measured using four main human capital pillars namely, human capital performance management, competency management, change management and knowledge management (Alnoor, 2020). However, important domains in the human capital construct are knowledge, skills and ability (Chyne & Syngkon, 2020), productivity-enhancing investment (training) (Gimeno et al., 1997) and mastery of technology (Hernita et al., 2021), health and expertise of the labour force (Goldin, 2003). Therefore, it can also be measured in the non-asset-based terms as human resources capability, knowledge, and skills where these have a significant impact on performance (AlQershi et al., 2021). The measurement and relationship with performance are discussed in Table 2.10.

Table 2.10: Past literature on human capital and performance

Authors	Human Capital Measurement	Relationship with performance
Jo et al. (2024)	HCRs (i.e., "HR function frequently explains the contents of HR practices to employee, HC).	HCRs, which, in turn, was positively related to both labor productivity and ROA (performance).
Yarovaya et al. (2021)	HC is an investment in human capital.	Higher human capital efficiency demonstrates higher resilience to the COVID-19 crises shock.
Ahmed et al. (2020)	Employee engagement strategy (1. Right employee in the right job, 2. Exceptional leadership, 3. Organizational systems and strategies).	Employee engagement strategy has a significant positive impact on organizational performance.
Alnoor et al. (2020)	Human Capital (Education, experience, personal attributes, health, skills and training).	Human capital has a significant positive impact on organizational performance.
Yarovaya et al. (2021)	HC is an investment in human capital.	Higher human capital efficiency demonstrates higher resilience to the COVID-19 crisis shock.

The current study adopts the human capital dimension from Alnoor (2020), where, according to the author, highly competent employees with enhanced educational background, extensive experience, optimal health condition, better abilities, comprehensive training and encouraging personal qualities are sought to achieve better business performance and ensure long-term viability. However, the measurement used by Alnoor (2020) was not included in his article and failed to be obtained. Therefore, only the dimension is used, while the measurements used are adapted from other authors, as shown in Appendix B. Therefore, only the dimensions are used, while the measurements used are adapted from other authors, as reflected in Appendix B. The dimensions chosen to be used in this study were; (1) experience and education (adapted from: Aminu & Mahmood, 2015), (2) employee personal attribute (adapted from Ruiz et.al, 2016), and (3) employee digital skills (adapted

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from: Ghi et al., 2022), and (4) employee productivity (adapted from: Putri et al. 2019).

The first dimension of human resources is the employees' experience, which is considered one of the most valuable resources within a corporation, as it has a significant impact on the organization's overall performance. The development of human capital quality is facilitated via individuals' accumulation of experience, which can be further enhanced by integrating this experience within cross-functional teams. This integration establishes a shared experiential foundation, creating additional value for the firm, particularly fostering innovation. Human capital experience and education scale are adopted from Aminu & Mahmood (2015).

Next is the employee's attributes, which refer to the talents and abilities possessed by individuals within an organization. The effective management and development of human capital are positively associated with enhanced organizational performance (Aledo Ruíz et al., 2017). Human capital personal attributes include creativity, intelligence, risk-taking, and diversity, which influence a firm's performance (Alnoor, 2020). Human capital and personal quality help in providing innovative ideas, new knowledge, and functions that have been found to positively affect sales (Chadwick et al., 2018). Thus, the study employs the scales of the employee personal attributes by Aledo Ruíz et al. (2017).

The third dimension is employee digital skills. During the pandemic, businesses and employees have had to rely more on the use of technology in carrying out their day-to-day business. A firm's employees' ability in learning to

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use mobile apps, Artificial Intelligence systems, and Big Data and Machine Learning in carrying out their business, provided and added boost to firms' resilience which contribute to its ability to survive the economic crises in the long run (Trabucco & De Giovanni, 2021). Thus, a study by Harrison & Anuar (2023) reported that SMEs optimized digitalization through online-based trading, digital marketing, and online sales as strategic tools to provide goods and services in a practical, cheaper, faster, and labour-intensive way. According to Ghi et al. (2022), business leaders' awareness and human capital skills should be developed for digital transformation encompasses the alterations and conversions of business operations, processes, and value creation that are propelled by the use of digital technology. The measurement for employee digital skills is adapted from Ghi et al (2022).

The fourth dimension is productiveness, which refers to a workforce that is highly prolific, with the level of productivity that is positively influenced by factors such as education, training, and health (Goldin & Haupert, 2014). According to Muthuku (2020), effective human resource management determines more productive employees; thus, effective human resource management plays a crucial role in enhancing employee productivity, which in turn contributes to the overall resilience and survival of an organization. Learning, training, and developmental strategies can support employees and organizations in strengthening their capacity and organizational resilience, enabling them to navigate the continuously complicated and progressively challenging business environment effectively (Mitsakis, 2020). The measurement of employee productivity scales has been adapted from the work of Putri et al. (2019). According to the findings of Putri et al. (2019), it has been established that the implementation of effective training

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programmes can significantly enhance employees' loyalty towards the organisation, motivation levels, and improve overall work performance.

2.7.3 Franchisor Support

The sustainable performance of franchising, according to agency theory, is influenced by both the franchisor's and the franchisee's performance, where there is an interdependent relationship between the franchisor and franchisee (Perrigot et al., 2020). Franchisee business's performance is an important source of capital accumulation for the franchisor. In addition, franchisee business carries the franchisor's trademark; thus, the franchisee's failure will undoubtedly harm the franchisor's brand name. Therefore, the franchisor will ensure that they continuously communicate, educate, govern, and support franchisees to ensure their survivability, avoid bankruptcy, and sustain their operation (Antia et al., 2017).

Franchisor support is part of franchisee alliance capabilities where, through networking, effective communication, and cooperation between franchisee and franchisor, value, increase competitive advantage, and performance (Gillis et al., 2020). Thus, both the franchisor's and franchisee's business relationships determine the success or failure of a franchise (Adeiza et al., 2017). To sustain the networking or business relationship, both have to reduce conflict, where franchisee and franchisor should have positive personal attributes and obligations, and managerial capability to operate a successful business and sustain the business relationship (Abd. Ghani et al., 2022). This collaboration is important because the action of one party, will have either a positive or negative impact on the other (Perrigot et al., 2020). Consequently, the survival of franchisees was found to be dependent on their

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satisfaction with franchisor support, which helps to reduce franchising conflict, and increased franchise network performance, which is positively correlated to franchisee survival (Bui et al., 2021).

Besides the alliance capability, franchisor support is also part of 'brand credibility' and 'contractual obligations' as the franchisor benefits from the profit, royalties, and entrance fees paid by the franchisee. The franchisor, as the brand owner, provides the franchisee with all the support needed, especially in the operational system, business management, knowledge transfer, relevant infrastructure, support system, and leadership (Lee & Choi, 2023). Franchisors also provide franchisees with technology transfer, training, information technology structures, organizational structures, logistic systems, marketing, etc, to help franchisees manage their business throughout the franchisee's tenure (Lee & Myoungshik Seo, 2022; Sanfelix & Puig, 2018; Abou Kamar & Alsetoohy, 2021). Meanwhile, during a crisis, franchisors would usually provide franchisees with more intensive social support, such as motivational support, and functional, instrumental, and evaluative support to overcome business difficulties during the pandemic crisis (Lee et al., 2023). The franchisor's effort shows the need for franchisee survival to protect the franchisor brand throughout the crises and positively increase both franchisor and franchisee performance during the recession (Dung et al, 2020).

Based on the qualitative case study of Kremez et al. (2022), franchisor support is needed by franchisee during the pandemic includes; (1) franchisor leadership (such as forward vision, innovative, 'trying to keep ahead of the game, progressive, thinking outside the box and be a front runner in the introduction of technologies, (2)

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collaboration with franchisees and consistency of communication were also highlighted as important factors for reducing franchisees' fear of the unknown and for gaining franchisee acceptance for the change strategies), (3) training and support (relevant training and support structures are in place before introducing change in a franchise network.

Franchisor support dimension according to Abdullah et al., (2008), should take into account the following dimensions such as (1) social interaction, which measures how well the franchisor and its franchised colleges interact; (2) support services, which measures the level of interaction between the franchisor and franchisee; (3) financial, which captures the allure of the franchise arrangement; and (4) assurance, which shows the security and credibility of the franchise. Based literature, Table 2.11 shows the measurement of franchisor support.

Table 2.11: Past Literature on franchisor support and performance

Authors	Relationship	Measurement
Abdullah et al. (2008)	Operationalization of the support provision from the franchisor have a positive effect on franchisee satisfaction, financial performance, and survival.	Social interaction Service support Financial Assurance Competence
Abou Kamar & Alsetoohy (2021)	Operational, financial, informational and commercial support.	The franchisor grants the required instruments for success. The franchisor provides sophisticated start-up assistance. The franchisor provides full assistance and professional expertise. Promotion and advertisement supports were very propitious. The franchisor provides initial and ongoing training programs.
Bretas & Alo, (2020)	Franchisor's flexibility helps franchisee to survive the pandemic	Franchisors are renegotiating or suspending the payment of royalties and fees.

Table 2.11 (continued): Past Literature on franchisor support and performance

Dung et al. (2020)	Franchisors and franchisees options to survive pandemic (franchisor support strategy)	Reduce or postpone the royalties generally for a reasonable period. The franchisors may agree to temporarily reduce or suspend the rent. Franchisors provide guidance for employee issues, re-evaluate their product offerings, and change distribution channels to contactless delivery. Giving franchisee flexibility Franchisor rapid learning

Therefore, the significant franchisor's assistance in relation to franchisees' survival performance needs further investigation with difference dimension, tested in other franchise systems and country due to demographical differences (Lee & Choi, 2023). The study fills in the gaps by using measurement items of franchisor support are adapted from (Abdullah, et al., 2008) to determine the significant impact of franchisor support on franchisee survivability across franchise sectors in Malaysia. The study by Abdullah et al. (2008) originally included five main dimensions namely social interaction, service support, finance, assurance and competence. However, as a result of the pre-test analysis and expert assessment, it was found that the social interaction dimension did not show contextual suitability in assessing franchisors' support for franchisee survival, especially in a post-pandemic environment that was more focused on strategic interventions and not on informal social contacts. Therefore, only four dimensions are used in this study, namely service support, financial support, assurance, and efficiency which are more relevant and have content validity and contextuality in assessing the impact of franchisor support on the survival capability of franchisees in Malaysia.

2.7.4 Government Support

An organization's ability to succeed in a high-uncertainty environment depends on its own internal and external resources, with the environment around it (Yang & Yu, 2022). Thus, previous studies found that government support has a positive influence on a company's survival, e.g., during financial and economic crises, political instability, regulation, and other external environmental elements (Adam & Alarifi, 2021; Garavito Hernández et al., 2018; Salunkhe et al., 2021).

Government support is crucial for businesses to grow and prosper during a crisis, as well as in an unstable economy (Iweka et al., 2016). During economic, political, and environmental turbulence, businesses require government support in terms of policy, economic instruments, and support systems to help them recover and survive from the impact of pandemic crises (World Bank, 2020). The outsize impact of the crises requires franchisees to seek external resources, such as government support, to cope with the environmental pressure. Hence, the study on government support during the COVID-19 crisis remains to be explored further (Assefa, 2023). Therefore, this study combines the external factors (government support) with the business internal factors in developing a franchisee survival ability model during a calamity.

According to Yang & Yu (2022), the support services provided by governments for business survival can be divided into hard and soft support. Hard support is financial support such as grants, loans, and funds, financial incentives, and financial assistance while the soft support is a provision of targeted businesses such as quality support, technical, management skills enhancement, cutting

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administration costs, building ties with external bodies, foreign market entry, and legal framework reinforcement. Government financial help, technical assistance, and policy through regulation are all possible forms of support for SMEs to sustain their business operation in crises (Adam & Alarifi, 2021; Najib et al., 2021; Sundarakani & Onyia, 2021).

Studies found that government financial assistance is the most helpful for businesses during a recession as it assists them as an emergency coffer to sustain operations, such as paying the employees' salaries and covering their fixed costs or credits (Bretas & Alon, 2020). In Malaysia's case, the central government acts as a policymaker to provide a conducive business environment for franchise business development since the 1990s. The establishment of the Franchise Development Program (PDP) in 1992 was to promote the concept of Malaysian homegrown franchises among SME entrepreneurs in the commercial, services, and industrial sectors. The franchise system's implementation allows SMEs to participate in a more extensive network of local and international businesses and lower risks than starting independent businesses.

Under the PDP, the holding company or franchisor grants comprehensive marketing and distribution rights to the franchisee to conduct a viable and competitive business based on a mutually agreed contract for a certain period of time and is carried out in an identified area (Abd. Hamid & Baharun, 2003). This franchise development program was continued with the National Franchise Development Master Plan (PIPFN) 2021-2025 (MFA, 2022). The extensive programmes run by government organisations through FDP have helped the franchising industry in Malaysia flourish quickly. In addition, during the 9th

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Malaysian Plan, PNS, a subsidiary of the Ministry of Finance, has been assigned to focus on developing local and worldwide franchises by offering comprehensive franchise solutions, including franchise investment, marketing initiatives, finance, education, networking, and research and development.

Under the programmes, the Malaysian franchise business is being supported by the ICOPS2010 committee, such as *Majlis Amanah Rakyat* (MARA) and SME Bank. Through this programme, qualified entrepreneurs will receive assistance from a consultant appointed by PNS with product development and business systems. Commercial banks like Maybank and CIMB will also offer financial grants or assistance to qualified entrepreneurs (Ishak, 2010). According to Abd. According to Aziz et al. (2022), the government of Malaysia provided financial aid, a virtual franchise exhibition, training and support, and business grants to help vulnerable businesses bounce back from the economic shock.

During the current recession, the government to effectively support franchise players together with respective agencies such as the franchise associations and *Permodalan Nasional Berhad* (PNS). These agencies have played a vital role in articulating the demands of franchise players and the alignment with the government and other public bodies' demands (Hamid et al., 2003; Hoe, 2003). According to Abd. According to Aziz et al. (2022), the government of Malaysia provided financial aid, a virtual franchise exhibition, training and support, and business grants to help vulnerable businesses bounce back from the economic shock. Despite the government's various initiatives, subsidies, and help, the impact of these efforts among franchisees remains unknown.

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During a crisis, governments and a range of agencies offer external support to SMEs to help them thrive, accelerate their growth, encourage innovation, and increase their capacities by enhancing their managerial and marketing talents (Adam & Alarifi, 2021). The literature on the current pandemic crisis also proves that government support has a significant positive relationship with business performance during the pandemic (Ganlin et al., 2021; Najib et al., 2021; Zaato et al., 2021). Yet, the significant impact might vary in terms of business setting, sector, and geography. Government support through economic instruments, policy, and regulation helps businesses recover, develop, and sustain. Government assistance, such as conducive policy, information and technical support, technological and equipment, intellectual property rights, legal, and financial support, has been reported to have a direct relationship with firms' survival (Yu et al., 2022).

The government has given its full effort to save the country from the deadly disease, stabilized the economy with financial and non-financial instruments, reduced the fear, and issued subsidies to increase consumer purchasing power and stimulated monetary funds and loans to help businesses retain their business operations. These efforts have increased consumer spending, strengthened businesses' ability to continue operations, and stabilized market fluctuations, making market orientation implementation accessible and resulting in improved profitability and survivability. For franchising, during the pandemic crisis, the government support to assist franchise businesses will work closely with franchise businesses and provide them with effective support to survive any difficulties (Bretas & Alon, 2020). Therefore, government initiatives are reported to enhance organizational capabilities in managerial and marketing skills to survive turbulence (Adam & Alarifi, 2021).

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World Bank (2022) emphasizes that effective government support and policy are critical to creating better market stability and support systems for businesses to adapt, recover, and survive recessions. Therefore, governments all around the world have pledged to provide the best and appropriate policies, interventions, and support for businesses to assist companies in surviving the pandemic. Literature evidence also shows that government support drives business resilience during the crises (Adam & Alarifi, 2021; Hernández et al., 2021; Salunkhe et al., 2021). Research conducted has demonstrated that institutional assistance has a favourable effect on company resource acquisition to support business survival (Yang & Yu, 2022). Past literature on government support measurements was described in Table 2.12.

Table 2.12: Past Literature on government support measurements

Source	Measurements
Yang & Yu (2022)	The government has issued policies or projects that are conducive to the development of enterprises, etc. The government provides information and technical support. The government provides assistance for our business to obtain financial support. The government provides assistance for our enterprises to introduce technology and equipment. The government provides direct financial subsidies for our companies. The government encourages companies to protect intellectual property rights. The government provides legal support for our companies to enter new markets. We actively implement measures to establish relationships with government departments at all levels.
Austin (2020)	Government subsidies
Ganlin et al. (2021)	The tax holiday, subsidized rate financing, financial incentives
Razumovskaia et al., (2020)	The volume of private investment in fixed assets of SMEs (foreign investment, funds of organizations and population)
Najib et al. (2021)	Financial support; Technical support; Policy support
Adam & Alarifi, (2021)	Government as the external support in this case is to assist the innovative efforts of SME

This study adopts Yang and Yu's (2022) multidimensional measure of government support to evaluate its impact on franchisees' ability to endure the crisis. According to Yang and Yu (2022), government support for business continuity may be divided into two distinct dimensions (multi-dimensional) which are hard and soft support. Hard support refers to direct financial assistance for businesses to continue business during the crisis such as grants, loans, fiscal incentives, and special fund assistance. The second dimension is in the form of soft support that involves non-financial assistance such as technical training services, improving management skills, reducing administrative costs, access to external markets, and strengthening the legal and policy framework that supports businesses during the pandemic crisis. This multi-dimensional measurement approach is important because it illustrates the extent of government intervention, in terms of comprehensiveness and diversity (including other SMEs), to survive and recover from the economic stress caused by the COVID-19 outbreak.

Little is known about the effectiveness of government support in assisting franchisee business survival and how franchisee businesses survive the current crises (Othman et al, 2023; Bui et al., 2021). Hence, the current study fills in the gap by examining the relationship between government support with market orientation and franchisee resilience during a crisis. The next section will describe how market orientation as managerial capability has been found to be a potential mediator for franchise survival during the current pandemic recession.

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2.7.5 Market Orientation

Firm survival not only depends on the resources but is also significantly influenced by the strategy capabilities performed within the organization (Marei et al, 2024). Nyuyen & Pham (2024) and Grant (1991) mentioned that strategy is linked and aligned to an organization's resources and capabilities, with risk created by its external environments. Based on Neise et al. (2021), organizational continuity depends on the organization's coping strategies (including marketing strategy), and the study of Rudowska (2018) explained that improved marketing will lead to better business resilience. Market orientation is the marketing and management approach to satisfy customers and other relevant stakeholders and also represents superior skills in understanding and satisfying customers and other and other relevant stakeholders in order to create value and increase profit and performance (Day, 1994; Narver & Slater, 1990; Tokorczyk et al., 2007).

Besides resources, a large growing body of franchise literature reports that managerial capability through strategic resilience is significantly important to achieving franchise survival and continuous growth through crises (Chen et al., 2021). Organizational managerial capability in franchise survival literature includes strategic management decision or strategy (Sakolnakorn & Tepsing, 2013), managerial talent (Kosová & Lafontaine, 2010), monitoring or governance capability (Antia et al., 2017), management experience (Bates, 1998), knowledge management (Chiou et al., 2004), and business or organizational know-how capability (Perrigot et al., 2020). By definition,

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market orientation is suited to be an organizational know-how capability to survive a crisis (Bui et al, 2021; Tjahjadi et al, 2024).

Franchisees' know-how is part of managerial capability, which is the most important factor in determining franchisee performance. In addition, besides having the advantage of managing the business efficiently and effectively, a franchise can go further in growth and development by taking into account the needs of its key stakeholders especially the customers, employees, and other franchise players, as well as taking into account the strategies of competitors through market orientation (Bui et al., 2021). Market orientation has been discussed in marketing concepts or strategies since its development in the 1950s (Esteban et al., 2002).

While in franchise survival literature has been confirmed that marketing strategy has a significant impact on franchising resilience (Antia et al., 2017; Ghantous & Christodoulides, 2020; Lafontaine et al., 2019). Previous research validates that even if small businesses are resource-constrained, MO, which focuses on enhancing consumer satisfaction activities, gives significant assistance to enhance their ability to survive crises (Beliaeva et al., 2020; Eggers and Krause, 2011; Morris and Jones, 2020). During a crisis, MO has been identified to significantly contribute to a firm's performance and recovery (Bui et al., 2022) and business survival (Bokhari et al., 2022).

Market Orientation (MO) is part of organizational capabilities (Adhikari & Gill, 2012), which is also regarded as the foundation of the marketing concept and strategic orientation (Rudawska, 2018) to affect several business

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performance (Choi & Lee, 2020) and business survival (Marei et al, 2024). MO is a strategic knowledge-based resource that is well explained by RBV (Fakhreddin et al, 2022). Based on RBV, in order to generate a competitive advantage, an organization is essentially assisted with a marketing strategy in determining resources and capabilities associated with the brand, relationship, and sales (Kozlenkova et al., 2013). MO is the new business model as a way to adjust the external environment to create the ability to survive, where it creates value in facing challenges during crisis (Marei et al, 2024). According to Rudawska (2018), the key success factors of MO implementation are human capital, financial resources, capital investment, and value proposition. Therefore, MO, which has an 'integrated management and marketing approach' that significantly aligns firm resources to gain competitive advantage and business survival (Khuwaja et al, 2019; Sandvik & Sandvik, 2003).

MO was introduced by two main articles written by Naver & Slater (1990) and Kohli & Joworski (1990). Both Kohli and Jaworski (1990) and Narver and Slater (1990) introduced and explained MO as a crucial element for a firm's performance. Market orientation (MO) is defined as "the organization culture that most effectively and efficiently creates the necessary behaviours to create superior value for buyers and, consequently, continuous superior performance for the business (Narver & Slater, 1990). Furthermore, MO was defined by Kohli and Jaworski (1990, p. 6 as:

> "The organization-wide development of market intelligence relevant to present and future consumer needs, diffusion of intelligence across departments, and organization-wide responsiveness to it".

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MO is the core of a business department and functional area that has the potential to deliver superior value for stakeholders (Narver & Slater, 1990). MO is also known as a business culture that ensures a set of behaviours to generate, disseminate, and respond to both internal and external market information to create superior customer value through superior organizational skills and capabilities, ensuring long-term profitability by continuously identifying and managing systemic constraints that obstruct a market-oriented culture in an organization (Haapio et al., 2021). Market intelligence starts, market-oriented intelligence dissemination and facilitation of response mechanisms across the organization, where Jaworski and Kohli (1993) identified three fundamental MO components, which are the employee (inter-functional coordination), customer, and competitor orientation as shown in Figure 2.6.

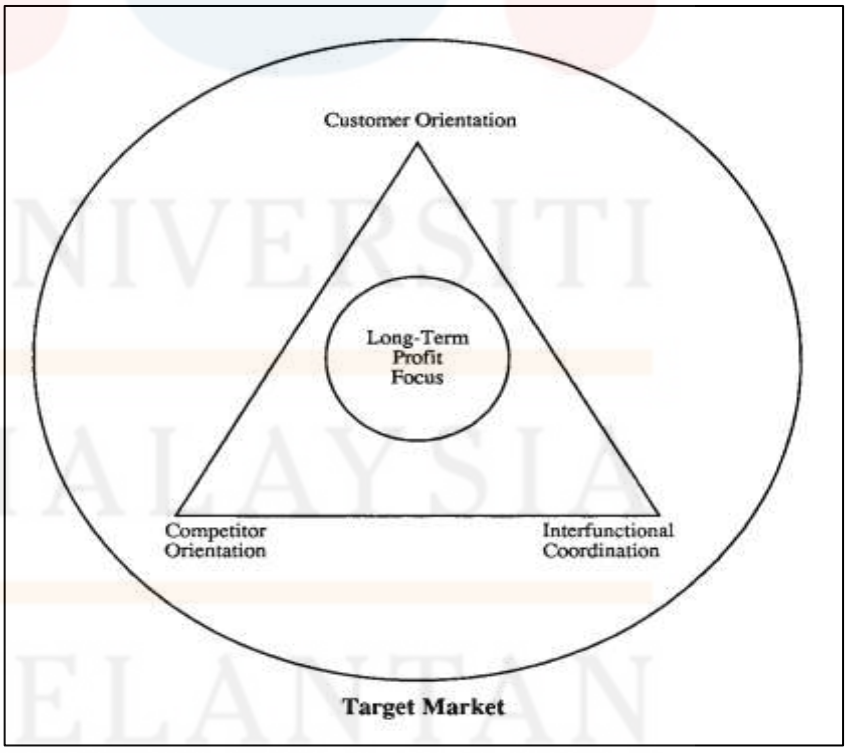

Figure 2. 6: Market Orientation

Sources: Narver & Slater (1990)

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Hence, MO entails the application of marketing concepts and facilitates a business's ability to comprehend, respond to, and take advantage of environmental changes, leading to greater performance. Market orientation is a "marketing construct or tenet" (Kohli & Joworski, 1990), where an organization responds to consumer needs and competitor action" (Hunt & Morgan, 1995). MO is also a set of information-based activities (Morgan & Strong, 1997), which refer to the establishment of an organizational culture that promotes learning and the development of organizational capabilities, which are then displayed in certain market-oriented behaviours that enhance the performance of the organization. (Narver & Slater, 1990). Table 2.12 summarises the market orientation measurement by a few scholars.

Table 2.12: Market orientation and business survival

Authors	Relationship	MO measurement
Tjahjadi, Soewarn, Anwarm & Fairuzi (2024)	Market orientation and business performance sequentially mediate information capital readiness-business sustainability relationship.	Narver and Slater (1990) market orientation dimension; Customer orientation Competitor orientation Interdepartmental cooperation.
Bokhari, Zakarias & Muhammad (2022)	Market orientation, entrepreneurial thinking, strategic flexibility significantly contributes towards the survival of SMEs.	Narver and Slater (1990) market orientation.
Nwankwo & Kanyangale (2019)	MO significantly contributed to the survival of SMEs in Nigeria (factors for MO in the study - customer intensity and value creation).	Adopted from Hooley, Greenley, Cadogan, (2005) and Fahy's, one-dimension MO, scale of seven indicators measuring MO.

Table 2.12 (continue) : Market Orientation and Business Survival

Authors	Relationship	MO measurement
Fakreddin & Foroudi (2022)	Market orientation significantly impacts new product performance, and product launch quality is a crucial deployment mechanism for leveraging market orientation, as it fully mediates the impacts of market orientation on new product performance (MO = Market intelligence generation, Market intelligence dissemination, Responsiveness to market intelligence).	Morgan et al. (2009); Wei and Atuahene-Gima (2009).

The measurement used by this study is based on the instrument developed by Slater and Narver (1993), as it is one of the most robust and widely used frameworks in studies related to strategy and business continuity. Slater and Narver's (1993) MO model identified three dimensions including (a) orientation towards the customer, which enables the business to achieve sufficient knowledge and understanding of the target market to be able to continuously create superior value for current or potential clients, based on their present and future needs; (b) orientation towards the competition, such that the business achieves insight into the short-term strengths and weaknesses of the competition; and (c) orientation towards the market which are the acquisition, sharing, interpretation, and utilization are the four elements of market orientation.

Slater and Narver's (1993) measurement approach are appropriate in the context of studies that focus on the ability of franchisees to respond to market volatility and crises such as pandemics. In addition, Slater and

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Narver (1993) emphasized market orientation as an intangible asset that supports a competitive advantage during a crisis, which is in line with the theoretical basis of the Resource-Based View (RBV) used in this study. Therefore, the selection of this measurement is acceptable as it has been proven to be reliable and valid in various industry contexts, including small businesses and franchises, and can measure the role of market orientation as a catalyst for business continuity.

From the Table 2.12, the causes and effects of market orientation have been studied in earlier research. However, very few researchers found that MO has a mediating effect on firm performance (Wang et al., 2012) and was understudied within the franchising domain (Bui et al., 2021). Naidoo (2010) identified the basic hypothesis of the market orientation literature and stated that there is a positive relationship between the market orientation construct and organizational performance. MO, based on Cho & Lee (2020), is generally recognized to be significantly correlated with organisational performance. MO is likely to be demonstrated through an organization's strategic actions, so they recommended that it is necessary to determine the extent to which these actions are accountable in interpreting MO to improve organisational performance.

As previously highlighted, most of the literature on market orientation demonstrates a positive and direct relationship with performance. But there are studies that also suggest no significant relationship (e.g., Diamantopoulos & Hart, 1993) or mixed results. Researchers also agreed that there is a positive, significant, and robust link between MO and a firm's

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performance (Morgan et al. 2009). Market orientation (MO) is a strategic orientation that can produce greater business efficiency and performance (Sahi et al. 2020). Research also considered market orientation (MO) as one of the indispensable elements of business survival (Nwankwo & Kanyangale, 2019), especially business survival during an economic crisis (Bui, 2021).

Grant (1991) mentioned that strategy is linked and aligned to an organization's resources and capabilities, with risk created by its external environments. In addition, the external support also helps to facilitate and hinder firms' market orientation practices through direct effect, and indirect causal chains towards better business performance (Kshetri, 2009) give a positive contribution to market orientation implementation. According to Kamasak (2017), RBV literature, minimal research examines the role of capabilities in firm performance after adjusting for the influence of other resources. Thus, this present study fills in the gap to examine MO as the potential mediator between franchisee internal and external resources and survival ability. The present study seeks to contribute to the current body of knowledge, which is devoid of evidence regarding the mediating conditions that may increase the resilience capacity of franchisee businesses in times of crisis.

According to MO literature, the segmentation of firm-specific organisational processes and competencies that result in value generation is becoming increasingly popular. However, a few researchers have utilized MO as a moderating variable (e.g., Deshpandé et al., 1993; Hurley & Hult,

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1998; Jaworski & Kohli, 1996; Polo Peña et al., 2011). Prahalad and Hamel (1990) described core competencies as the collective learning of an organization; therefore, it is possible to enhance the core competencies of a firm using MO capability. Therefore, MO is positively related to firm performance and ability to survive, while MO is also expected to be the mediator variable of franchise performance (Bui et al., 2021). MO measurement as a mediator was illustrated in Table 2.13.

Table 2.13: Past research on market orientation as mediator

Authors	MO as Mediator	Findings
Naidoo (2010)	A conceptual model linking market orientation, marketing innovation, competitive advantage, and firm survival is tested using structural equation modelling (among SMEs).	Marketing innovation capabilities improved (partial mediation) when the examined manufacturing SMEs were competitor-oriented and had good inter-functional capabilities.
Idar et al. (2012)	Mediating effect of market orientation (MO) on the relationship between strategic planning practices (SPP) and SMEs.	Market orientation was found to partially mediate the strategic planning practices and performance relationships.
Aljanabi & Noor (2015)	Mediating role of Market Orientation in its nexus among Entrepreneurial Orientation, Absorptive Capacity and Technological Innovation Capabilities (Among construction SMEs).	Market Orientation has a partial mediation mechanism in the nexus between Absorptive Capacity and Technological Innovation Capabilities.
Amin et al. (2016)	Market orientation (MO) as a mediating variable in the relationship between entrepreneurial orientation (EO) and small and medium enterprises (SMEs)' performance.	There is an indirect effect of EO on SMEs' performance, partially mediated by MO, and this emphasizes the significance of EO in the achievement of SMEs' performance.

The key success of MO is internal resources such as human capital, financial resources, capital investment, and value proposition (Rudowska, 2018). MO also has a significant impact on business survival (Marei et al, 2024). Therefore, MO is said to be a possible mediating variable to realign resources to impact franchise superior performance (Bui et al, 2021). Therefore, this study tried to identify the mediating role of market orientation in franchisee survival capability. The present study adapted Narver and Lusch's Scale, adapted from the studies of Gonzales et al. (2005) and Fakhreddin et al. (2022).

Several independent and dependent variables have been selected to answer the objectives of the study that were developed in Chapter One. As the study was exploratory, the next section will discuss the research framework, which formulates the foundation for hypothesis development.

2.8 Research Framework

The franchisee survival ability framework is derived from the hypothesis and the underpinning theory of Resource Scarcity and Resource-Based View that had been proven to depend upon franchise capability and resource availability (Bhamra, Dani, & Burnard, 2011, in Tsiapa & Batsiolas, 2019). Based on RST and RBV theory, there are several internal and external factors that affect franchisee survival ability, including financial, physical, human, and technological resources (Hernandez, Galvis & Capacho, 2020; Tehseen et al., 2019). There is a positive relationship that exists between firms' internal assets and managerial capabilities (Day, 1994). The framework also includes the strategy as a mediator (market

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orientation), where firms apply the strategy to improve their overall performance and effectiveness (Barney, 1991).

According to Salunkhe et al. (2021), firms' strategies allow the development of firm-specific assets, such as carrying out advertising and marketing through brand-created values positively affect survival prospects during crises. Literature has shown that franchisee survival ability is determined by its capacity and availability of strategic resources such as financial resources, brand equity, and human resources. Meanwhile, external support, which is the franchisor and government support, has been found to significantly increase survival capability. Market orientation capability as a mediator, as mentioned in in literature, shows that market orientation is the potential mediator and important strategy that aligns franchise resources and capabilities with their survival outcomes (Marei et al., 2024).

Bui et al. (2021) suggested that franchises should employ MO to gain better performance and improve their chance of survival during the pandemic. MO has direct and indirect effects on better business performance (Kshetri, 2009). Greater resources and capability lead to better implementation of the market orientation strategy, where firms can derive more benefits from these strategies to improve the firm's performance (Nguyen & Pham, 2024; Gaur et al., 2011). Therefore, MO is a possible mediator between firm resources and organizational performance (Bui et al, 2021).

In addition, franchisor and government support have a positive impact on strategy implementation among franchisees to gain superior performance. Business strategy implementation success depends on government support (Heredia et al.,

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2022). In addition several studies demonstrated that available resources affect the implementation of MO such as human capital, financial resources, value proposition and institutional arrangement (Tjahjadi et al, 2024; Rudowska, 2018; Kowalik, 2011). The internal and external resources availability create a good setting where the relationships and efficiency of MO develop a superior performance (Nguyen & Pham, 2024). Therefore, MO is a possible mediator which aligned firm resources and capabilities to generates organizational performance (Bui et al, 2021; Zainal et al., 2018) and sustainability (Tjahjadi et al., 2024).

Accordingly, a research framework was developed, based on the theories and reviewed on franchisee intention to remain, survival or success factors to empirically test the relationships between franchisee survival ability with financial resources, human capital, franchisor and government support. The hypothesis development is explained briefly in the previous section. Thus, a theoretical framework was developed as in Figure 2.7 which shows the relationship among dependent and independent variables.

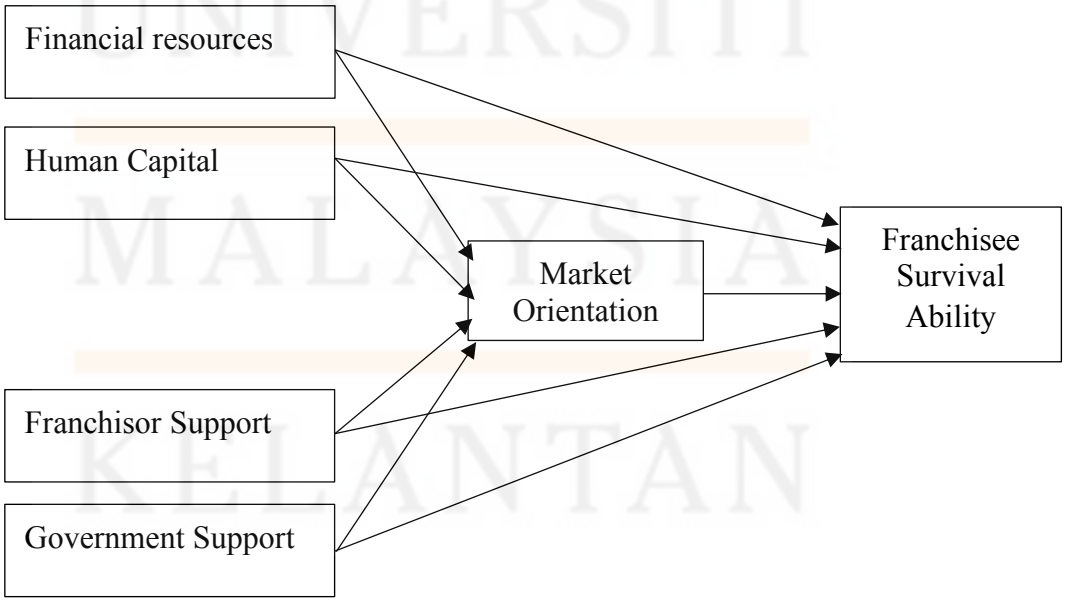

Figure 2. 7: Research Framework

In exploratory studies, theoretical frameworks initially develop in preparation for hypotheses in an effort to have a coherent basis for the research (Saunders, Lewis, & Thornhill, 2019). According to the conceptual basis, the next subsection discusses the hypothesis's development in the study.

2.9 Hypothesis Development

The link between the variables explored in the study is described by a research framework in the previous section. Following that, in this section, the hypothesised link between the research constructs is described briefly in this section.

2.9.1 The Relationship Between Financial Resources and Market Orientation

Financial resources are the company's internal resources, which are the most important asset needed in order to function properly. Financial resources become a critical asset stock that develops the shock absorber and mitigates the negative impact during a crisis (Pal et al., 2014). Financial position was identified as the critical factor for the feasibility of a business plan and the implementation of any operational and management strategy, such as the resilience strategy to overcome the external or internal challenges (Nguyen et al, 2023).

Larger companies tend to have more financial resources, allowing them to finance strategy, innovation, and operational expenditures even during times of market turbulence to sustain the business. However, the vulnerable company with limited resources reported having the ability to survive due to the availability of financial support from government and non-government agencies (Assefa, 2023).

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Thus, financial resources determine the implementation of a market orientation strategy, where resources are devoted to redesigning and improving the organizational process and systems (Tawse & Tabesh, 2021). Implementation of market orientation needs market study, inter-departmental coordination, and value proposition modification or enrichment; therefore, the financial capacity and support the firm has would impact the marketing strategy to coordinate and respond to consumer needs and competitor action to gain superior performance. Financial resources also determine the marketing strategy, which is the market orientation implementation (Morgan, 2012). The availability of financial resources has a positive relationship with MO and FSA. Therefore;

H1: Financial Resources has a positive relationship with market orientation.

2.9.2 The Relationship Between Financial Resources and Franchisee Survival Ability

Financial constraints have been a major determinant of firm failure during economic shock (Landhini, 2020). Thus, the better financial resources or asset returns a firm has, the better its business survival is (Baumöhl et al., 2020). Therefore, financial resources have been the most important resources to ensure a firm's survival (Austin, 2020; Cucculelli & Peruzzi, 2020b; Duchek, 2020) and franchisee resilience (Kaufmann & Eroglu, 2021). This is because the availability of sufficient financial resources can help the firm to make changes to the new business model and adapt its business model to the current situation, and at the same time the current state of the financial position allows the business recovery strategy to be carried out (Devine et al., 2019).

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Therefore, financial resources are significant to sustain a firm's operation during a crisis, especially firms' resources, government, and non-government financial assistance (OECD, 2020). Besides that, the study also shows that access to financial resources increases firms' survival, growth, and performance (Adomako & Ahsan, 2022; Taouab & Issor, 2019). In terms of organizational sustainability, financial resources have been confirmed to have a positive contribution to managerial capability in order to sustain an organization in the long term (Portillo-Tarragona et al., 2018). Studies have also proven that during a crisis, financial resources, resilience, and financial support significantly contribute to firms' survival as these resources are important to firms' operations and strategies to respond to the crisis (Aranda-Usón et al., 2019; Sundarakani & Onyia, 2021). The literature, therefore, suggests that:

H2: Financial resources have a positive correlation with franchisee survival ability.

2.9.3 The Relationship Between Human Capital and Market Orientation

In addition, in franchises, human capital is the human factor of managerial capability that implements the firm's strategy, and positively affects the franchise's performance (Bourkheili, 2015) and execution of strategy (Greer et al., 2017). Literature has also proven that proper training with specific content among employees helps firms to conduct better deployment strategies to increase the firm's performance (Osorio-Londoño, 2019). Human capital has an important role in managing marketing decisions, processes, and the implementation of the company to remain in the competitive market.

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Human capital, with its knowledge and know-how capability, enables them to efficiently adapt to market changes by managing organizational resources, coordinating new processes, and executing strategies to obtain organizational success (Elsharnouby & Elbanna, 2021). As the pandemic crisis has changed consumer behaviours and needs, marketing strategies have to change to adapt to the changing market conditions through a market orientation strategy. Market orientation strategy is the application of a modern marketing strategy. It is the internal and external strategy that satisfies customers' needs to gain survivability during the pandemic crisis (Bui et al., 2012).

Thus, human capital can be best managed to achieve the firm's implementation of goals. When a firm has greater human capital assets, which are easier to manage, coordinate, and streamline, to increases the efficacy of implementing its plan and has a higher chance of surviving. Human capital, with its ability, experience, knowledge, and know-how, helps organizations to initiate market orientation by adapting and responding to the current market changes. The human capital, especially the marketing team, coordinates and works diligently with all departments to execute a market orientation strategy.

Through market orientation, employees enhance the value proposition to meet the customers' needs, increase revenues, and survive the crises. Therefore, human capital positively affects the effective market orientation implementation to obtain superior outcomes. Therefore;

H3: Human capital has a positive relationship with market orientation.

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2.9.4 The Relationship Between Human Capital and Franchisee Survival Ability

Human capital is an important tangible resource that can be utilized from its competence, skills, experience, and knowledge in order to manage the organizational and production process (Day 1994, Alnachef & Alhajjar, 2015; Flamholtz et al., 2002). Human resource contribution to the firm is based on their qualification (Cornescu et al. 2010) and the ability to render service or competencies (Abderraouf, 2020). Employees' engagement and the well-being of their human capital during a crisis tend to have better productivity, performance, and organizational ability to survive a recession (Ahmed et al. 2020).

Human capital quality, such as employee level of formal education, prior-work experience, managerial experience, school-based training, job and business experience, is positively correlated to business performance (Woldenhanna, 2018; Gimeno et al., 1997; Bates, 1990). Access to human resources also has a positive impact on firm growth (Devine et al. 2019). In addition, human resource (capability) has a direct and positive effect on business survival (Duckhek, 2020). Human resources in terms of capability or skill reduces business failure risk and has a positive correlation with organizational survival performance during a crisis (Alnoor, 2020). Human capital capabilities such as education, experience, personal attributes (perseverance, inventiveness), health, skill/talent, and training, enhance the survival ability of franchisee business (Hernita et al. 2021). Mohammed Ibrahim & Rosli, 2015). Therefore, it can be hypothesised that:

H4: Human capital has a positive correlation with franchisee survival ability.

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2.9.5 The Relationship Between Franchisor Support and Market Orientation

Franchising sustainable systems are mutually dependent on franchisee satisfaction, which correlates with the franchisor support received by the franchisee. Franchisor support, which is part of the franchise communication and collaboration, managerial support, and training, has been reported to have a significant impact on franchisee survival during the pandemic crisis (Kremez et al., 2022). Based on market orientation theory, a rise in MO can make businesses more efficient, either at the company level or at the network level. Therefore, according to Bui et al. (2021), market orientation strategy in franchising is a collaborative action where both parties improve cooperation and dispute resolution to adapt, recover, and survive the impact of crises.

In franchising, the franchisor holds responsibility for marketing and administration, but franchisees will still provide feedback and collaborate on brand value and marketing efforts within the franchisee company and the value proposition they transfer to consumers. Franchisor support, especially on the marketing strategy, helps franchisees to retain customers and continue their operation throughout the crises. Franchisor support is the amount of support franchisees as in the franchising format, each franchisee receives the franchisor brand, marketing, and managerial system to run the franchise business. Therefore, the franchisor shares business expertise and works together with the franchisee organization towards their survival and growth.

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Market orientation strategy emphasizes a market-driven strategy based on information, communication, and networking; thus, franchisors' support will ensure franchisee market orientation effectiveness to survive the crises. Franchisor management as brand owner improved marketing capabilities, which led to better franchisee resilience. Operationalization support, including the marketing strategy, has been found to have positive effects on franchisee satisfaction, financial performance, and survival (Abdullah et al., 2008). Thus, franchisor managerial support enhances MO is a development of the concept of marketing in the business and its benefits on its operations and survivability. Therefore,

H5: Franchisor support has a positive relationship with market orientation.

2.9.6 The Relationship Between Franchisor Support and Franchisee Survival Ability

Franchising is a business relationship (Abd Aziz et.al, 2022) and arrangement (Wingrove & Urban, 2017); therefore establishment of good relationships and cooperation between franchise players is significant to achieving superior performance. The effective relationship, communication, cooperation, and support between franchisor and franchisee are the key to franchising sustainable performance (Gillis et al., 2020). Therefore, the franchisor, as the top management, facilitates franchisees' management and satisfaction to gain better franchising performance, especially during a recession, which creates a positive impact on franchisees' ability to sustain the business (Bui et al., 2021; Kremer et al., 2022).

Franchisor support is the franchisor's obligation to the franchisee, as they are bound by the franchise agreement to ensure that the franchisee is able to sustain the business during a crisis. Therefore, franchisors need to have the 'know-how'

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and alliance capabilities with the franchisee to increase franchising performance (Perrigot et al., 2020). From the franchisee's perspective, during turbulence or crises, they need franchisor support such as leadership, communication, and cooperation to survive the crisis (Bui et al. 2021).

Franchisor support also increases franchisee motivation and satisfaction, which in turn helps franchisees to stay focused and motivated to go through the crises and increase their survival and performance (Bui et al., 2021). In addition, franchisor assistance in terms of financial aid, such as reducing or postponing the franchise fees or royalties, generally for a reasonable period, and agreeing to temporarily reduce or suspend the rent for the franchisee has helped the franchisee to sustain the business and overcome the crises (Dung et al. 2022). Therefore, it can be hypothesised that:

H6: Franchisor support has a positive correlation with franchisee survival ability.

2.9.7 The Relationship Between Government Support and Market Orientation

Market challenges during the pandemic crisis compel companies to adopt a new business model to maintain business operations, increase their ability to continue business, and achieve steady growth. Therefore, market orientation which is the strategic orientation has been identify by Marei et al., 2024 and Bui et al., (2021) as the survival strategy to survive the deepest crisis has negative impact to franchisee businesses, SMEs in Malaysia shown to have constraints in business adaptation and recovery during crisis due to limited resources such as financial constraints, lack of human resources, and limited access to information, digitalization and technology. Therefore, the role of the government through its

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agencies is important to provide guidance to them, especially in business support and training (Belitski et al., 2021). Governments provide direct financial support in the form of subsidies, tax incentives, and relief programs, which can help businesses maintain operations and improve financial stability (Dorr et al, 2022).

During the crisis government has launched various programs to promote innovation and business survival (Nguyen et al, 2024). The Malaysian government offered financial and training assistance to businesses through several schemes such as PRIHATIN and PENJANA, which help franchises to design their strategy and sustain their business operation (Omar et al, 2020). The government support increases resources, especially financial resources and know-how ability to navigate and stimulate businesses and assist organizations to make effective strategies (Najib et al, 2021). In addition, government economic policy and instruments created a better business environment and had a positive impact on businesses to implement strategy during the crisis (Omar et al, 2020).

Government financial funds and subsidies also help business to better shape their survival strategy during a crisis (Abu Bakar & Rohaizat, 2021). Therefore, government policy and support have a positive correlation with business strategy implementation (Nyamwanza & Mavhiki, 2014). The literature, therefore, suggests that:

H7: Government support has a positive correlation with market orientation

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2.9.8 The Relationship Between Government Support and Franchisee Survival Ability

Government support as part of the external factor has proven to have a positive impact on a firm's survival during financial and economic crises (Bekeris, 2012; Ipinnaiye et al., 2017; Hussain & Houque, Klovien, 2012). Good relationships between firms and formal institutions are crucial during economic crises (Abu Bakar & Rohaizat, 2021). Government assistance, both in financial and non-financial terms, has been found to have a significant impact on improving business survival and performance (Songling et al., 2018; Zaato et al., 2020).

Meanwhile, the non-financial aspects of government support such as assistance in the form of advisory services, training, and business development programs (Songling et al., 2018). The pandemic crisis has caused an economic and psychological impact on entrepreneurs; therefore, the role of the government through its agencies is important to guide these businesses, especially in business digitalization support and training (Belitski et al., 2021). The government supports lead to an increase in innovation, stimulates businesses, and assists them in making effective strategies.

Government economic policy and instruments create a better business environment and have a positive impact on businesses to implement their strategy. Government financial funds and subsidies also help businesses to be in a better position to plan a survival strategy during a crisis. Therefore, government policy and support should be included in the business strategy framework (Nyamwanza & Mavhiki, 2014). Thus, a close relationship with a government agency is crucial and should be fostered at all times, especially to sustain business operations during

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economic crises (Abu Bakar & Rohaizat, 2021). Thus, government support has a significant positive relationship with business survival (Pu et al., 2021). The literature, therefore, suggests that:

H8: Government support has a positive correlation with franchisee survival ability.

2.9.9 The Relationship Between Market Orientation and Franchisee Survival Ability

Firm performance not only depends on the resources that are owned and able to be controlled by the organization (Barney, 1991) but is also significantly influenced by the strategy capabilities performed within the organization. Grant (1991) mentioned that strategy is linked and aligned to an organization's resources and capabilities, with risk created by its external environments. Based on Neise et al. (2021), organizational continuity depends on the organization's coping strategies (including marketing strategy), and the study also found that improved marketing will lead to better business resilience.

Market orientation is the marketing strategy to satisfy customers and other relevant stakeholders and also represents superior skills in understanding and satisfying customers and other and other relevant stakeholders in order to create value and increase profit and performance (Day, 1994; Narver & Slater, 1990; Tokorczyk et al., 2007). The concept of MO is a development of the concept of marketing in the business and its benefits on its operations and performance. Researchers also agreed that there is a positive, significant, and robust link between MO and a firm's performance (Morgan et al. 2009). Market orientation (MO) is a strategic orientation that can produce greater business

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efficiency and performance (Sahi et al. 2020). Research also considered market orientation (MO) as one of the indispensable elements of business survival (Nwankwo & Kanyangale, 2019), especially business survival during economic crises (Bui, 2021). The literature, therefore, suggests that:

H9: The market orientation has a positive correlation with franchisee survival ability.

2.9.10 The Mediation of Market Orientation in the Relationship Between Financial Resources with Franchisee Survival Ability

MO is also an external focus of a firm; thus, it has a direct and indirect effect on a firm's performance. Several studies demonstrated that available resources affect the implementation of MO (Kowalik, 2011). Resource availability creates a setting where relationships and efficiency of MO and performance may develop (Helfert et al., 2002). Therefore, MO is a possible mediator between a firm's resources and capabilities for an organisation's performance (Lekmat et al. 2018; Zainal et al. 2018). Market orientation antecedents is firm resources such as financial resources (Kowali, 2011), where financial resources lead to better development of MO.

Bui et al. (2021) suggested that franchises should employ market orientation, especially consumer orientation, to gain better performance and better their chance at survival during the pandemic. Financial resources enhance managerial capability in sustaining business operations (Portillo-Tarragona et al., 2018). Thus, MO is in terms of managerial capability; a positive contribution

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sustains an organization in the long term (Portillo-Tarragona et al., 2018). The literature, therefore, suggests that:

H10: Market orientation significantly mediates the positive relationship between financial resources and franchisee survival ability.

2.9.11 The Mediation of Market Orientation in the Relationship Between Human Capital with Franchisee Survival Ability

MO, which is also the marketing planning process resulting from employee involvement, including strategy, setting, planning, and execution. Therefore, human capital positively increases MO strategy implementation. Besides that, the MO strategy is effectively designed in line with the resource capacity of the firm. The more resources, such as financial resources and human capital, the company has, the better they are at responding to the demands of the higher level of market orientation strategy (Taghian, 2010).

Financial resources may also come from the government. Therefore, government support might have a positive correlation with MO strategy implementation. Consequently, greater resources and capability will lead to better implementation of the market orientation strategy, where firms can derive more benefits from these strategies to improve the firm's performance (Gaur et al., 2011). For example, literature revealed that market orientation partially mediates the effect of human capital on business performance (Tjahjadi et al., 2020). In addition, studies also found that organizational assets and market orientation significantly affect performance (Zainal et al. 2018). The literature, therefore, suggests that:

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H11: Market orientation significantly mediates the positive relationship between human capital and franchisee survival ability.

2.9.12 The Mediation of Market Orientation in the Relationship Between Franchisor Support with Franchisee Survival Ability

Franchisor support is an asset to franchisees, as in the franchising format, franchisees receive the franchisor's brand, marketing, and managerial system to run the franchise business. Therefore, the franchisor shares expertise and works together with the franchisee organisation towards survival and growth. In addition, the external support also helps to facilitate firms' market orientation practices through direct effect, and indirect causal chains towards better business performance (Kshetri, 2009) give a positive contribution to market orientation implementation. Therefore, the growth of a franchisee is constrained by the franchisor and franchisee's shared territorial obligations and heavy reliance on the franchisor heavily for commercial expansion.

Even though franchisees have the advantage of easily making it past the stage of survival compared to independent businesses yet, as the franchise moves to the next stage, they could potentially fail later as a result of managerial problems or conflicts (success-disengagement). Thus, to survive the global economic crises, franchisees must work closely with franchisors to assist them with leadership, necessary knowledge, protection, flexibility, and access to resources to recover and thrive. Therefore, franchisor guidance to help franchisees in the marketing process is desirable during difficult times, such as in times of economic crises, as franchising obligations and credibility as the

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franchising provider or owner. Literature has confirmed that franchisor support is the internal support system provided in the franchising system to help franchisees maintain their businesses during this unusual worldwide pandemic crisis (Dung, 2020). The literature, therefore, suggests that:

H12: Market orientation significantly mediates the positive relationship between franchisor support and franchisee survival ability.

2.9.13 The Mediation of Market Orientation in the Relationship Between Government Support with Franchisee Survival Ability

Government support can stimulate business survival through the enhancement of business resources and capabilities. Government support may help businesses survive by improving firm survival through enhancing the internal managerial capabilities, such as strategy implementation (Nyamwanza & Mavhiki, 2014). As a result, by providing essential resources, financial aid, and regulatory relief, government interventions can strengthen a firm's internal capabilities, enabling them to better navigate challenges and increase their chances of survival (Najib et al, 2021).

Therefore, the government has created programs and stimulus policy interventions to help firms manage challenges and increase their chances of survival by giving critical training, technical and technological advancement, financial support, and regulatory relief (Omar et al, 2020). Financial assistance, such as grants, subsidies, or tax breaks, enables firms to invest in survival strategies like market orientation. Market orientation is the survival strategy that emphasizes consumer demands, competitive knowledge, and internal

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cooperation, allowing businesses to make the most of government assistance. MO helps franchisees manage resources more efficiently and effectively, combining external support with internal resilience-building approaches. This customer-focused strategy enables organizations to adapt to changing market conditions, increase customer happiness, and remain competitive (Bui et al, 2022).

Franchisees can improve their operational efficiency by utilizing government assistance such as training, technological advancement, and programme facilities, market-oriented strategy implementation to sustain franchisee business (Abd Ghani et al, 2022). The alignment of external resources and internal competencies is crucial for long-term resilience, ensuring that government assistance as a support system results in more meaningful company outcomes (Kshetri, 2009). Consequently, to prosper in times of crisis, franchisees strengthen their market responsiveness by engaging government assistance through a market-oriented approach (MO). Therefore,

H13: Market orientation significantly mediates the positive relationship between government support and franchisee survival ability.

2.10 Chapter Summary

Chapter 2 lays the groundwork for this research, drawing on the appropriate literature and establishing the research gap in franchisee survival by examining relevant literature since 1997 through a systematic literature review shown in Appendix A. Next, the literature on franchisee sustainability capabilities examines strategic resource factors such as financial resources and human capital, as well as

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external support that includes franchisor and government support. The study also identified market orientation as an important survival strategy, as a mediator, in linking resources to performance outcomes during a crisis. While there are various studies on business continuity, there is still a lack of empirical studies that examine the viability in the context of franchisee business in Malaysia, particularly from the perspective of a global crisis context. So, this study tries to fill the gap.

This chapter also discusses the main theories used, namely Resource-Based Theory (RBV) and Resource Shortage Theory (RST), which explain how organizations can survive with limited resources in a challenging environment such as the COVID-19 pandemic. The conceptual model of this study is built on the synthesis of the past literature and is illustrated in Figure 2.7 as the main framework on which the hypothesis development is based. The dimensions of each construct are also detailed, including adaptations from previous studies as illustrated in Appendix B. In addition, the discussion also touched on the changing landscape of franchises after the pandemic and gave the background of the franchise industry in Malaysia, particularly in Selangor and Kuala Lumpur, which were most affected. The entire discussion in this chapter forms a solid foundation for the study design and hypothesis development that will be clarified in Chapter 3.

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CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology of the study, which describes the research design and strategy that aligns with the research objectives. This chapter also describes the research context, sampling design, survey instrument development, data collection techniques, data preparation procedure, and method of analysis.

3.2 The Research Design

According to Dominic (2023), ontology is the ‘nature of existence', epistemology is the ‘nature of valid knowledge acquisition’, axiology is the ‘nature of value judgement’, and methodology is the ‘analysis of all methods and procedures of the scientific investigation’. Referring to this, the ontology stance for quantitative research is one true nature of existence, which is to solve existing franchisee failure issues during a crisis. The epistemological stance of the research is to design and generate valid and reliable franchisee survival measurement tools. Therefore, the research philosophy is positivism, which data gathered and analysed with quantitative research design procedures.

Research design is the structure of the research that describes the research plan, structure and strategy that researchers do, beginning with writing hypotheses to findings to answer the research problem as well as fulfil the research objectives

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(Kumar, 2011). Additionally, a research design is also the 'blueprint' of the research that describes the study preparation for data collection, measurement, and analysis of the study (i.e. exploratory, descriptive, or hypothesis testing) (Sekaran & Bougie, 2013). The causal condition of the research is survival through COVID-19 as the phenomenon, where resources and market orientation as the strategy, resulted in franchisee survival ability as the outcome. The research design of the present study is as shown in Figure 3.1.

The research design explains the purpose of the study is to test hypotheses which were developed according to the objective to answer the research question. Correlational studies or field study is the method of investigation which was conducted in a normal setting (non-contrived setting). The current study is a correlational study that attempts to examine the relationships between the dependent and independent variables. This study can also be considered as an exploratory study that attempts to explore the possible relationship between the general aspect (franchisee survival ability) and allows the method and data to determine the types of relationship (internal and external factors of the franchisee organization during the pandemic crises) (Hair et al., 2017).

The present study used survey questionnaire with the non-contrived study setting where the respondents answered on the issues that are already happening in their natural environment (Malik et al., 2011). The time horizon of the study is cross-sectional where the study was conducted in a few months (a single period of time). The following subsections discuss and justify the different components of the research paradigm to be used in this study.

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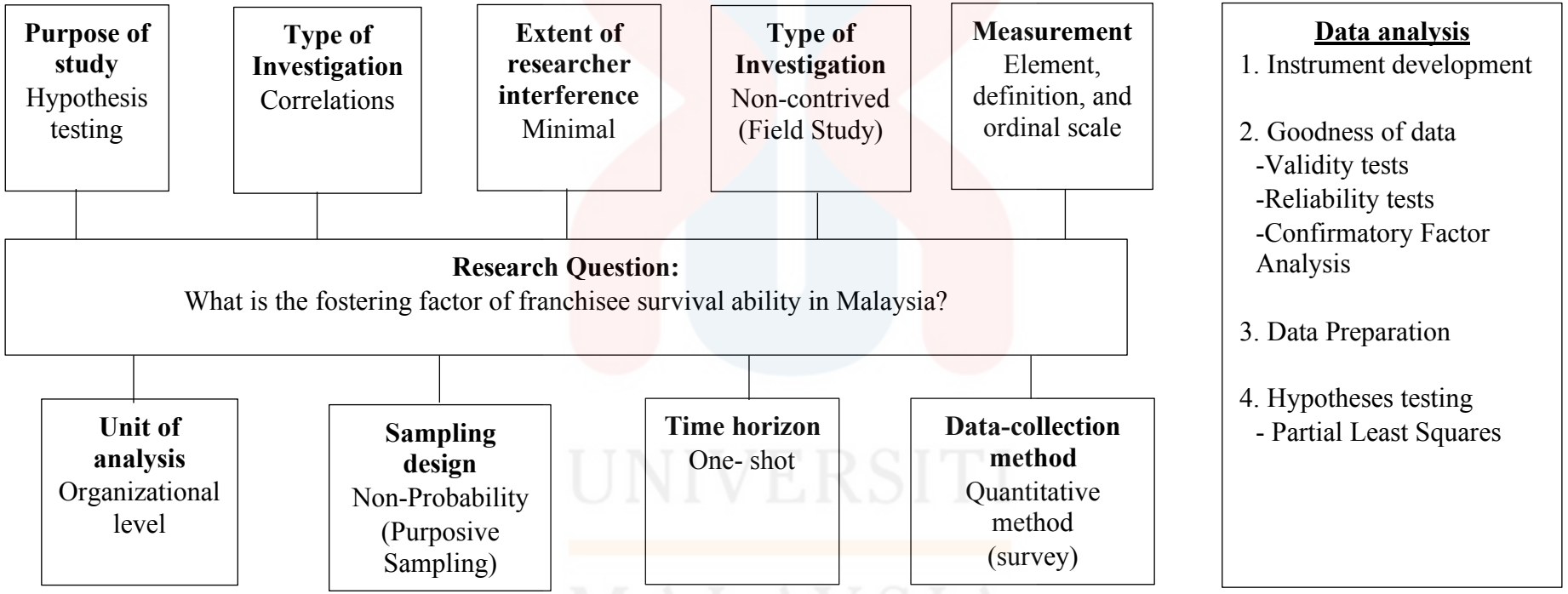

Figure 3. 1: The Research Design

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3.3 Philosophical Approach

Research philosophies guide research activities, attitudes, and approaches in research methodologies. Additionally, a philosophical approach is essential as an appropriate philosophical approach determines effective research design. This study is based on a hypothetic-deductive philosophical approach, where 13 hypotheses are developed and tested to explain the theories and the nature of relationships between variables within the research framework (Martini, 2017). Through deductive reasoning, researchers can develop frameworks, models, or theories to help them comprehend and interpret the world in a simplified version (Kor et al., 2016).

The present study's philosophical approach is positivism, wherein the study employed an empirical method that makes extensive use of quantitative analysis to address the research issue. It is in line with Sekaran & Bougie (2013), who stated that positivism views scientific research as the way to get the objective truth by using a scientific approach and deductive reasoning, which was proven through observations. This study is consistent with the positivist approach, which emphasizes objectivity and the production of trustworthy information through empirical observations. The study maintains an objective perspective through the use of quantitative data collection methods and ensuring that findings are documented and evaluated methodically. This method of investigation ensures that the findings could be trusted to be precise representations of the phenomena under investigation, which is appropriate with the positivist assumption that true understanding is attained through observable, measurable evidence.

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Moreover, positivism emphasizes positivistic knowledge such as real values (ontology), whereas logical positivism accepts the observable or measurable of society's values, beliefs, and cultural dependence (epistemology). This study uses a positivist ontology, assuming the presence of actual and objective qualities in franchisee survival abilities. Next, the research collects data on quantitative elements of franchisee survival measurements via a survey. The research then analyzes survey responses to assess the impact of financial resources, human capital, franchisor support, government support, and market orientation on franchisee survival, reflecting this epistemological stance. The researcher is detached with a neutral role of values and maintains an objective stance (axiology) where the researcher maintains a detached and neutral role, in accordance with positivist axiological principles. This objective perspective assures that data is collected and analyzed without human biases or value-laden interpretations by using established quantitative methodologies and following the systematic collection procedures.

The purpose of this research study is an exploratory study where the researcher tries to examine situations with no information on how the problem or research issues have been solved in the past (Sekaran & Bougie, 2013; Hair et al., 2014). Therefore, the 'Positivism-Quantitative Analytical Method' is suited to the present study as it allows the researcher to emphasise quantitative data gathered and analysed using surveys and statistics (Sekaran & Bougie, 2013).

3.4 Quantitative Method

The quantitative method was chosen for the current study based on the nature of the research topic, which focuses on the investigation of a phenomenon, research

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objectives, and information on related issues identified, data collection, and analysis of numerical data (Basias & Pollalis, 2018). Furthermore, quantitative design is considered suitable according to Creswell's (2014) recommendations as the current study's objective is to determine the relationship between independent variables with the dependent variable, which focuses on numerical data (questionnaire survey data), and generalizing the findings across the population. Thus, the present study was an empirical investigation involving a questionnaire survey (closed-ended questions) as the primary data collection method and analysis of numerical data.

3.5 Population of the Study

In this study, the total franchise population operating in Malaysia in 2021, during the Malaysia International Franchise 2021, as reported by the Minister of Domestic Trade and Consumer Affairs, there were 7,599 franchise organizations owned by franchisees currently operating in Malaysia in 2021 (Mohamad, 2021). The study only considered franchise businesses that had been operating in Malaysia for more than five years (i.e., businesses that began operating in 2018 or earlier). Respondents were selected from franchises in Kuala Lumpur and Selangor, which had the highest number of franchises in Malaysia at 190 (Kuala Lumpur) and 264 (Selangor) (KPDN, 2022). However, respondents did not include stores owned by the head office (HQ), franchises newly purchased from previous owners, and franchisee firms that had been operating for less than five years. This decision was made due to the relevance of these established franchisees in investigating the relationship between resources, market orientation, and franchisee survivability in the context of the global crisis.

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3.6 Sampling Considerations

Sampling considerations are the planning in selecting a subset of organizations that are representative of the population to ensure that the sample is consistent with the objectives of the study. So, the selection of an appropriate sampling method, determining the number of sample sizes, and establishing inclusion/exclusion criteria are carefully described with certain ethical considerations. An effective sampling design increases the reliability, validity, and generalizability of research findings while maintaining ethical standards. According to Rahman et al (2023), reporting guidance, the sampling design was developed.

3.6.1 Sampling design

The examination of the accessibility sampling frame was investigated, the sampling design employed in the study was non-probability sampling when the sample possessed specific criteria needed in achieving the study's objectives, scope, and criteria (Rahman, 2023; Rich et al, 2022). The main purpose of the research is to examine the proposed theoretical effect; therefore, according to Hulland et al. (2017) and Sekaran & Bougie (2012), purposive sampling was appropriate. As emphasized by Rowley (2014), social science research, especially business organizational research, relies heavily on non-probability sampling due to challenges and difficulties in getting a complete sampling frame (e.g., franchisees' business list). Even though the limitation is that the selection of the sample representative is not necessarily made to be statistically representative of the population, as the probability of being chosen has no equal chance to be selected as a sample subject (non-randomized) (Showkat & Parveen, 2017).

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The sampling method aims to have a better sample matching with the context and objectives of the research (Rich et al, 2022). Therefore, in the context of the study, the targeted respondents were only franchise businesses that were in operation before 2019, i.e. before the onset of the Covid-19 crisis and continued to operate after the crisis and met the franchisee survival criteria so that the respondents were in the best position to provide information on franchisee activities during the crisis and their survival outcomes. Respondents were hand-selected by the researchers from the franchisee eligibility screening process (screening questions) who had direct experience in the operations of the organization during and after the global crisis to ensure that the data obtained was relevant and accurate for the study.

Additionally, to avoid invalid responses, the criteria for selection were detailed in the questionnaire's questions in Section A, which included filter questions to ensure only qualified respondents who met the criteria of the study participated in the survey. The filter questions were the type of franchise, years of operation, position in the company, and other demographic questions to verify that the selected respondent met the criteria. As far as no official data, neither a sampling frame nor a complete list of franchisee organisations in Malaysia exists, the investigation of respondents comprised of the brands listed on the Malaysia Franchise Association website and 29th Franchise Exhibition and Conference (FIM) 2022 Directory, which provide the credible list of actively franchise brand operated in Malaysia during the survey period.

Considering the time, cost constrain and geographical limitation, the sample selection method focused on areas with high population density and saturated with

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franchisees in major cities in Malaysia, particularly in Selangor (with 264 establishments) and Kuala Lumpur with (190 establishments), consist of 80% of franchisee in Malaysia (KPDN, 2022). The sample representation for the study has been chosen based on the percentage of franchisors according to franchise sectors in Malaysia by MFA (2022) which are; beauty and health (7 percent), clothing (4 percent), education (23 percent), food and beverages (55 percent), jewelry (2 percent), retail (20 percent), services (23 percent), and others. However, based on the MFA franchise brand, the sample selected was a heterogeneous mix of franchise businesses, with approximately 80 to 90 percent made up of businesses in the food and beverage (F&B) sector. Therefore, this provides a consistent operational context while also allowing for insights into other sectors. Although different sectors may require different skill sets (acumen), core constructs such as market orientation and resource access are broadly applicable across the franchise types.

Finally, to enhance data quality and response rate, the researcher has taken the approach of conducting a face-to-face survey, based on brand information obtained from the brand list. As a franchisee is bound by a contract and agreement with the franchisor, it is for ethical and information confidentiality purposes, the researcher notifies the franchisors of the research via email (with survey attachment) before administering the survey. Then, Google Business Location is used to identify a saturated franchisee's location based on the franchise's brand listed in the MFA list around the Klang Valley area in Kuala Lumpur and Selangor. Before conducting the survey, the franchisee was briefed on the objectives of the survey to gain their trust, confidence, and increase their willingness to engage actively in the survey research.

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3.6.2 Sample Size and Power Analysis

Sample size is determined based on the amount of variability focused on the size of the population itself, and according to the cost and time constraints involved in survey management (Sekaran & Bougie, 2012). However, the limitation of organizational-level studies that use top management as their respondents usually results in smaller samples rather than research at the individual level (Ramayah et al. 2020). Besides, other than taking into consideration time and financial consumption as well as the ethical considerations into account, it is essential that calculating the sample size is essential for research to have sufficient power. According to Rahman et al (2023), when the target group (franchisee business), sampling frame (Klang Valley), and sampling technique were chosen (purposive sampling of non-probability), power analysis was recommended for sample size determination with effect size at 0.15 (medium effect), α at 0.05, and power at 0.95 as the input parameters.

Besides that, the method of non-probability sample size based on Hair et al., (2021) also suggested that the researchers use the power analysis (G*Power) to get a minimum sample size calculation based on the model complexity, as well as the fact that this study employed structural equation modelling with Smart PLS version 4.0 to test the hypothesis. According to the literature, power analysis is the most effective way to determine sample size in a study using structural equation modelling with certain features (Mohd Dzin & Lay, 2021). The power analysis is set for multiple regression with five predictors to establish the appropriate sample size.

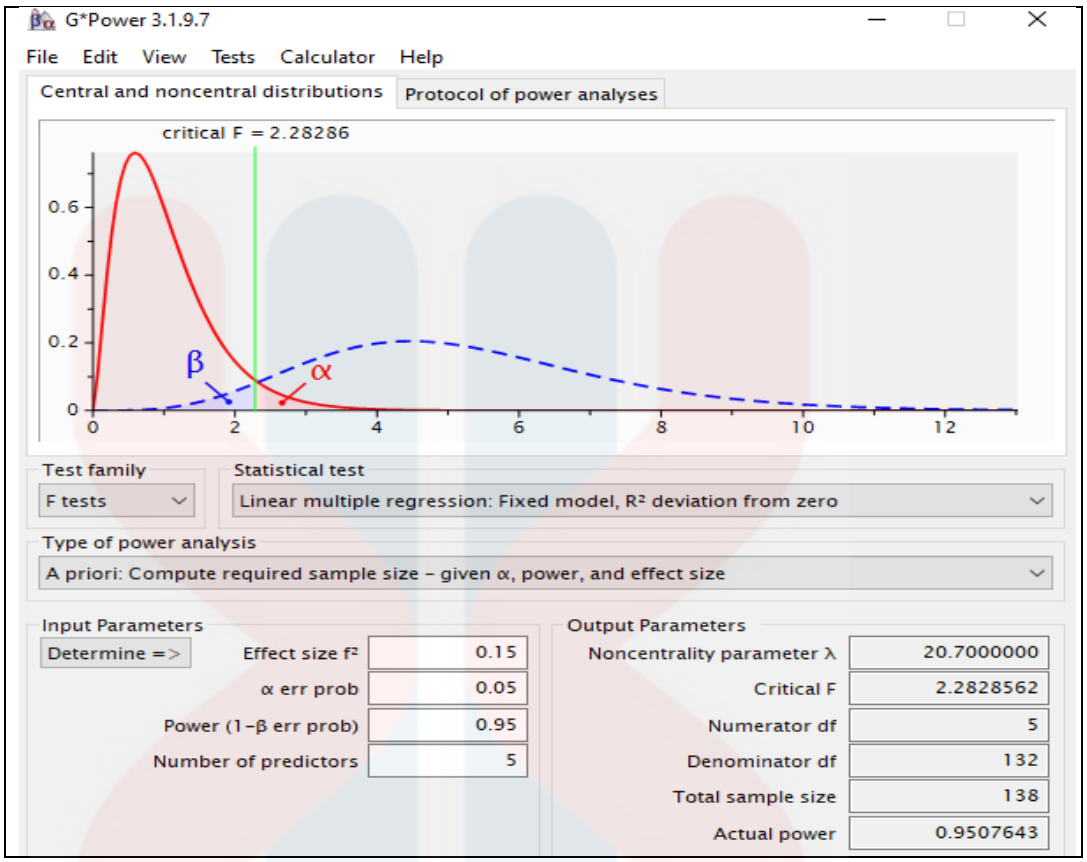

Figure 3. 2: G*Power Result for Total Sample Size

The G*Power tool was utilized to conduct in this study via F-test regression. The test had an alpha of 0.05, a power of 0.95, and a medium effect size (f^2 = 0.15). Meanwhile, based on the G*Power analysis program developed by Erdfelder, Faul, and Buchner (cited in Jak et al., 2021), as shown in Figure 3.2. Based on the power analysis, the minimum sample size of the study was 138, where the sample should exceed the minimum sample to avoid under or overpowered studies, minimize error, and obtain meaningful effect (Jak et al, 2021). Sampling error is minimized through careful examination of the optimal sample size that best represents the study's entire population.

Nevertheless, when applying complex statistical procedures such as PLS-SEM, Chin and Newsted (1999) and Hair et al. (2006) recommend a sample size of 100 to 200 samples. The number of survey distributions should consider the return rate of

organizational research, which, according to Sekaran & Bougie (2012) and Baruch & Holtom (2008), is usually low. However, a 50 percent response rate is considered good in managerial research (Mellahi & Harris, 2016); thus, according to Phillips et al (2013), calculation, 280 questionnaires were distributed to get the desired responses, which was explained in detail in the Data Collection subsection.

3.7 Unit of Analysis

This present research is an organizational-level study that explains how franchisee organizations survive a crisis; therefore, the unit analysis of this study was the franchisee organization (target population), particularly in Malaysia. The franchisee (owner) or their top management (managers) who have at least five years of service with the current organization (since the year 2019) could be the representatives of the organization as the respondents. Moreover, valid organizational information should come from experts such as franchisees (business owners) or top management (managers or executives who are involved in the company's decision-making) (Najmabadi et al., 2024). In this case, the franchisees who were operating before, during the pandemic (the year 2019), and until now, were eligible for the survey.

3.8 Instrument Development

The questionnaire is designed to begin with the formulation of the research objectives and define the constructs, development and structuring of the survey questions (items generation), pre-test (expert review and pilot study), revision of the questionnaire, and administration of the questionnaire (data collection). The study

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measures, construct development, and validation were guided by Hinkin (1998), which is based on the theories and literature review; the measurement items were adopted/adapted from previously established, tested, and validated scales. Next, the questionnaire was designed, validated, and tested.

(a) Questionnaire Development

The questionnaire to be used in the present study is a multi-item scale that is based on the respondent's perception on behalf of his/her organization. The questionnaire uses seven Likert scales that can appropriately be analysed as ordinal data. The 7-point Likert scale was recommended by Joshi et al. (2015) and Russo & Tomei (2020) since a 7-point scale may perform better than a 5-point scale. Seven Likert scale was chosen as the upper limit of the reliability scale and has better information than the 7 scale as it offered a wider range of alternatives, which increases the likelihood of encountering the respondent's objective reality.

The Likert scale begins with strongly disagree (1) to strongly agree (7) where the scales are heavily dependent on these differences where the symmetric as opposed to asymmetric of neutrality (neutral/don't know) is exactly between the two extremes of strongly disagree (SD) and strongly agree (Joshi et al., 2015). The survey questionnaire was administered in English as the language is the predominant language of business communication in Malaysia (Verčič et al., 2024). In addition, business owners and managers are widely proficient in the language (Jogulu & Ferkins, 2012), and numerous organizational studies have effectively utilized English surveys in non-native English-speaking countries (Najmabadi et al., 2024). Simultaneously, the researcher tries to maintain the true meaning and authentic significance of the terms that have been adapted and adopted from particular studies.

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(b) Structuring of the Survey Questions

The structuring of the survey questions process begins with the first phase, which is the identification of domain(s) and item generation; (1) Domains and appropriate items were identified through research in theory and literature review, which focused on franchisees' organizational resources, capabilities, and external supports to maintain business operations. Once the appropriate domain and items have been found from validated instruments, the next process was to make, (2) judgments about the validity of the content through expert review. The next phase was the modification of individual items into a harmonious and measurable construct (still maintaining the true meaning of the question), which consists of (3) pilot/pre-test questions, sampling, and survey administration for the pilot test. The next phase is the (4) scale evaluation, which requires reliability and validity testing. After that, (5) the survey questions were improved and item reduction was conducted before conducting the (6) real data collection with the final questionnaire (Hinkin, 1998; Boateng et al, 2018)

According to Hinkin (1998), the survey questions should be short, simple language, consistent with the research perspective, to avoid double-barreling, and similarity. Accordingly, the questionnaire was designed based on six groups of variables based on the research framework, namely, financial resources, human resources, franchisor support, government support, market orientation, and franchisee survival ability. While Jen (2014) suggested the questionnaire design to be well formatted, which includes: questionnaire items divided into sections, including the filter questions, and begins with the front page that includes an explanation of the survey purpose, affiliation, and ensuring confidentiality.

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Consequently, the questionnaire was divided into three (3) parts, starting with Section A, the filter question and general characteristics of the sample, followed by Section B, which is on factors of franchisee survival ability (independent variables), and Section C which is on Franchisee Survival Ability (dependent variable). Table 3.1. shows the domain definition and the instruments that were adapted according to the research objectives.

Table 3.1: Questionnaire domains

Variable	Definition	Source
Franchisee Survival Ability	Organizational ability (franchisee) through its resources and capability to sustain its operation to survive environmental impact (crises).	(Suraya et al., 2020)
Financial Resources	Financial resources as the source of the financial assets owned by franchisees, financing activity, access to finance, and financial aid to operate a business.	(Khamatkhanova, 2018)
Human Capital	Human capital is the skills/talent the labour force possesses and is regarded as a resource or asset, such as knowledge, competence, and learning ability.	(Schultz, 2003)
Franchisor Support	Franchisor support refers to franchisee financial and non-financial support, including financial support, managerial assistance, training, sharing expertise, and competency.	(Sanfelix & Pui, 2018)
Government Support	Government support refers to the support to the business from the government, including hard support and soft support, including provision for targeted business services, technical and management skills assistance, financial incentives, and assistance, and policy and legal framework reinforcement.	(Yang & Yu, 2022)
Market Orientation	The organization's survival strategies are based on organizational knowledge and understanding of its consumer. MO is a managerial capability that helps companies survive by incorporating superior consumer value into goods and services.	demographic

The first part of the questionnaire was the filter questions, followed by the general characteristic questions. The filter questions were formed to select valid respondents representing the company and categorized as franchisees' business (not the headquarters' branch/outlet or a licensing company). As the same owner might

have a few of the same outlets, the outlet's location was asked to avoid redundancy. Next, the general questions on the franchisee's characteristics (that might represent the control variable items), such as the organization's age, location, size, and sector, were asked to generate demographics studies. The definitions of the general characteristics are shown in Table 3.2.

Table 3.2: General characteristics

Variable	Definition	Reference
Age	Firm age is the number of years since the firm was officially established.	Coad (2013)
Location	Geographical location of a firm (state/country/etc) or Physical location of the establishment (city/town/village)	
Size	Robert Gibrat (1931) in Coad (2013) considered the size of the firms, is in terms of the number of employees. Based on SMECORP (2020), the number of employees is related to the company size.	Coad (2013) and SMECORP, (2020)
Sector	A sector represents a large grouping of companies within an economy that are engaged in similar business activities, following the MFA franchise sectors.	Boienko & Susidenko (2019)

According to Hinkin (1998), there are no rules for the best number of items; however, the suitable numbers are between three to six items for each construct. This is because, for each construct, the final items after confirmatory factor analysis should have four items to test the items' homogeneity or at least three to gain adequate internal consistency reliabilities. Once an item has been developed, a pre-test of the measurement items is carried out to ensure the measurement evaluation, validity and reliability of the measurement. PLS is estimating the constructs' score and 'consistency at large' (Wold, 1982) in, thus the study had a large number of items per construct as in Table 3.3 and items development details as in Appendix B.

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Table 3.3: Summary of initial measurement items

Sections	Variables	No of Items
Section A	General/Filter Questions	8
Section B	Factors of Franchisee Survival	
	Financial Resources	14
	Human Capital	20
	Franchisor Support	22
	Government Support	18
	Market orientation	18
Section C	Franchisee Survival Ability	8
Total Questions		100

3.9 Pretesting and Pilot Testing

Pretesting is the method of validating the survey instrument and its measurements, while pilot testing is the feasibility study or the "dress rehearsal" of survey administration and procedures (Rothgeb 2008). Pre-test usually focuses on the issues of whether the survey questions are properly framed, whether the wording used achieves its desired results, whether the survey questions are in the best order, easy to understand, and instructions given are adequate. Content validity results permitted the deletion of inconsistent items. Validity refers to accuracy, while reliability refers to the extent to which a measurement gives consistent results (Roopa & Rani, 2012).

For the purpose of the pre-test process, Hinkins (1998) suggested that content validity through expert review (expert judgment) is conducted, as it is the common method used to evaluate the questionnaire. Expert judgement was employed in the study to identify a questionnaire's degree of measuring what it was designed to measure, consistency and accuracy of measurement (Olson, 2010; Roopa et al., 2012), and to ensure the questionnaire was acceptable. Content validity through expert validity helps researchers to establish relevant constructs and provide

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information on item clarity, the complexity of language, and other item-level concerns to represent a particular construct. In the present study, item Content Validity Index (CVI) calculation was utilized to analyse the expert reviews evaluation, which was discussed in the next subsection.

3.9.1 Expert Review

The procedures of expert review in the study were guided by Yusoff's approach. For this purpose, the expert review evaluation form was developed so that the experts could provide their level of agreement and valuable comments on the instrument's reliability, representativeness, and clarification of questions, as well as its domain coverage. Following that, a suitable review panel was selected. The suitable number of experts is not less than two, and the experts can be a combination of expert scholars and practitioners. The ideal number of expert reviews is at least two and a maximum of nine persons. While Lynn (as cited in Yusoff, 2021) advised that a minimum of three experts and not more than 10 experts should be selected.

The researcher met five (5) experts, face to face, to obtain their feedback and comments, where two of them are academicians and three are franchisee owners. Therefore, the academicians selected must possess related expertise within the research topic and have presented professional papers, published papers, or started research on the topic, and were typically chosen to be the expert reviewers. They also should be knowledgeable about the concepts, theories, or issues governing the instrument's topic and material, as well as the instrument construction methods that affect the instrument's structural format (Yusoff, 2021).

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Among the five (5) experts selected. Two academicians were chosen from Universiti Utara Malaysia (UUM) and Universiti Perguruan Sultan Idris (UPSI), based on the directory of experts from the respective university's website who are specifically experts in the areas of franchising, marketing, and entrepreneurship. Meanwhile, the three experts were among franchisee owners who were identified based on the company's information displayed on the Google business website from the educational services and food and drink sectors. Before the face-to-face interviews were conducted, the questionnaire template, evaluation forms, together with the letter of permission to conduct a review of experts, were emailed to all experts.

Following that, a face-to-face interview was arranged. During the face-to-face interview sessions, the experts were requested to fill in the evaluation form as well as provide valuable comments. The researcher also performed an in-depth discussion with the reviewers regarding the comments and recommendations to form better measurement items. The expert review evaluation form was attached in Appendix C. From the expert review data, the level of agreement was calculated via Item's Content Validity Index (I-CVI) following the approach of Lynn in Yusoff (2021). The procedures start with the development of an evaluation form (using 5 scale measurement), when expert review panels have been designated and content validation performed, following that, grading each item is analysed via the I-CVI calculation.

From the I-CVI calculation, any items scored that exceeded 80 percent of I-CVI were included in the final questionnaire. In the I-CVI calculation, the experts in agreement were divided by the number of experts (5). The important items that

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contained I-CVI above 80 were accepted; meanwhile, values between 70 and 79 percent were further revised or eliminated. However, items with the I-CVI values less than 70 percent were eliminated. Therefore, based on the CVI cut-off value, 34 items from the initial 100 items proposed were deleted, and a total of 66 items remained (FR=9 items, HC=12 items, FS=11 items, GS=13 items, MO=15 items, and FSA=6 items) to be tested via a pilot study. The result of I-CVI was illustrated in Appendix D.

3.9.2 Pilot Study

A pilot study is conducted for the purpose of testing the effectiveness of the research survey or research instrument (Edwin & Hundley, 2002). The first steps in pretesting started was the selection of a sample that is very similar in socioeconomic background and geographic location to the real sample (which is intended to be used in the main study). Connelly (2008) proposes that a pilot study sample should be 10 percent of the expected total sample size for the larger parent study. Meanwhile, the simple regression analysis requires at least 50 samples and typically 100 samples for most research settings (Hair et al., 2017). Thus, 100 questionnaires were distributed to at least get 50 final sample to test the reliability and validity of the items. Then, the respondent was instructed to make remarks on issues regarding instructions or question-wording. After that, the questionnaire is administered, and finally, the results are checked.

In the pilot study, the reliability test can be calculated using Cronbach's Alpha. The reliability assessment is the internal consistency reliability, which is used to assess the scale where several statements are summed to form a total survey for a

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construct or to assess the reliability of the tool by estimating how consistent the results are for different items of the same construct (Hair et al., 2014). 100 questionnaires were distributed in KL and Selangor, and 56 questionnaires were received for further analysis; however, after screening, only 50 responses were valid for analysis. Based on the pilot study of 50 franchisee organizations, the constructs' reliability for the study is as in Table 3.4, and the items' validity are in Table 3.5.

Table 3.4: Interpretations of internal consistency reliability coefficients

Internal consistency reliability coefficient value	Interpretation
Greater than or equal to 0.90	Excellent
0.80 to 0.90	Good
0.70 to 0.79	Adequate
Below 0.70	Less Applicable

Source: Octavia et al. (2018)

Table 3.4 shows the interpretation of the statistical test, Cronbach's alpha (α) used to identify the internal consistency reliability, and it is acceptable if the value is 80 percent or above (Oktavia et al., 2018).

Table 3.5: Internal consistency reliability coefficients

Construct	No. of Items	Alpha (α)	Interpretation
Franchisee Survival Ability	6	0.951	Excellent
Financial Resources	9	0.746	Adequate
Human Capital	12	0.899	Excellent
Franchisor Support	11	0.928	Excellent
Government Support	13	0.942	Excellent
Market Orientation	15	0.953	Excellent

According to the findings in Table 3.5, only financial resources gain adequate but acceptable value (more than 0.70) according to (Nunnally & Bernstein, 1994), while other constructs have excellent internal consistency, which shows a close

relationship among items in a group. Once the reliability of the tool was proven, the questionnaire was considered valid, then one may proceed to test the construct's validity (Roopa & Rani, 2012).

The validity of constructs is related to how well a new questionnaire matches (conforms to) the existing beliefs or hypotheses about the concepts or constructions that are being measured, as illustrated in Table 3.6. Validity test carried out to check that there are flaws in the early drafts of the questionnaire, such as incomplete answers, stereotypical or clichéd responses, a large percentage of do not know or do not respond, a high percentage of refusals or unable to respond to questions, or no responses and etc. Therefore, there is a need to reconsider any question when the refusal percentage is high (Hair et al., 2014; Roopa & Rani, 2012).

Table 3.6: Interpretations of Validity Coefficients

Validity coefficient values	Interpretation
Above 0.35	Very beneficial (Strongly Valid)
0.21-0.35	Likely to be useful
0.11-0.20	Depends on circumstances
Below 0.11	Unlikely to be useful

Source: Oktavia et al., 2018

The validity of each item can be verified through Pearson Correlation by comparing the calculated result of the correlation coefficient against the critical value in the Pearson Correlation Table (Degree of Freedom at 2-tailed, n-1=49, 0.05 level). If the calculated value (output) is greater than the critical value, which is 0.273 (Pearson T-table Value), the item is significant. If the item's calculated T-value is significant, then the item or question is valid (Oktavia et al., 2018). Based on the result, only 4 items (FR8, FR9, HC1, HC2) are insignificant (value lower than 0.273),

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and these items were deleted. Table 3.6 shows the interpretation of the validity coefficient.

Therefore, 62 items (FSA=6, FR=7, HC=10, FS=11, GS=13, and MO=15) that are useful and valid were retained in the questionnaire for data collection based on the validity outcomes for the pre-test, as in Appendix E. In consideration of the outcomes of the pre-test, revisions have been made to the survey questions to incorporate screening questions that establish the validity of respondents and apply appropriate wording. The measurement scale possesses both validity and reliability; thus, this suggests that the questionnaire is suitable for data collection. The final items are shown in Table 3.7, and the final questionnaire after the process of pre-test and pilot test is shown in Appendix F.

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Table 3.7: Measurement of the Study

Variables	Sources of Scale	Coding and Items	No of Items
Franchisee Survival Ability	Adapted from: Najib et al. (2021) Adam & Alarifi (2021)	FSA 1: During the pandemic, our organization has been operating continuously. FSA 2: During the pandemic, our organization able to maintain a number of employees. FSA 3: During the pandemic, our organization able to maintain cash flow. FSA 4: During the pandemic, our organization able to maintain cash availability. FSA 5: During the pandemic, our organization able to maintain reserve cash. FSA 6: During the pandemic, our organization able to maintain debt magnitude.	6
Financial Resources	Adapted from: Roxas & Chadee, (2012) Block et al. (2022)	FR 1: Our business has adequate cash to sustain the business. FR 2: Our business has adequate funds (e.g., equity fund) to sustain the business. FR 3: Our business has an adequate budget (e.g, positive revenue) to sustain the business. FR 4: Our business has the capacity to access a loan. FR 5: Our business has rarely delayed payment on invoices. FR 6: Our business has received reduced commercial rent. FR 7: Our business has received reduced private rent.	7
Human Capital	Adapted from: Ghi et al. (2022) Putri et al. (2019) Kang & Na (2020)	HC1: Our business always raises awareness of digital transformation. HC2: Our business always develops digital management skills. HC3: Our business is always improving on adaptability. HC4: Our business always develops a digital culture. HC5: Our employees are capable of finishing tasks based on their position. HC6: Our employees always try their best to give the greatest results for the business. HC7: Our employees always require suggestions from partners for the hardest task. HC8: Our business provides online training for employees. HC9: Our business provides effective managerial training for employees. HC10: Our business provides effective digital training for employees.	10

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Table 3.7 (continued) : Measurement of the Study

Variables	Sources of Scale	Coding and Items	No of Items
Franchisor Support	Adapted from: Abdullah et al. (2008)	FS 1: The franchisor emphasizes two-way communication to help achieve mutual understanding. FS 2: The communication with the franchisor is meaningful. FS 3: The information provided by the franchisor helps solve problems FS 4: The initial support services at the start-up program are adequate. FS 5: The ongoing support services are satisfactory. FS 6: The franchisee is provided sufficient guidelines and careful instructions to manage a business. FS 7: The franchisee is provided with sufficient guidelines and careful instructions to manage the business. FS 8: The franchise fee is reasonable. FS 9: The royalties paid to the franchisor are acceptable. FS 10: Compared to other franchises, the franchisor system is cheaper to run. FS 11: The franchisor is willing to negotiate on royalties/fee flexibility.	11
Government Support	Adapted from: Najib et al. (2021) Yang & Yu (2022)	GS1: The government provides adequate information. GS 2: The government assists our business in introducing technology. GS 3: The government provides effective training on digital business GS 4: The government provides effective training on business management. GS 5: The government has implemented effective, simplified regulations for doing business. GS 6: The government has implemented effective market stabilizers. GS 7: The government has implemented effective employment-related measures. GS 8: The government has implemented effective economic policies. GS 9: The government provides assistance for our business to obtain financial aid/fund/grant. GS 10: The government provides assistance for our business to obtain financial loans. GS 11: The government provides effective direct financial subsidies (wage subsidies). GS 12: The government provides an effective moratorium on loans. GS 13: The government provides effective rental waivers.	13

Table 3.7 (continued) : Measurement of the Study

Variables	Sources of Scale	Coding and Items	No of Items
Market Orientation	Adapted from: Gonzales et al. (2005) Fakhreddin et al. (2022)	MO1: Our business encourages customer feedback because it helps us do a better job. MO 2: After-sales service is an important part of our business strategy. MO 3: Our business has a strong commitment to our customers. MO 4: Our business is always looking for ways to create customer value in our products. MO 5: Our business regularly monitors our competitors' marketing efforts. MO 6: Our business frequently collects marketing data on our competitors to help direct our marketing plans. MO 7: Our organization's salespeople are instructed to report on competitors' activity. MO 8: Marketing information is shared with all departments. MO 9: Our business regularly has inter-departmental meetings to discuss market trends. MO 10: Our marketing people regularly discuss customer needs with other departments. MO 11: The marketing people regularly interact with other departments on a formal basis. MO 12: Our business quickly responds to significant changes in our competitors' pricing. MO 13: Our business tends to look at changes to our customers' product/service needs. MO 14: Our business periodically reviews our product development efforts to ensure that they are in line with what customers want. MO 15: Several departments get together periodically to plan a response to the changes in our business environment.	15

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3.10 Data Collection

There are three methods of primary data collection, which are (1) observation, (2) interview, and (3) questionnaire (Kumar, 2011). Since the current study focuses on past data, so survey method using a questionnaire was chosen as the method of collecting quantitative primary data. The main benefits of choosing this method are greater anonymity, and it allows the collection of larger amounts of data, especially in numerical form (Hair et al., 2014).

Considering the consequences and the nature of the investigation, this present study obtained primary data from self-completion survey which is highly recommended as it helps researchers to obtain high response rate, where interviewers can easily clarify questions (if necessary), control respondent selection, enable longer and complex questionnaire usage, as well as easier to inspire respondents to answer the survey willingly (Roopa & Rani, 2012). The survey considered the business owner (franchisee) and top manager as the 'most knowledgeable' and desired respondents to retrieve business information (from memory) as suggested by Snijkers et al. (2013).

Data collection was performed in November 2022 (just after the pandemic ended) in Selangor and Kuala Lumpur (Klang Valley area where the franchise is saturated). Number of questionnaires distribution was determined according to Phillips et al. (2013), where the number of surveys to administer is equal to the target sample (min sample size 138) divided by the good response rate for business studies (50%) (Mellahari & Harris, 2016). The calculation resulted in 276 distributions; therefore, the number of distributions for the study is 280 (rounded).

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Once the survey was completed, the survey data was key-in into the statistical package Statistical Package for the Social Sciences (IBM SPSS). Next, the data were coded and went through the preliminary data analysis, where their quality was assessed before the final data analysis. The data preparation to clean and screen the dataset before conducting the multivariate data analysis will be discussed in the next subsection.

3.11 Data Preparation

Preliminary data analysis is the precondition for multivariate data analysis to gain better results. Before the screening process, the response rate is reported, and data coding was established. Next, preliminary data analysis or data screening processes were carried out to detect and treat errors before conducting the main analysis (Abdulwahab et al., 2011).

According to Pulka (2022) data screening, cleaning and preliminary analysis included the process to (1) verify the source of the data, (2) verify that the data includes the specified variables, (3) verify the units of measurement, (4) clean the data by deleting or, if possible, correcting incorrect entries, (5) identify outliers or unusual results and (6) check for missing data and to identify any other unusual data characteristics. In addition, researchers also examined the normality, detected and treated missing data in the data set, detected and managed outliers, and tested for linearity (Osborne, 2012). Next, the current study analysed non-response bias, common method variance, normality, and multicollinearity (Pulka, 2022). The following section describes the data preparation employed in the study.

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3.11.1 Data Screening

Screening is a procedure that detects actual or potential data input mistakes after the valid questionnaire has been coded and assigned according to the variable namely, franchisee survival ability (FSA), financial resources (FR), human capital (HC), franchisor support (FS), government support (GS) and market orientation (MO). Blank responses were screened out from the dataset. The next phase is the data screening, cleaning, and coding processes for error data entry, missing values, and response bias. The data set was checked for error entry via IBM SPSS descriptive analysis (min, max, and standard deviation). To simplify the process, ID columns were numbered according to questionnaires to make it easier to recheck the survey response if there are mistakes in entering the data (Coakes, 2013). Then, missing values and respondent misconduct were screened and treated.

3.11.2 Missing Data Issue

Missing data is always a problem that occurs when a respondent, either purposely or unintentionally, fails to answer the survey questions (Abdulwahab et al., 2011). Missing data reduces a study's statistical power and may lead to biased estimates and useless findings. The extent of missing data was examined, where the amount of missing data in one questionnaire should not be more than 15 percent. If the missing value was greater than 15 percent, thus the response was removed from the dataset. Yet, observations that do not exceed 15 percent can also be cleared from the file data when the missing data occurs against an important construct (Hair et al., 2014). However, researchers should not systematically delete a certain group of respondents as it may lead to biased results (Hair et al. 2014). When the data set

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had already been screened, missing values lower than the threshold were replaced by the Expectation Maximization, and then the researcher screened the outliers.

3.11.3 Outliers

According to Abdulwahab et al. (2011), outliers are extreme, unusual, or 'any observations which are numerically distant compared to the rest of the data set', which are the extreme cases to a particular question or extreme responses to all questions. The outliers were identified via statistical data analysis in IBM SPSS Statistics software using the z score (univariate) and Mahalanobis' distance (multivariate), and stem-and-leaf plots and box plots.

Initially, the present study screened and managed univariate and multivariate outliers by using the Z score and Mahalanobis' distance. The statistical detection of univariate outliers via z scores was performed using the descriptive procedure of IBM SPSS. If the value of the Z score is greater than ±2.5 (moderate outlier) or ±3.3 (extreme outlier), the outlier's column or ID should be deleted (Meyers et al., 2017). However, according to Cohen et al. (2003), outliers that are less than 1 percent or 2 percent are not extreme and are probably left alone.

Next, multivariate outliers are computed to consider multivariate outliers and possible candidates for elimination. Mahalanobis Distance compares a respondent's scores across all items within the survey and detects extraneous data points that have only minimal impact on extremely interconnected variables (Babagana & Ibrahim, 2019). Their presence leads to an adverse impact on the analysis. Next, the study also detects significant outliers via graphical detection

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(box plot, histograms, stem-and-leaf plots, and normal probability plots) in each variable where significant outliers were deleted. The next process is screening for response bias.

3.11.4 Common Method Bias

There are several issues with the widespread source of common bias method is one bias in business research that influences the covariance of latent variables, item reliabilities, and item validities (MacKenzie & Podsakoff, 2012). The issue creates erroneous assumptions about relationships among the variables by inflating or deflating findings (Craighead et al., 2011). The biases in parameters among constructs may potentially lead to the trustworthiness of the research design, reported results, findings, and erroneous conclusions (Fuller et al., 2016).

All research tends to have Common Method Variance (CMV) or common method bias as research measurement is never perfect, and all studies are subject to measurement error from the random error and systematic error part (Craighead et al., 2011). Compared to other biases, CMV may be the most concerning because, in survey research, CMV can explain a significant amount of variance and is a major cause of systematic error or random error. The random error is addressed by using multiple items to capture a construct, while systematic error is the measurement method error (Podsakoff et al., 2003).

Business researchers typically apply one of the post-hoc statistical techniques to check for CMV, such as Harman's One Factor Test, the Correlational Marker Technique, Confirmatory Factor Analysis, and Unmeasured Latent Method

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Construct. In addition, another way to identify a common method bias is to look for correlations that are noticeably large (r>0.90) in the correlation matrix (Bagozzi et al. in Ramayah et al., 2018). The summary of CMV analysis is as in Table 3.8.

Table 3.8: Summary of common method variance analysis

Analysis	Appropriate Value	Sources
Harman Single Factor Test	40 percent	(Babin, 2016)
Full Collinearity	VIF<3.3	(Kock, 2015)
Marker Variable	Changes in R^2<10 percent	(Lindell & Whitney, 2011)

Source: Ramayah et al., 2018

The present study utilized Herman's single-factor method, which can be done by entering all principal constructs into a principal component factor analysis, where the principal construct should explain roughly equal variance (Tehseen et al., 2017) using IBM SPSS statistical analysis. The total variance from the factor analysis should be less than 40 percent (Babin, in Ramayah et al., 2018).

3.11.5 Normality Test

Data distribution for PLS-SEM does not need to be normally distributed because PLS-SEM is a nonparametric statistical method. However, as it is troublesome in the parameter assessment, it is vital to confirm that the data are not as far from normal as very non-normal data. To determine if the data are normal, the Kolmogorov-Smirnov and Shapiro-Wilks tests compare them to a normal distribution (Hair et al. 2014). According to Meyers et al (2017), the Shapiro-Wilk test was 'the most powerful in detecting departures from normality', which suits

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small datasets (below 300; $p < 0.001$), indicating possible univariate normality violation. Next, the study also determines multivariate normality distribution through the assessment of Mardia's Skewness and Kurtosis suggested by Loperfido (2024), which was tested online, where the threshold value is ±1 or ±20, respectively.

3.11.6 Linearity

In multivariate techniques assumed variables are related to each other in a linear function, or the dependent variable is linearly related to the independent variables. ANOVA test of linearity was assessed to identify a linear relationship between two variables (relationship strength). If there is a nonlinear relationship, the relationship cannot be assessed. Bivariate scatterplots are commonly employed to evaluate the presence of linearity between a pair of variables. Scatterplots with an oval or elliptical form indicate variables with normal distribution and linear correlation. If there is a lack of normal distribution in one of the variables, it fails to attain linearity (Meyers et al., 2017).

3.11.7 Non-Response Bias

Non-response bias occurs because respondents are unable to answer part survey questions or the entire survey. The respondents were not representative of the sample population, respondents who only answered part of the survey questions. Therefore, the screening question helps the researcher to identify responses of participants who have the capability to answer the survey because individuals who want to be involved and who do not want to be involved in the

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survey have different effects (Fuller et al., 2016). A biased response pattern can also be seen through a pattern often described as straight lining, which happens when a respondent marks the same for a high proportion of questions.

Straight lining shows zero or very small variance; thus, the standard deviation of response values between should be more than 0.25 (above mean) (Leiner, 2014). Next, the study employed a paired T-test to test the non-response bias among early and late responses. The paired T-test between 50 early and 50 late responses was conducted to compare similarities between the mean, standard deviation, and standard error mean of the early and late responses. Usually, extreme outliers led to the occurrence of non-response bias; the researcher needs to re-examine the outliers and delete them (Okafor, 2010).

3.11.8 Multicollinearity

When two or more independent variables in a multiple regression model have a high degree of correlation, it is statistically known as multicollinearity. The consequence of this is that the estimates of the regression coefficient are unreliable. Multicollinearity is a problem when the objective of the study is to reliably estimate the individual regression coefficient, so the remedies to reduce the problem are; (1) reduce the set of independent variables to a set that is not collinear, (2) use more sophisticated ways to analysed the data, such as ridge regression and (3) create a new variable that is a composite of the highly-correlated variable (Sekaran & Bougie, 2013). To check multicollinearity, researchers can use the multiple linear regression procedures test (collinearity

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diagnostic) via IBM SPSS that yields tolerance, VIF value, and eigenvalues (Shrestha, 2020).

The current study employed the VIF method of identifying multicollinearity. According to this method, multicollinearity is shown when the tolerance value is less than 0.10, where the VIF is lower than 10 (indicating that there is a presence of multicollinearity). If there are multicollinearity issues, the suggested remedies are removing the problematic predictor or merging these predictors. Whereas, the Eigenvalues indicate how many distinct dimensions there are among the independent variables. If the values are close to zero, meaning that the variables are highly correlated (Shrestha, 2020).

3.12 Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) improves item and scale reliability, identifies items that need to be updated or, in some cases, removed for content validity, facilitates obtaining convergent validity and discriminant validity, and eliminates error variance. CFA solutions require minimizing the difference between the empirical (observed) variance-covariance matrix and the estimated variance-covariance matrix, and minimal standards must be met before testing the structural model (Hair et al., 2020). According to Hair, Howard & Nitzl (2020),

CFA is the second-generation technique, which is appropriate for research that uses established items using SEM, while Exploratory Factor Analysis from IBM SPSS is the first-generation technique that is suitable for new measurement and new construct development. Hulland et al. (2017) argued that for research not

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to focus on scale development, using both CFA and EFA is likely unnecessary. EFA is only recommended if the relationship between variables is unknown (to develop new measurement); however, if the measurement is well established, the relationship is tested, and related items are identified, only CFA is preferred (Orçan, 2018).

Accordingly, the study employed only CFA as the statistical objective of the confirmation measurement model, which is based on a theory where the theoretical pattern of factor loading on prespecified constructs represents the actual data. Furthermore, the study utilized established measurement (Orcan, 2018). The study performed CFA using the SmartPLS package.

3.13 Data Analysis Technique

Once the data is collected and gathered, it is vital to organise the data in order to understand it and what the data means. Therefore, statistical analysis is used as a tool to develop and confirm research findings. Quantitative data analysis focuses on the step after the development of a hypothesis development. These steps, according to Sekaran and Bougie (2013), are (1) stating the null and alternate hypothesis, (2) determining the level of significance (*p*-value), (3) choosing the appropriate statistical test (depending on the scale), and, (4) compare the computer output (significant level is met), with the critical value, if the resultant value is greater, the null hypothesis is rejected.

Choosing the appropriate statistical technique is important to test the hypothesis, which depends on the number of independent and dependent variables

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(Sekaran & Bougies, 2013). To comprehend data and relationships, researchers typically use univariate and multivariate analysis (Hair et al., 2017). The univariate statistical techniques are used when there are two-variable relationships (Sekaran & Bougies, 2013). It is a complex relationship and involves simultaneous analysis of multiple regression, which includes data with sets of measurements on several individuals or objects (Wong, 2013). Multivariate techniques include (1) one metric dependent variable; analysis of variance and covariance, multiple regression analysis, and conjoint analysis, (2) one nonmetric dependent variable; discriminant analysis and logistic regression, and (3) more than one metric dependent variable; multivariate analysis of variance, and canonical correlation (Sekaran & Bougie, 2013). Thus, the present study uses Structural Equation Modelling as a statistical technique to analyse structural relationships among multiple variables.

Before examining the results, descriptive statistics are analysed using the Statistical Package for Social Science (SPSS). Initially, the types of variables and their measurements should be determined in order to summarize the data for the descriptive analysis. Descriptive statistical results are a summary of information that may be presented in numerical or graphical form. Meanwhile, qualitative data can be described by the number of cases or absolute frequencies, proportions or relative frequencies, percentages, and rates (Pérez-Vicente & Expósito Ruiz, 2009). In this study, descriptive analysis is used to present the demographic information about the franchisees' business characteristics, such as type of industry, age, size, locations, and others.

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3.13.1 Structural Equation Modelling (SEM)

Structural Equation Modelling (SEM) is the second-generation statistical technique that is complementary to the first-generation technique. SEM is highly suitable for simultaneously analysing multiple variables (multivariate analysis) obtained from the primary or secondary data. Additionally, SEM allows researchers to incorporate observed and unobservable variables measured indirectly by indicator variables. Partial Least Squares (PLS) Path Analysis is a data analysis approach for assessing theoretical relationships among a system of variables that are closely associated to SEM (Hair et al., 2017).

This present study employ SEM due to these considerations; (1) the study uses the variate or multivariate analysis as a linear combination of several variables, (2) this study uses unobserved variables (construct or latent) that are measured indirectly by indicator variable; (3) measurement value is for the latent variables or constructs, (4) coding of the Likert scale behaves more like ordinal, thus the scale can approximately an interval-level measurement and corresponding variables that can be used in SEM (Hair, et al. 2014). Figure 3.3 shows SEM with PLS path model are the diagrams used to visually display the hypotheses and variable relationships that are examined when SEM is applied.

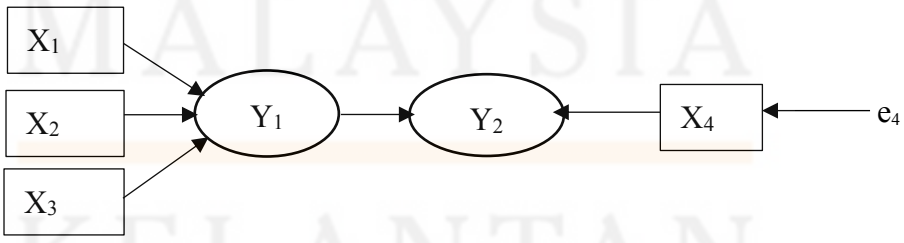

Figure 3. 3: Measurement Model/Outer Model of Exogenous Latent Variables
Source: Hair, et al. (2014)
Where; Y = construct (variable that are not directly measured)
X = indicators (or items or manifest or proxy variables)
e = error term

3.13.2 Partial Least Square

According to Hair et al. (2020), Herman Wold created the PLS approach to structural equation modelling to provide far greater flexibility than CB-SEM. PLS is an alternating least squares method that expand canonical correlation analysis and principal component analysis. Typically, its path models are described by two sets of linear equations, which are the measurement and structure models.

A latent variable's relationships with its manifest variables are specified by the outer model, while the links between unobserved or latent variables (LV) are defined by the measurement model. Both the inner and outer models are also known as the structural and measurement models. The three basic phases of the PLS algorithm are as follows: (1) iterative LV score estimation, which consists of an iterative process that is repeated four times until convergence is achieved (estimation of outer weights, estimation of inner weights, inner approximation of the LV scores, and estimation of the outer weights); (2) estimation of outer weights/loading and path coefficients; and (3)location parameter estimation (Henseler, 2009).

There are two types of SEM, which are (1) SEM-Amos is a covariance-based SEM (CB SEM), and (2) Partial Least Squares is a variance-based SEM (PLS-SEM). The co-variance-based SEM software includes AMOS, LISTREL, EQS, Lavaan, and M-PLUS. CB-SEM is used to confirm, reject, or compare various theories through the relationship among multiple variables that can be tested empirically (Ramayah et al., 2018). The proposed theoretical model can be estimated by the covariance matrix using a sample set of data without focusing on

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explained variance. Meanwhile, PLS-SEM develops theories in exploratory research and explains variance in dependent variables in a model. CB SEM uses Maximum Likelihood as an estimation procedure, while PLS-SEM estimates the coefficient max R^2 value variance-based approach to SEM (equal to OLS) (Hair et al., 2017).

The PLS-SEM approach is popular among researchers because it makes it possible to estimate intricate models with several constructs, indicator variables, and structural paths without imposing distributional assumptions on the data. Prediction is prioritised when estimating statistical models with causally explicable structures using PLS-SEM, a causal-predictive method of SEM (Hair et al., 2018). Therefore, PLS-SEM suits the purpose of theory development and predicting the key 'target constructs' or classifying 'key driver' constructs. PLS-SEM explains complex structural equation models, handles both formative and reflective constructs, suitable for theory testing and prediction (theory development and confirmation) (Urbach & Ahleman, 2010).

PLS-SEM, a variance-based SEM, can be performed using SMARTPLS, WARP PLS, and PLS GUI. The PLS-SEM model's arrows are always single-headed and represent a directional relationship based on the theory that can be interpreted as a causal relationship. In the structural theory, the latent variable is the independent variable called the exogenous latent variable, and the dependent variable is the endogenous latent variable. The present study also indicates organizational level as the unit of the analysis, where the top management as respondents, tends to obtain a small sample size (Ramayah et al., 2020). PLS-SEM is appropriate for small sample sizes with complex models and has no assumption

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about the underlying data distribution (non-normal and high level of skewness) (Hair et al., 2017). According to Hair et al. (2017, PLS-SEM is considered appropriate for the study for the following reasons:

a) The structural model is complex (multiple interactions) and includes many constructs, indicators, and/ or model relationships;
b) The analysis is concerned with testing a theoretical framework from a prediction perspective;
c) The research objectives are better understood by exploring theoretical extensions of the established theories (exploratory research);
d) The study has a restricted sample size
e) The study has distribution issues (lack of normality)
f) The research requires latent variable scores for follow-up analyses

The present research is exploratory and develops a proposition by exploring the relationships between variables; therefore, PLS-SEM (version 4.1.0.6) is selected as the statistical means for testing structural equation models. The next subsection describes the formative and reflective indicators which is suitable for the relationships in the model and reflecting measures in this study.

3.13.3 Formative and Reflective Model

As the present study is exploratory, it might include both formative and reflective models, and the PLS-SEM approach is appropriate for these epistemic relationships (Ramayah et al., 2018). Reflective constructs are conceptualised as a construct that is measured by the same underlying construct using parallel measures that co-vary and are influenced by the same underlying construct (Jarvis et al., 2003). The indicators must be highly correlated. The reflective measurement approach focuses on maximizing the overlap between interchangeable indicators. A reflective construct should be

unidimensional, and the removal of any metrics would not threaten the content validity.

Formative construct refers to constructs that have formative indicators, which are combined to give rise to the meaning of the latent variables. The formative measurement approach generally minimizes the overlap between complementary indicators. There is no requirement for formative indicators to be correlated or to have good internal consistency, and any changes to the formative measurements result in modifications to the underlying construct. It is not assumed that these observed variables are interrelated or represent the same underlying dimension. Eliminating an indication from the measurement model may modify the construct's meaning (Ramayah, 2018).

The causality flows of each LV are dependent on prior knowledge obtained during the phase of the literature study, and it is crucial to use prior knowledge to determine the causality flow to prevent measurement model misspecification (Henseler et al., 2009). According to this, Jarvis et al. (2003), 'dropping an indicator from the measurement model does not alter the meaning of the construct'; all LVs are modelled as reflecting measures in this study.

3.14 The Measurement Model

There are two stages involved in evaluating a research model in this study: the measurement model evaluation and the structural model evaluation. The general goal of model validation, according to Urbach & Ahlemann (2010), is to ascertain

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whether the measurement and structural model both meet the requirements for high-quality empirical research. A reflective measurement model can be validated by evaluating its internal consistency, convergent validity, and discriminant validity, according to prior research (Ramayah et al., 2018). Thus, from confirmatory factor analysis, factor loading, Cronbach Alpha (CA), Composite Reliability (CR), and average variance extracted (AVE) are considered in the evaluation of the measurement model (Hair et al. 2017a).

3.14.1 Internal Consistency

Traditionally, Cronbach's Alpha (α) (CA) has been used to measure internal consistency of the data. The CA values indicate that the items within the construct have similar meaning and range (Cronbach in Ramayah et al., 2018). Besides CA, reflective model assessment on internal consistency can also utilise composite reliability and Dijkstra-Henseler's rho (Ramayh et al., 2018). Coefficient alpha or Cronbach's alpha has values between zero and one, and the minimum value of Cronbach's alpha is 0.7 (satisfactory). According to Hair et al. (2017), reliability scores falling between 0.60 and 0.90 are considered "satisfactory" in exploratory research. Values above 0.9, however, are undesirable since they indicate that all indicators measure the same thing and are probably not going to make up a reliable reliability assessment construct (Ramayah et al., 2018). Besides CA, the researcher can also use composite reliability (CR) as an alternative reliability measure that is discussed in the next subsection.

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3.14.2 Indicator Reliability

Reliability is a test of the stability and consistency of a measuring instrument that measures whatever concept it should be measuring (accurate in measurement) (Kumar, 2011; Sekaran & Bougie, 2013). Indicator reliability is how much of the indicator variance can be accounted for by the latent variable indicated (Ramayah et al., 2018). Indicator reliability, according to Hair et al. (2017), the required indicator loadings should be above 0.708, as they suggest that the construct describes more than 50 percent of the discrepancy of the indicator; hence, giving adequate indication reliability, and the outer loading should be higher than 0.7 is suggested.

However, according to Byrne in Ramayah et al. (2018), loading values equal to or greater than 0.4 or 0.5, or 0.6 are acceptable, if the 'summation of loadings results in high loading scores, contributing to average variance extracted' (AVE) scores of larger than 0.5. The composite reliability (CR) of the constructs is above 0.7, and the AVE is above 0.5 (Hai et al., 2017). The indicator would only be eliminated if it has a low reliability, and when removing this indicator, the value of AVE and CR increases (Henseler, 2009).

The result of the Outer Loading-Matrix, which explains the loading of self-variable with other constructs, according to Hair et al. (2018), should be greater than 0.708 (in green colour font). There should not be cross-reliability among items (red colour). Items that load below 0.40 can be excluded so that the model is improved (model fitness). However, the loading value between 0.07 and 0.4 (>0.04 but <0.07), where the value of composite reliability and indicator reliability

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(AVE) helps the researcher to confirm the inclusion or exclusion of the lower loading item (Hair et al, 2018). The AVE value should be more than 0.50, suggesting that the concept explains at least half of the variation of its elements (Ramayah et al., 2018).

3.14.3 Convergent Validity

The construct validity assesses construct (scale) measurement that suits the theoretical rationale. Construct validity can be identified using Convergent Validity and Discriminant Validity. Assessment of validity mainly focuses on each measure's convergent validity using the average variance extracted (AVE). AVE also evaluates a reflective measurement model that focuses on the convergent validity of each concept measure. Convergent validity refers to the degree to which the concept converges to explain the variation of its elements.

For testing the convergent validity of a construct, the AVE for all items on each construct is used. To get the AVE, the researcher must square the loading of each indicator on a given build and calculate the mean value. A valid AVE is at least 0.50 and above, with loading (0.5), suggesting that the concept explains at least half of the variation of its elements (Ramayah et al., 2018). According to Gefen et al. (2000), the CR value must be equal to or higher than 0.7 to specify adequate convergence or internal, and HTMT should be at 0.85 or 0.90.

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3.14.4 Discriminant Validity

The discriminant validity refers to how indicators distinguish across constructs or measure separate concepts by examining correlations between possibly overlapping measurements. There are three criteria to assess discriminant validity, which are (1) cross-loading criteria, (2) Fornell and Larcker's (1981) criterion, and (3) Heterotrait–Monotrait Ratio of Correlation (HTMT) criterion. The study used the HTMT criterion. Comparison with other construct measures in the same model using heterotrait–monotrait ratio of correlation (HTMT) allows a reflectively measured construct's discriminant validity (Sekaran & Bougie, 2013). The HTMT is defined by Hair in Ramayah et al. (2018) as 'the mean value of the item correlations across constructs relative to the (geometric) mean of the average correlations for the items measuring the same construct'.

There are discriminant validity issues when HTMT scores are high, which is higher than the cut-off value of 0.90. Specifically, the researcher may assess if the upper limit of the 95 percent confidence interval for $HTMT_{.85}$ is greater than 0.85 (ratio of cut-off) or $HTMT_{.90}$ is greater than 0.90 (Ramayah et al., 2018). According to Hair et al. (2018), the researcher performs bootstrapping to determine if the HTMT value is significantly different from 1.00 (Henseler et al., in Hair et al., 2018) or a lower threshold value, such as 0.85 or 0.90. Precisely, the researcher can assess whether the upper limit of the 95 percent confidence interval for HTMT is less than 0.90 or 0.85. If the 90 percent bootstrap confidence interval of HTMT includes the value 1.00, then there is no discriminant validity.

3.15 The Structural Model

The structural model cannot be examined until the measurement model has been satisfactorily validated. Validating the structural model enables the researcher to assess systematically if the structural model's hypotheses are supported by the data (Urbach & Ahlemann, 2010). The structural model assessment procedure according to Hair et al. (2022) is shown in Figure 3.4. The evaluation process begins with analysing the collinearity problems and evaluating the importance and applicability of the structural model relationships, such as the assessment of significant and relevant explanatory power (R^2), predictive power, and model comparison.

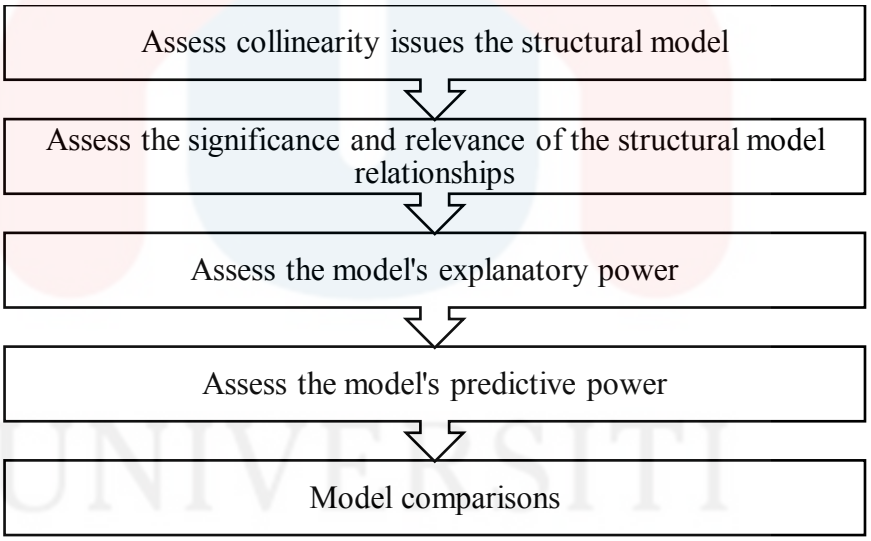

Figure 3. 4: Structural Model Procedures

Source: Hair, Hult, Ringle, & Sarsted (2022)

3.15.1 Collinearity

Collinearity issues, such as multicollinearity, are a statistical phenomenon that arises from the presence of strong correlations among the independent variables comprising a regression model. It occurs when the relationship between

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two or more independent variables in a regression model is so strong that it becomes challenging to accurately estimate the effects of each variable separately. Then, after running the PLS algorithm, the VIF value was obtained.

According to Hair in Ramayah et al. (2018), to access the collinearity, VIF values should be below 3.3 or 5.0, indicating that the structural model exhibited minimal collinearity. Because multicollinearity can lead to unstable coefficients and inflated standard errors, it can make it more difficult to determine the true relationship between the independent and dependent variables, make it more difficult to understand how each independent variable affects the dependent variable separately, and decrease the predictive power of the regression model. Consequently, in order to lessen the multicollinearity problem, the problematic variable should be eliminated or combined.

3.15.2 Structural Model Relationships

In this study, the hypothesis testing involved generating the findings of each path relationship and significance statistics in the model using a Smart PLS bootstrapping approach. This procedure is a nonparametric test in PLS, in which the procedure involves replacing the original sample with repeated random sampling to calculate the standard errors for hypothesis testing and generate a bootstrapped sample (Hair et al., 2011).

Preacher and Hayes (2008) recommended utilising bootstrapping samples of 1000 or 5000 subsamples. Subsequently, the significance level was assessed by utilising the bootstrapping feature in the SmartPLS 4.0 programme, which

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generated p-values and t-statistics for all pathways. The bootstrapping procedure for the study was conducted at a significance level of 0.05, using a one-tailed test (when a one-sided relationship was known by theory and literature according to Kock, 2015) and generating 5,000 subsamples (recommended by Hair et al, 2021). According to Ramayah et al. (2018), to analyse the path coefficient, the critical values for the one-tailed test are 2.33 at the 1 percent significance level ($\alpha = 0.01$), 1.645 at the 5 percent significance level ($\alpha = 0.05$), and 1.28 at the 10 percent significance level ($\alpha = 0.1$)'.

The path coefficient quantifies the degree of correlation between two latent variables (LVs) and represents the proposed links between constructs. The standardised values range from -1 (indicating a poor link) to +1 (indicating a strong relationship) (Hair et al., 2014). In addition, less strong relationships are associated with predicted route coefficients close to 0, while very positive relationships are associated with coefficients near +1 (Hair et al., 2017). To incorporate a specific influence in the model, the path coefficients must exceed 0.100 and have statistical significance at the 0.05 level (Ramayah et al., 2018).

3.15.3 Coefficient of Determination

Next, analysing the coefficient of determination or R^2 value evaluates the structural model, where the coefficient represents the exogenous LVs combined effect on endogenous LV. R^2 may vary depending on the subject of research. R^2 values of 0.67, 0.33, and 0.19 are correspondingly indicative of substantial, moderate, and weak correlations (Chin, 1998). R^2 may vary depending on the subject of research. The first essential criterion for evaluating the PLS structural

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model is to calculate the coefficient of determination for each endogenous LV (R^2). The R^2 assesses the relationship between the variance explained and the overall variance of an LV. The researcher should also study the path coefficients, algebraic sign, size, and significance to determine the relationship between two LVs. Therefore, by using the coefficient of determination (R^2) and path coefficients, a PLS structural model may be evaluated, and the result is evaluated as shown in Table 3.9.

Table 3.9: Coefficient of determination result

Authors	Interpretation of R^2 value
Falk and Miller (1992)	R^2 values should be equal to or greater than 0.10 for the variance explained of a particular endogenous construct to be deemed adequate.
Cohen (1988)	R^2 values for endogenous latent variables are assessed as follows: 0.26 (substantial), 0.13 (moderate), 0.02 (weak).
Chin (1998)	R^2 values for endogenous latent variables are based on: 0.67 (substantial), 0.33 (moderate), 0.19 (weak).
Hair et al. (2011) & Hair et al. (2013)	Research that focuses on marketing issues, R^2 values of 0.75 (substantial), 0.50 (moderate), or 0.25 (weak).

The next discussion is to assess the in-sample prediction or explanatory power using effect size and coefficient of determination.

3.15.4 Effect Size

Later, the explained variances and effect sizes were screened. For the effect size, there is no output automatically given in PLS analysis, so to get the effect size, it has to be calculated manually using the effect size formula, which is f^2 equal to R^2 included mediator minus R^2 excluded mediator divided by (1-R^2 included mediator). From the calculation result, according to Cohen (1988), if the value is 0.02, the effect size is small, 0.15 is medium, and 0.35 is a large effect size.

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While for direct and indirect effect sizes, evaluate based on the calculated f^2 for the direct effect and V^2 value for the indirect effect. These values were calculated through the result in Consistence PLS-SEM Bootstrapping with 2000 subsample path analysis. From the analysis, the result of the sample mean in direct and specific indirect effect was calculated using Gaskination Statistics Tool Package to identify the effect size (Gaskin, Ogbeibu & Lowry, 2023). The results were interpreted as in Table 3.10.

Table 3.10: Effect size interpretation

Effect Size	Effect Size (*f2*)	Indirect Effect Size (v^2)
Small	0.02	0.01
Medium	0.15	0.04
Large	0.35	0.09

Source: Hair et al. (2019), Gaskin, Ogbeibu & Lowry (2023)

3.15.5 Predictive Power Assessment

The predictive significance of the model in terms of out-of-sample prediction was evaluated by blindly analysing the Q^2 values (blindfolding). All endogenous variable Q^2 values were greater than zero, indicating that the model was predictive. All endogenous variable Q^2 values were greater than zero, indicating that the model was predictive. However, the Q^2 procedure does not apply for formative LV (Hair et al., 2014). Predictive Q^2 value is 0.02, 0.15, or 0.35 for a weak, moderate, or strong degree of predictive relevance of each effect (Hair et al., 2013). The summary of the structural result is shown in Table 3.11.

Table 3.11: Highlights the validation recommendations for structural models

Criterion	Guideline
Path coefficients	The path coefficient must be at least 0.100 and at significance (at least 0.05)
Coefficient of determination (R^2)	0.67 substantial, 0.333 moderate, or 0.190 weak
F^2 Cohen (1992)	0.02 small, 0.15 medium, or 0.35 large
Q^2	0.02 weak, 0.15 moderate, or 0.35 for or strong
Beta direction	Positive
T-Value	1.645 (direct effect), mediator (1.96)
P Value	0.05
Confident interval	No zero between lower level & upper level
PLS Prediction	Strong, medium, weak, not confirm

Source: Ramayah et al., (2018)

Later, despite blindfolding, PLSpredict is introduced as a procedure for out-of-sample prediction where PLSpredict executes k-fold cross-validation (Hair Jr, 2021). Predictive power in PLS Sem is the out-of-sample prediction to predict new observations via blindfolding-based (Q^2) and PLS-predict (RMSE). Q^2 values are 0.02, 0.15, or 0.35 for a weak, moderate, or strong degree of predictive relevance of each effect (Hair et al., 2013). However, the Q^2 procedure does not apply to formative LV (Hair et al., 2014). The analysis of prediction statistics quantifies the amount of prediction error in the indicators of a particular endogenous construct.

The most popular metric to quantify the degree of prediction error is the root-mean-square error (RMSE). Another popular metric is the mean absolute error (MAE). Researchers compare each indicator's RMSE (or MAE) values with a naïve regression of linear model (LM) benchmark following guidelines that apply (Shmueli et al., 2019 and Hair et al, 2020):

i. If all indicators in the PLS-SEM analysis have lower RMSE (or MAE) values compared to the naïve LM benchmark, the model has high predictive power.

ii. If the majority (or the same number) of indicators in the PLS-SEM analysis yields smaller prediction errors compared to the LM, this indicates a medium predictive power.
iii. If a minority of the dependent construct's indicators produce lower PLS-SEM prediction errors compared to the naïve LM benchmark, this indicates the model has low predictive power.
iv. If the PLS-SEM analysis (compared to the LM) yields lower prediction errors in terms of the RMSE (or the MAE) for none of the indicators, this indicates the model lacks predictive power.

3.15.6 Assessment of Goodness-of-Fit

Ramayah et al. (2018 suggested that researchers estimate the model fit to identify a misspecified model. Goodness of fit (GoF) of PLS-SEM was proposed by Tenenhaus in Ramayah et al. (2018). Table 3.12 shows the description of the Global Model.

Table 3.12: Summary of global model fit indices

Criterion	Description	Threshold Value	Reference
Standardized Root Mean Square Residual (SRMR)	Squared discrepancy between the observed correlations and the model-implied correlations. It should be close to zero.	≤0.08	Henseler et al. (2014)
Exact Model fit test using dG and dULS	Bootstrapping-based test for significant discrepancies between the observed and model-implied covariance matrices.	Test should not be significant AULS < 95 percent bootstrap quantile (H195 of dULS) 4 dG <95 percent bootstrap quantile (H195 of dG)	Djikstra and Henseler et al. (2014)
Root mean square residual covariance (RMS theta)	Measures the degree to which the outer model residuals correlate. It should be close to zero.	≤0.12-0.14	Lohmoller (1989). Henseler et al. (2014).
Normed fit index (NFI)	Measure the x^2 value of the proposed model relative to the x^2 value of the null model.	>0.90	Lohmoller (1989). Hu & Bentler (1998); also see Byrne (2016)

Source: Ramayah et al., (2018)

Currently, SmartPLS includes some model fit assessment criteria, namely (1) standardized Root Mean Square Residual, Exact Model Fit Tests, Norm Fit Index, Chi2 and Degree of Freedom, and RMS-theta. According to Table 3.12, the study used the Standardized Root Mean Square Residual (SRMR) to test the overall goodness-of-fit of the structural model. There has been no full examination of these efforts, and any thresholds (guidelines) proposed in the literature should be regarded as highly tentative (Hair et al, 2019). As PLS SEM addresses the theoretical validity, the predictive performance evaluation should be a major concern (Shmueli et al, 2019).

3.16 Mediating Analysis

Mediation analysis is the indirect effect, which is the impact of IV on DV, is not direct, and it is through another variable(s); thus, that third variable is the mediator. However, the causal approach of Baron and Kenny has methodological and conceptual problems. Mediation occurs when a construct (mediating construct) intervenes between two related constructs. In the path model, changes in exogenous constructs cause changes in mediating constructs, which in turn, produce changes in endogenous constructs. When these effects exist, mediation exists and mediation can be a useful statistical analysis, but should be supported by theory and conducted with the right methods (Hair Jr et al, 2021).

According to Preacher and Hayes (2004) and Hair et al. (2013), the application of bootstrapping for mediation analysis has been recently advocated by Hair et al. (2013), who mention that testing mediating effects should be guided by Preacher and Hayes (2004, 2008). Mediation analysis is used to investigate whether

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one (or more than one) variable transmits the effects of a predictor variable on an outcome variable. Mediation can be said to occur when (1) the IV significantly affects the mediator, (2) the IV significantly affects the DV in the absence of the mediator, (3) the mediator has a significant unique effect on the DV, and (4) the effect of the IV on the DV shrinks upon the addition of the mediator to the model (Ramayah et al., 2018).

The test can be done using the PLS bootstrap to sample the sampling distribution of the indirect effect. Reporting of mediation analysis according to Preacher and Hayes in Ramayah et al., 2018, where the indirect effects are significant with t-values more than 1.96; where the indirect effects with 95 percent bootstrapping coefficient do not overlap a 0 in between, indicating there is a significant mediation. The mediation model by Hair, Hult, Ringle, & Sarstedt (2022) is demonstrated in Figure 3.5.

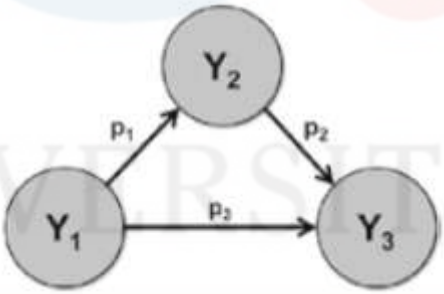

Figure 3. 5: Mediation Model

Source: Hair, Hult, Ringle, & Sarstedt (2022)

According to Hair et al. (2022), the P value determines whether there is mediation or no mediation effects, and there are three types of mediation, which are:

i. Complementary mediation (partial mediation): the indirect effect and the direct effect are significant and point in the same direction (p1 and p2 point in the same direction).

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ii. Competitive mediation (partial mediation): the indirect effect and the direct effect are significant but point in opposite directions.
iii. Indirect-only mediation (full mediation): the indirect effect is significant, but not the direct effect.

The mediation analysis procedure and to determine the mediation impact, the mediation analysis can be determined according to the Mediation Analysis Procedure by Hair Jr. et al (2021) and Variance Accounted (VAF) calculation by Hair et al (2017). VAF is calculated using the ratio of the indirect to total effect (VAF = a* b/ (a*b) + c) where according to Hair et al., (2017) the total effect of (a*b) + c' is at least 0.20 (20% ≤ VAF≤ 80% for partial mediation) or above 0.80 (VAF > 80% for full mediation). Meanwhile, according to Hair Jr et al. (2021), the mediation analysis procedure to identify the type of mediation is shown in Figure 3.6.

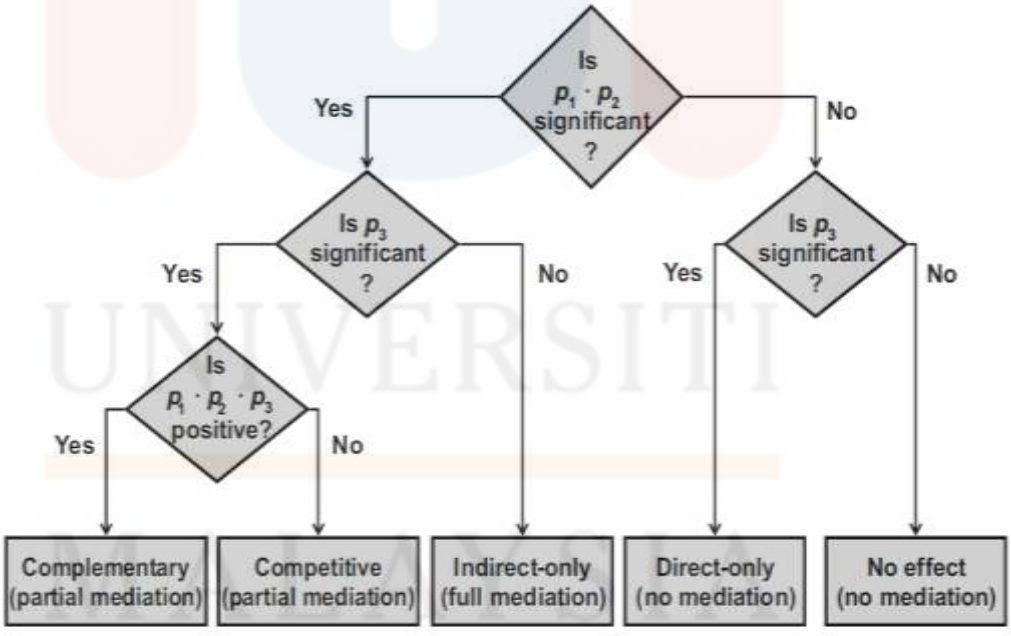

Figure 3. 6: Mediation Analysis Procedure

Source: Hair Jr. et al. (2021)

However, VAFs are less meaningful, and researchers should focus on mediation significance level and effect size (Hayes, 2017, 2022). Therefore, the latest

research by Becker et al. (2023), the mediation effect's significance should be assessed in PLS SEM using bootstrapping analysis. For small sample cases, bias-corrected confidence intervals should include where no zero in between the lower level and upper level of the confidence interval, showing significant mediation. In addition, according to Gaskin et al (2023), as described in Table 3.13.

Table 3.13: Interpreting evidence for indirect effect hypotheses

Effect Size	p < 0.05 ("significant')	P > 0.05 (too much error)
$V^2 > 0.01$ (Effect observed)	Supported	Rejected
$V^2 < 0.01$ (Less than a small effect)	Supported if the sample size is small (smaller than 400) and the research context or phenomenon remains underdeveloped. Otherwise, it should be rejected.	Rejected

Source: Gaskin et al. (2023)

According to the table, if the indirect effect is analyzed through the analysis of Consistent PLS SEM in PLS4, the calculation of effect size should be determined to look at the size of the significant mediation effect from the bootstrap analysis. According to the p-value of the indirect effect, if it is significant (p value <0.05) and the effect size observed is greater than 0.01 (v^2>0.01), the hypothesis is supported. Otherwise if the indirect effect p value is significant (p value <0.05) and the effect size observed is greater than 0.01 (v^2>0.01), indirect effect p value is significant when the p value is lower than 0.05 (p <0.05) and the effect size observed is less than 0.01 (v^2<0.01).

Therefore, the hypothesis of indirect effect is supported if the sample size is small (smaller than 400) or the research context or phenomenon remains

underdeveloped. Otherwise, it should be rejected. Even though the p-value is significant (p value <0.05), the effect size is rejected (v^2<0.01), the hypothesis of indirect effect should be rejected.

3.17 Chapter Summary

The methodology chapter has covered several key components that are directly related to conducting the research. The methodology outlines the research design and the process to gather and analyse data, ensuring the credibility and rigour of the research align with the research question and objective. The hypotheses had been developed. Next, Chapter 4 discussed the results from PLS-SEM analysis to answer all the research hypotheses.

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CHAPTER 4

FINDINGS

4.1 Introduction

This chapter presents the findings of data analysis from respondents and franchisee organizations in Malaysia. It discusses response rate, data screening, preliminary analysis, and inferential descriptive statistics. This study uses structural equation modelling (SEM) analysis to validate the accuracy of both the measurement model and the structural model. Initially, the measurement instrument undergoes validation through the application of confirmatory factor analysis (CFA). Evaluate the dimensionality, reliability, and validity of variables measured by multiple items. Furthermore, the postulated hypotheses and structural model are estimated by utilising the SEM approach. The study examines the role of market orientation in moderating the relationship between franchisees' strategic internal and external resources and survival ability.

4.2 Response Rate

Franchise in Malaysia comes from various brands, domestic and international, and some of them are franchisees and master franchisees from local and foreign organisations. Out of the 280 surveys that were sent out, 214 were returned, yielding a response rate of 76.43 percent. According to Mellahi & Harris (2016), for general management studies, response rates above 50% are considered

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'good', which leads to higher accuracy. The response distribution is illustrated in Table 4.1.

Table 4. 1: Response distribution

	Selangor	Kuala Lumpur	Total	Response Rates
Number of distributed questionnaires	200	80	280	
Number of retrieved questionnaires	165	49	214	76.43%

However, apart from franchisees, there were franchise business which were not eligible for the study such as franchise outlets owned by headquarter outlet (HQ Outlet) or franchisor outlet, franchise businesses that came from the same owner (usually a multi-unit franchise), franchise outlet that launched their business after pandemic and licencing business. These responses were screened through a filter question, and 11 responses were not eligible for the study removed from the data set (n=203).

4.3 Data Preparation

Preparing the data file is the first phase of analysis before evaluating the research model. Data preparation includes editing, coding, and data entry to ensure the correctness of data files. Thus, the data was coded according to the variable and the items' number according to the ID number. The process begins with ensuring the accurate sample, screening for valid and accurate data, distributional assumption, and goodness of fit (Hair et al., 2014).

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4.3.1 Data Screening and Missing Data

The dataset was screened for errors and missing values. This study uses four steps to find missing data, which focuses on the non-response or incomplete information from a respondent and fixes it (Hair et al., 2018). The first step is data screening for missing values in the data file via frequency analysis. Based on Table 4.1, the initial 203 responses were screened five responses with more than 15 percent missing values were deleted. Meanwhile, a few responses with less than 15 percent missing values have been treated via missing value imputation via Expectation Maximization (EM). Frequency analysis and PLS statistics confirmed that there is no missing value in the dataset. The remaining 198 valid responses were next screened for response bias.

4.3.2 Non-Response Bias

This study also examines the response pattern to determine the problematic pattern that occurs when a participant or respondent consistently delivers the same feedback for most questions. The suspicious response pattern in the dataset should be removed (Hair et al., 2017). Straight lining can be detected by calculating the standard deviation for each response. The value zero shows straight lining, and below 0.25 (Stdev) shows very little variance in the response. Thus, out of the 198 cases evaluated, 9 were found to have straight lines with variance below 0.25 (standard deviation) and were removed from further study, resulting in a remaining data set of 189.

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Next, SPSS Paired Sample T-test is utilised to assess non-response bias between early and late responses was conducted to compare similarities between the mean, standard deviation, and standard error mean of the early and late responses. From the data set, 100 responses of early and late responses were selected and tested for the significant differences via SPSS Paired Sample T-test result is shown in Table 4.2.

Table 4.2: Paired T-test for non-response bias

	Mean	Std. Dev	Std. Error Mean	95 % Confidence Interval of the Difference		t	Sig. (2-tailed)
				Lower	Upper		
HC_E – HC_L	0.212	0.983	0.139	-0.067	0.492	1.528	0.133
FS_E – FS_L	0.016	1.057	0.149	-0.284	0.316	0.108	0.914
GS_E – GS_L	-0.102	1.273	0.180	-0.464	0.259	-0.569	0.572
MO_E – MO_L	0.549	1.008	0.143	0.262	0.835	3.848	0.001
FR_E – FR_L	0.081	1.255	0.177	-0.275	0.438	0.459	0.648
FSA_E – FSA_L	0.473	1.089	0.154	0.164	0.783	3.073	0.003

N=100 (50 early and 50 late responses)
Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support

The t-test shows that the study did not find any major between-group mean differences at the 5 percent level (significance value <0.05, reject H null hypothesis of no significant difference) for any of the variables that were investigated in the study, except for MO and FSA. Nevertheless, there is no statistically significant distinction between early and late responses in terms of mean and standard deviation between 50 early and 50 late responses. The conclusion that can be drawn from this is that there are no significant issues of non-response bias in the dataset. Next, the 189 responses were screened for outliers, which is discussed in the next section.

4.3.3 Multivariate Outliers

The outliers, which are the low or high data points, were identified graphically using SPSS frequency analysis (min, maximum, and saved standardized value), stem-and-leaf plot, box plot, and scatter plot. Significant outlier cases were eliminated following the univariate and multivariate outlier procedures. First, the univariate outliers' procedure through the standard value of Z-Score, which was calculated to demonstrate that there is no possibility of significant outliers in FSA items. The data obtained the Z score below ±3.3 for all items, which shows there are no extreme outliers in the dataset.

Next, Mahalanobis Distance (D2) analysis was conducted to treat multivariate outliers. The respondent's scores were compared across all items within the survey, and extraneous data points were detected. Few responses that did meet the criteria (D2<0.001) are deleted from the data sheet. Outliers have also been detected through box plots, Q-Q plots, and stem-and-leaf plots. After the investigation of 189 responses, a total of 33 outliers were deleted, and the remaining responses in the data sheet after deletion are 156, which was the ultimate valid dataset for the data analysis. The present study was using PLS-SEM, the minimum sample size of power analysis in Figure 3. 2 (min sample size was 138), therefore 156 valid responses were deemed adequate to ensure the statistical method's result are robust and the model was generalizable to the same population (Hair et al., 2021).

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4.3.4 Common Method Bias

Common Method Variance (CMV) issues may exaggerate or deflate correlations artificially. The response error or bias, such as response involvement, compliance, or respondent dishonesty, contributes to the common variance that distorts results (Bendickson et al., 2016). CMV might cause a 'spurious correlation' that leads to a wrong conclusion. The Herman's Single Factor test was conducted using principal component factor analysis. Table 4.3 clarifies that each principle explains 30.526 percent of the equal variance. As the value is less than 40 percent, there was no CMV issue; therefore, the data was ready for a normality test.

Table 4.3: Total Variance explained from Herman's single-factor result

Initial Eigenvalues			Extraction Sums of Squared Loadings		
Total	Percent of Variance	Cumulative percent	Total	Percent of Variance	Cumulative percent
19.536	30.526	30.526	19.536	30.526	30.526

N=156

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support

4.3.5 Normality

The Kolmogorov-Smirnov and Shapiro-Wilks tests compare the data to a normal distribution with the same mean and standard deviation as the sample to ascertain if the data are normal (Hair et al. 2014). The Kolmogorov and Shapiro-Wilk result shows that the p-value of most variables is less than 0.05, meeting the normality assumption; however, FSA, FR, FS, and MO do not meet the normality assumption, as illustrated in Table 4.4.

Table 4.4: Normality test

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
A_FSA	.088	156	.005	.973	156	.004
A_FR	.051	156	.200	.975	156	.006
A_HC	.108	156	.001	.958	156	.001
A_FS	.053	156	.200	.986	156	.131
A_GS	.123	156	.001	.853	156	.001
A_MO	.070	156	.060	.982	156	.038

N=156

Following that, the data normality is established through skewness and kurtosis values that are above ±1 for both skewness and kurtosis, and the Z p-values for all constructs such as shown in Table 4.5, are zero; the hypothesis of normality is rejected, showing that the data set is not normally distributed.

Table 4.5: Mardia's multivariate skewness and kurtosis

Mardia's multivariate skewness and kurtosis			
	b	z	p-value
Skewness	2170.406	56430.56437	0
Kurtosis	4472.483	16.88307	0

N=156

Besides that, the Mahalanobis normality analysis also shows that the data set is not normal, where, Mahalanobis (Maha) Distance critical value from the chi square table, n=5, p 0.05 is 11.07. As Maha's max value is greater than the critical value so the data is non-normal max value (20.09) is greater than the critical value (11.07), thus the data is non-normal (Refer Appendix H). These two tests show that the data set was not normal, thus non-parametric methods are suitable for the data set, such as PLS SEM, as the does not rely on normal data distributions (Hair et al, 2017). Next, the analysis proceeds with the linearity assumption.

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4.3.6 Linearity

In multivariate approaches, it is assumed that variables are linearly connected, represented by a scatterplot showing a straight line or statistical determination. The linearity assumption via scatter plot and linearity test has been performed. The scatterplot diagram below shows the linear relationship among all variables, indicating that the data meets the linearity assumption. The scatterplot diagram in Appendix H as the diagram which showed the oval or elliptical form of dots for all constructs against FSA, which indicates dependent variables linearity relationship with independent variables. The next linearity test shows that there is significant linearity (p value < 0.05) for all constructs. Thus, the variables have a linear relationship between dependent and independent variables as shown in Table 4.6.

Table 4. 6: ANOVA test of linearity

Linearity	Sum of Squares	df	Mean Square	F	Sig.
A_FSA * A_HC	17.915	1	17.915	64.221	0.001
A_FSA * A_FS	17.826	1	17.826	72.447	0.001
A_FSA * A_GS	17.826	1	17.826	72.447	0.001
A_FSA * A_MO	18.303	1	18.303	65.0	0.001
A_FSA * A_FR	16.473	1	16.473	68.215	0.001

N=156

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support

4.3.7 Multicollinearity

Multicollinearity is a problem when there is intercorrelation among variables, where predictors or independent variables are highly correlated, affecting the reliability of the result. Based on Table 4.7, the tolerance value is less than 10 and the VIF value is less than 5 meaning that there is no serious multicollinearity issue.

The multiple regression coefficients results show that all VIF (statistics) values for FSA, HC, FR, MO, FS, and GS are less than 5, indicating that the predictors have no multicollinearity problem.

Table 4. 7: Collinearity statistics and diagnostics

Model		Collinearity Statistics	
		Tolerance<0.1	VIF<5
1	Financial Resources	0.406	2.461
	Human Capital	0.586	1.708
	Franchisor Support	0.516	1.939
	Government Support	0.540	1.852
	Market Orientation	0.368	2.715

Note: Dependent Variable: FSA (n=156)

The eigenvalues also are not close to zero, and the Condition Index values are more than 15 for all variables, showing that the model has no multicollinearity, as illustrated in Table 4.8.

Table 4.8: Collinearity diagnostics

		Condition	Variance Proportions				
Dim.	Eigenvalue	Index	(Const.)	HC	FS	GS	FR	MO
1	5.965	1	0	0	0	0	0	0
2	0.018	18.215	0.04	0.01	0.02	0.02	0.21	0.1
3	0.006	32.011	0.26	0.05	0.01	0.38	0.23	0.18
4	0.004	36.554	0.25	0.00	0.08	0.11	0.5	0.65
5	0.004	39.257	0.44	0.52	0.09	0.23	0.06	0.04
6	0.003	44.209	0.01	0.42	0.8	0.26	0.00	0.03

N=156

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support

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4.4 Descriptive Analysis

The analysis of the survey data has been completed, and Table 4.9 provides a summary of the demographic characteristics being surveyed. More than half of the respondents only have a single outlet franchisee (79.8%), while 20.2 percent have multiple outlets. The food and beverage sector comprised of 86.9 percent franchisees that have a greater number of which matches the data from KPDN (2022).

Table 4.9: Respondent demographic characteristics

		Frequency	Percent
Type of franchisee	Franchisee of the foreign franchisor	55	35.3
Business	Franchisee to the local franchisor	101	64.7
Number of	Single Outlet	119	76.3
Outlet	Multiple Outlets	37	23.7
Years of Operation	5 years	46	29.5
	Between 6 to 10 years	88	56.4
	Between 11 to 15 years	18	11.5
	Between 16 to 20 years	3	1.9
	More than 20 years	1	0.6
Total Number of	Below 5 employees	84	53.8
Employee	Between 5 to 29 employees	71	45.5
	Between 30 to 75 employees	1	0.7
Location by state	Selangor	131	84.0
	W.P. Kuala Lumpur	25	16.0
Sector of	Food and Beverage	130	83.3
operation	Clothing and Accessories	2	1.3
	Education and childcare	2	1.3
	Educational Services	5	3.2
	Beauty and Healthcare concepts	1	.6
	ICT	1	.6
	Convenient Store	15	9.6

N=156

According to the descriptive statistics in Table 4.9, there were 64.7 percent of respondents were Malaysian brand or local brand franchisees, while 35.3 percent were foreign brands. This is in line with statistical data, where in Malaysia, 60 percent of franchises are homegrown franchises (Mohamad, 2023). In terms of firm age, which usually determines firm growth and survival ability, according to the findings, the majority of these franchisees have been operating for over 6 years (70.5%). However, 29.5 percent of franchisees are aged 5 years, which are among the new brand franchisees and newcomers in the industry. However, the early-stage companies demonstrate the survival stage and resilience capacity during the crises.

Meanwhile, 88 franchisees have been operating for 6 to 10 years, which surpasses the survival period and are at the growth stage, and have a reputable brand to succeed during the calamity. Moreover, four franchisees are among the oldest franchisees which operated for more than 16 years, where the firms and the franchise systems were already at the mature stage with financing growth. The majority of these franchisees have below than 5 employees (53.8%) and between 5 to 29 employees (45.5%), depending on the sector and the size of the outlet. Thus, it can be asserted that the majority of franchisees are small and medium-sized firms with fewer than 200 employees.

Regarding the geographical distribution, the respondents are primarily located in the two most strategic locations, which are Selangor (84%) and Kuala Lumpur (16%). According to data, these two states, which are the region in Malaysia with the highest number of franchisee businesses, in Malaysia which is about 70 percent of the total franchises (KPDN, 2022). Meanwhile, most of the franchisees' business type of operation was food and drinks, with 83.3 percent, followed by other

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sectors. Next, Table 4.10 illustrates the descriptive analysis for the research constructs, which are the dependent variables, Franchisee Survival Ability (FSA), Financial Resources (FR), Human Capital (HC), Franchisor Support (FS), Government Support (GS), and Market Orientation (MO).

Table 4.10: Descriptive statistics for each construct

	N						
	Valid	Missing	Mean	Median	Mode	Std. Deviation	Variance
A_HC	156	0	5.816	5.778	5.780	0.507	0.257
A_FS	156	0	5.976	5.941	5.880	0.540	0.292
A_GS	156	0	5.620	5.625	6.500	0.692	0.479
A_MO	156	0	5.569	5.556	5.560	0.712	0.507
A_FR	156	0	5.700	5.682	6.000	0.751	0.564
A_FSA	156	0	5.869	5.833	5.330	0.638	0.407

N=156, 7 Likert scales (1) Strongly Disagree to (7) Strongly Agree

Descriptive statistics for each construct reveal an overall mean score of FSA 5.869 (SD = 0.638). This shows a positive perception of survivability amongst the franchisees. The highest mean value is FSA1, indicating that franchisees were able to retain a number of employees during the pandemic. The variance for each construct specifies the dispersion of data around its mean, which are between 0.257 to 0.564. While the standard error for each construct is reasonable which is greater than 0.25. The descriptive statistics for all indicators in Appendix I, which summarises the descriptive statistics for all 62 indicators (mean, median, standard deviation, kurtosis, and skewness).

According to the mean value, most respondents agreed with the statement that of the items in FR, HC, GS, FS, MO, and FSA. The descriptive analysis of the items reveals a significant degree of variation or standard deviation is smaller than the mean

indicates that the deviation tends to be closer to the expected value (mean) for all constructs.

4.5 The Measurement Model

Multivariate analysis is the application of statistical tools that analyse multiple variables at the same time. SmartPLS consists of two essential procedures: assessing the measurement model and estimating the structural model. The first part is assessing the measurement model, which starts with checking the collinearity problem, followed by examining the significance and relevance of the structural model by evaluating reliability (internal consistency reliability and indicator reliability) and validity (convergence validity and discriminant validity). Then, the study evaluates the effect size and prediction quality.

4.5.1 Internal Consistency Reliability

Internal consistency measures the reliability of indicators, where the value should be between zero and one via Cronbach's Alpha and composite reliability suggested by Hair et al. (2021). According to Nunnally (1978), the desirable value of Cronbach Alpha (CA) is between 0.8 and 0.9. While for Dhillon-Goldstein Rho, the composite reliability (CR) value should be greater than 0.7 (Hair et al., 2021). The result of internal consistency is as in Table 4.11. The findings indicate that each construct has met internal consistency, with CA value in the range of 0.872 to 0.934 while CR value within the range of 0.901 to 0.943 surpass the required threshold of 0.70, but values with 0.8 or 0.9, which satisfy the internal consistency reliability criteria (Nunally, 1978).

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Table 4.11: Internal consistency reliability

	Cronbach's alpha	Composite reliability
Franchisee Survival Ability	0.879	0.908
Financial Resources	0.894	0.917
Human Capital	0.872	0.901
Franchisor Support	0.897	0.917
Government Support	0.933	0.943
Market Orientation	0.934	0.943

N=156

4.5.2 Indicator Reliability

Indicator reliability (Outer Loading) denotes the proportion of indicator variance that is explained by the latent variable. Removing the problematic item increases the AVE and CR threshold; thus, the item should not be retained. Yet, not more than 20 percent of the total items should be removed (Hair et al, 2017). Deletion of 12 items (HC=3, FS=3, MO = 5), which are 19.4 percent of the total items. The remaining 53 items met the measurement model assessment threshold as mentioned in Hair et al (2017), have been retained as in Table 4.12. for the next analysis.

4.5.3 Convergent Validity

The third step after performing reliability assessments is to assess convergence validity, which is the extent to which the construct converges in order to explain the variance of its indicators, which Hair et al (2019) denote as AVE. When outer loading was tested, deletion was made for items with outer loading below 0.40. 11 items that were deleted (17.12%), where AVE and CR values were checked to fulfill the threshold value before deleting the item. Items which have

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loading above 0.6 but below 0.70 were retained, as the deletion did not increase other indicator reliability, AVE or CR.

Table 4.12: Summary of assessment model results

Constructs	Items	Factor Loading	VIF<5	AVE>0.50
Franchisee Survival Ability	FSA1	0.740	1.749	0.623
	FSA2	0.785	2.211	
	FSA3	0.861	3.020	
	FSA4	0.819	2.786	
	FSA5	0.773	2.523	
	FSA6	0.751	2.026	
Financial Resources	FR1	0.810	2.583	0.613
	FR2	0.849	3.112	
	FR3	0.825	2.465	
	FR4	0.658	1.654	
	FR5	0.788	2.093	
	FR6	0.775	2.067	
	FR7	0.760	1.955	
Human Capital	HC10	0.749	2.160	0.566
	HC11	0.777	2.384	
	HC12	0.708	1.799	
	HC2	0.742	2.499	
	HC3	0.747	2.571	
	HC4	0.726	1.885	
	HC5	0.811	2.590	
Franchisor Support	FS10	0.762	2.340	0.582
	FS2	0.800	2.342	
	FS3	0.799	2.428	
	FS4	0.839	2.635	
	FS5	0.788	2.222	
	FS7	0.646	1.500	
	FS8	0.797	2.355	
	FS9	0.648	1.922	
Government Support	GS10	0.775	2.661	0.599
	GS11	0.794	2.977	
	GS12	0.717	2.181	
	GS2	0.770	2.631	
	GS3	0.762	3.129	
	GS4	0.773	2.998	
	GS5	0.748	2.213	
	GS6	0.771	2.475	
	GS7	0.820	3.135	
	GS8	0.744	2.695	
	GS9	0.833	3.428	

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support .

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Table 4.12 (continued): Summary of assessment model results

Constructs	Items	Factor Loading	VIF<5	AVE>0.50
Market Orientation	MO12	0.766	3.758	0.604
	MO13	0.791	3.903	
	MO14	0.808	3.697	
	MO15	0.835	3.472	
	MO6	0.867	4.764	
	MO7	0.803	3.746	
	MO11	0.820	3.323	
	MO8	0.815	3.676	
	MO3	0.663	2.017	
	MO4	0.704	2.986	
	MO5	0.644	2.152	

Note: MO = market orientation

The AVE values in Table 4.12 represent the commonality of a construct for all variables that have met the minimum acceptable value of 0.70, and hinger indicates that the constructs explain at least 50 percent variance of the indicators (Hair et al, 2019). In terms of VIF value for each item (outer model), all VIF values are below 5 while only which is the threshold value for VIF. Meanwhile, for the inner model, the VIF value for all constructs is lower than 5. Therefore, that collinearity is acceptable and does not reach critical levels. Therefore, convergent validity is established where items are converging together to represent and measure the underlying constructs. The next form of validity assessed is discriminant validity.

4.5.4 Discriminant Validity

Discriminant validity establishes the distinctiveness or individual identity of the constructs, where the correlation among measures might potentially be overlapping. Thus, the cross-loading criterion is checked as in Table 4.13.

Table 4.13: Cross-loading

	FR	FS	FSA	GS	HC	MO
FSA1	0.307	0.470	0.740	0.493	0.236	0.297
FSA2	0.246	0.381	0.785	0.389	0.227	0.172
FSA3	0.350	0.413	0.861	0.408	0.276	0.385
FSA4	0.371	0.324	0.819	0.336	0.258	0.399
FSA5	0.351	0.248	0.773	0.286	0.297	0.390
FSA6	0.349	0.303	0.751	0.333	0.234	0.315
FR1	0.810	0.279	0.342	0.200	0.386	0.740
FR2	0.849	0.312	0.344	0.253	0.368	0.626
FR3	0.825	0.202	0.297	0.184	0.252	0.570
FR4	0.658	0.124	0.234	0.110	0.249	0.463
FR5	0.788	0.200	0.314	0.175	0.264	0.582
FR6	0.775	0.299	0.373	0.350	0.304	0.562
FR7	0.760	0.302	0.370	0.317	0.309	0.540
HC10	0.345	0.466	0.307	0.387	0.749	0.340
HC11	0.381	0.416	0.318	0.304	0.777	0.326
HC12	0.332	0.371	0.199	0.297	0.708	0.310
HC2	0.211	0.371	0.177	0.187	0.742	0.262
HC3	0.284	0.383	0.209	0.234	0.747	0.346
HC4	0.242	0.477	0.237	0.222	0.726	0.333
HC5	0.246	0.430	0.214	0.180	0.811	0.312
FS10	0.192	0.762	0.328	0.616	0.416	0.188
FS2	0.290	0.800	0.323	0.477	0.474	0.315
FS3	0.212	0.799	0.322	0.451	0.464	0.285
FS4	0.264	0.839	0.447	0.477	0.462	0.309
FS5	0.252	0.788	0.413	0.551	0.394	0.303
FS7	0.188	0.646	0.293	0.381	0.359	0.195
FS8	0.339	0.797	0.375	0.488	0.443	0.318
FS9	0.170	0.648	0.248	0.395	0.394	0.139
GS10	0.254	0.446	0.391	0.775	0.266	0.225
GS11	0.267	0.479	0.480	0.794	0.310	0.259
GS12	0.237	0.428	0.381	0.717	0.252	0.249
GS2	0.232	0.544	0.367	0.770	0.251	0.161
GS3	0.168	0.497	0.335	0.762	0.181	0.097
GS4	0.220	0.506	0.267	0.773	0.269	0.146
GS5	0.249	0.504	0.322	0.748	0.278	0.192
GS6	0.232	0.524	0.418	0.771	0.268	0.224
GS7	0.217	0.517	0.361	0.820	0.288	0.151
GS8	0.134	0.394	0.270	0.744	0.284	0.090
GS9	0.230	0.508	0.394	0.833	0.324	0.206

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support and MO = market orientation

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Table 4. 13 (continued): Cross-loading

	FR	FS	FSA	GS	HC	MO
MO12	0.525	0.235	0.275	0.125	0.280	0.766
MO13	0.566	0.237	0.249	0.146	0.263	0.791
MO14	0.610	0.270	0.314	0.178	0.321	0.808
MO15	0.641	0.324	0.384	0.235	0.403	0.835
MO6	0.671	0.314	0.367	0.215	0.406	0.867
MO7	0.722	0.331	0.431	0.224	0.400	0.803
MO11	0.574	0.308	0.333	0.211	0.355	0.820
MO8	0.717	0.310	0.361	0.310	0.321	0.815
MO3	0.380	0.064	0.207	-0.081	0.237	0.663
MO4	0.462	0.222	0.270	0.171	0.317	0.704
MO5	0.423	0.260	0.283	0.261	0.288	0.644

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support and MO = market orientation

The values in Table 4.13 show that the cross-loading for each latent variable was more than 0.1 and the values were higher on its construct compared to other constructs, showing that the constructs were not interchangeable (Ramayah et al, 2018). Next, the discriminant validity was checked via Heterotrait-monotrait ratio (HTMT), which has better sensitivity rates and specificity compared to Fornell-Larcker (Ramayah et al, 2018), and the technique is more preferable (Henseler et al, 2015). Table 4.14 indicates that the 85 percent bootstrap confidence interval of HTMT shows a significant difference from 1, proving that there is no discriminant validity.

Table 4.14: Heterotrait-monotrait ratio (HTMT)

	FR	FS	FSA	GS	HC	MO
FR	1	0.343	0.468	0.311	0.434	0.797
FS	0.343	1	0.499	0.687	0.628	0.360
FSA	0.468	0.499	1	0.508	0.361	0.448
GS	0.311	0.687	0.508	1	0.378	0.263
HC	0.434	0.628	0.361	0.378	1	0.463
MO	0.797	0.360	0.448	0.263	0.463	1

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation

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The ratio of between-traits correlation to the within-trait correlation values is lower than $HTMT_{.95}$ value of 0.95 which concludes that the measurement model met discriminant validity criteria. Thus, it can be inferred that both the reliability and validity criteria have been satisfied for this study. Subsequently, the data might be subjected to further investigation to provide structural measurements.

4.6 The Structural Model

Subsequently, measurement model assessment was established, according to Hair et al (2017), the next analysis is the evaluation of the structural model, which focuses on the assessment of collinearity issues, relevance of relationships, assessment of coefficient determination, effect size, and predictive power.

4.6.1 Assessment for Collinearity Issues

The initial step in the structural model is evaluating collinearity issues between the constructs before performing latent variable analysis. The existence of collinearity could affect the model's outcomes. The study determines the possibility of collinearity via the VIF value. The threshold of the VIF value is less than 5 (Hair et al, 2011). Based on the VIF value, there were no serious collinearity issues in the study. If there is a problem of collinearity, a frequent option is to create higher-order constructs (Hair et al., 2019). VIF values in Table 4.15 are lower than 3.3 for FSA, FR, HC, FS, MO, and GS items, which indicates that the structural model is free from collinearity issues.

Table 4.15: Inner model collinearity statistics (VIF)

Items	VIF<3.3
FR -> FSA	2.404
FR -> MO	1.225
HC -> FSA	1.607
HC -> MO	1.571
FS -> FSA	2.128
FS -> MO	2.105
GS -> FSA	1.691
GS -> MO	1.682

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation

4.6.2 Structural Model Relationship

The present study has 13 hypotheses and the significance levels are shown in Table 4.22. In order to assess the significance level, the SmartPLS 4.0 bootstrapping procedure is employed to generate beta coefficients, t-statistics, and p-values for each path. The bootstrapping procedure is executed with a one-tailed test, and 5,000 subsamples suggested by Ramayah et al. (2018). The critical value for a significance level of 5 percent ($\alpha = 0.05$), the t-critical is 1.645. The path coefficient results specify the coefficient value linking constructs to the structural model and representing the strength of the relationship.

Based on the result in Table 4.16, the coefficient values for the structural model are positive for all constructs except HC with weak relationship between 0.010 to 0.287 with FSA. Meanwhile the relationship between FR, HC, and FS with FSA were positive except GS, with beta coefficient value between -0.060 (weak) to 0.693 (strong) relationship. Meanwhile, the mediating variable MO has positive weak (0.177) correlation with FSA.

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Table 4.16: Path coefficient result

Path	Beta Coefficient	Correlation
FR -> FSA	0.148	Weak
HC -> FSA	-0.010	Weak
FS -> FSA	0.176	Weak
GS -> FSA	0.287	Weak
MO -> FSA	0.177	Weak
FR -> MO	0.693	Strong
HC -> MO	0.121	Weak
FS -> MO	0.097	Weak
GS -> MO	-0.060	Weak

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation

The beta coefficient demonstrates that financial resources (FR) and franchisor support (FS) have positive impact on both market orientation (MO) and franchisee survival ability (FSA) predictors of franchisee survival ability, whereas human capital (HC) and government support (GS) showing inverse relationships and have little or no impact. Lastly, MO has only a moderate impact on overall survival results. The result indicates that most of the path coefficients are weak, but it can still hold practical significance, especially in complex social science research (Hair et al., 2021).

4.6.3 Coefficient of Determination (R^2)

As the study is an explanatory research, the researcher focuses on the coefficient of determination (R^2), where R^2 is the in-sample predictive power that explains the variance of endogenous constructs explained by their predictor constructs. The R^2 values for FSA were 0.352, indicating that 35.2% percent of the variance in independent variables (FR, HC, FS, GS, MO) explained the dependent variable, FSA. Meanwhile, 59.3 percent (strong) of the dependent variable describes

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the variance in the mediating variable. The coefficient of determination values for FSA were acceptable while MO was substantial (Hair et al., 2021; Chin, 1998).

4.6.4 Effect Size (f^2)

Next is the f^2 value of the effect size of the predictor constructs assesses the relative impact of a predictor construct which as explained by Cohen's f^2. Variables in a structural model are affected/influenced by several different variables, where removing an exogenous variable affects the dependent variable. The f^2 value is the change in R^2 when an exogenous variable is removed from the model. The f^2 result for MO is greater than one, meaning that MO has a big effect to the endogenous variable. Other construct has a smaller impact with f^2 lower than one. Meanwhile, the effect size for the indirect effect is as follows. According to the calculation direct effect size calculation suggested by Ramayah et al. (2018), Table 4.17 shows the effect of the direct effect size of the model, which was only large on MO -> FSA and FR -> MO, while others were small and had no effect size.

Table 4.17: Direct effect size

	R^2 included	R^2 excluded	Effect Size	Interpretation
FR -> FSA	0.349	0.342	0.011	No Effect
HC -> FSA	0.349	0.349	0.000	No Effect
FS -> FSA	0.349	0.336	0.020	Small Effect
GS -> FSA	0.349	0.299	0.071	Small Effect
MO -> FSA	0.614	0.339	0.416	Large Effect
FR -> MO	0.614	0.212	0.510	Large Effect
HC -> MO	0.614	0.604	0.025	Small Effect
FS -> MO	0.614	0.610	0.010	No Effect
GS -> MO	0.614	0.612	0.005	No Effect

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation

Meanwhile, the indirect effect size (My v^2) was calculated via the sample mean result from Consistence PLS SEM Bootstrap (My v) using the online statistical package of Gaskination Statistic suggested by Gaskin et al. (2023)

Table 4.18: Indirect effect size

	My v	My v^2	Interpretation
FR -> MO -> FSA	0.121	0.015	Small Effect
HC -> MO -> FSA	0.021	0.000	No effect
FS -> MO -> FSA	0.017	0.000	No effect
GS -> MO -> FSA	-0.01	0.000	No effect

Note: Indirect v2 targets are 0.01 (small), 0.04 (medium), and 0.09 (large)
FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation (http://statwiki.gaskination.com/index.php?title=Main_Page).

The indirect effect size result is illustrated in Table 4.18, where MO only has a significant medium indirect effect on FR, while there is no significant indirect effect size for HC, FS, and GS.

4.6.5 Predictive Power Assessment (Q^2)

The predictive relevance (Q^2) measures whether a model has predictive relevance, where the Q^2 value should be greater than zero (Q^2>0 is good). The PLS Predict of PLS4 result shows that the Q^2 for the model is above zero for all constructs, where zero. The result in Table 4.19 established that the model (endogenous constructs) has predictive relevance were more than zero (Ramayah et al, 2018) of each effect as the value is 0.304 (medium) for FSA and 0.568 (large) for MO for both direct (FSA) and indirect predictors (MO).

Table 4.19: Predictive relevance result

	Q^2predict	RMSE	MAE	Interpretation
FSA	0.304	0.843	0.653	Positive predictive relevance
MO	0.568	0.663	0.521	Positive predictive relevance

Note: FSA = franchisee survival ability, and MO = market orientation

Table 4.19 indicates that MO and FSA both had positive predictive relevance values (Q^2), RMSE, and MAE, respectively are positive values indicating their significant contributions to the inner structural model's accuracy. This suggests that MO has a higher predictive effect on outcomes within the inner model, which improves the model's ability to anticipate franchisee survival based on the variables compared to FSA. In addition, PLS Predict has been analysed to get the value of MV Predict for the indirect effect size. The result of PLS Predictive Power is shown in Table 4.20. The study utilized RMSE as the error distribution of the model was symmetric suggested (Hodson, 2022). The value of RMSE for each construct is compared to the estimated linear model (LM) in Table 4.20.

The results show that both the dependent and mediator variables mostly have strong and moderate predictive power inside the PLS model, indicating that the relationships examined are highly reliable. This high level of predictive capacity indicates that the model accurately predicts franchisee survival ability results. While SEM-PLS RMSE (root mean squared error of prediction) values were lower than Linear Model RMSE (LM RMSE) for all variable (except MO8 and MO3), this indicates that this PLS-SEM model has moderate (Shmueli et al, 2019) to high predictive power (Hair et al., 2019).

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Table 4. 20: PLS predict power result

Items	Q^2predict	Interpretation	PLS-SEM_RMSE		LM_RMSE
FSA1	0.261	Moderate	0.750	<	0.787
FSA2	0.166	Moderate	0.903	<	0.918
FSA3	0.225	Moderate	0.812	<	0.860
FSA4	0.174	Moderate	0.865	<	0.900
FSA5	0.123	Weak	0.942	<	0.949
FSA6	0.161	Moderate	0.949	<	0.977
M012	0.269	Moderate	0.933	<	0.973
M013	0.305	Moderate	0.943	<	0.993
M014	0.367	Strong	0.902	<	0.912
M015	0.420	Strong	0.788	<	0.827
M06	0.458	Strong	0.769	<	0.797
M07	0.513	Strong	0.691	<	0.714
MO11	0.334	Moderate	0.842	<	0.891
MO8	0.482	Strong	0.716	>	0.685
MO3	0.124	Weak	1.173	>	1.096
MO4	0.207	Moderate	0.880	<	0.933
MO5	0.172	Moderate	0.867	<	0.898

Note: FSA = Franchisee Survival Ability, MO = Market Orientation
Predictive power (Q2) value greater than 0.02 (weak), 0.15 (moderate), 0.35 (strong)

4.6.6 Model Fit

The result of Standardized Root Mean Square Residual (SRMR) in Table 4.21 indicates that the squared discrepancy between the observed correlations and the model-implied correlations is 0.075. The values were lower than 0.08 which considered a good fit (Ramayah et al., 2018). The summary of model fit result is in Table 4.21. The model was fit determines that the statistical model represents observable data, demonstrating the correctness and validity of its predictions and linkages in the study which avoid model misspecification.

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Table 4.21: Summary of model fit

	Saturated model	Estimated model
SRMR ≤ 0.08	0.075	0.077
d_ULS	7.166	8.168
d_G	2.726	3.010
Chi-square	3606.200	3930.626
NFI	0.668	0.653

4.7 Hypothesis Testing

Next, the following procedure is identifying T value at significant level of 5 percent significant level, one-tailed and 5,000 subsamples where critical value 1.645 at the 5 percent significance level ($\alpha = 0.05$), via bootstrapping. Following the assessment of the measurement model, the next step is the evaluation of structural path for the evaluation of path coefficients (relationships amongst study constructs) and their statistical significance as in Table 4.22 and PLS structural model for FSA is illustrates in Figure 4.1.

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Table 4.22: Structural model assessment

Relationship	Coefficient (β)	Std. Dev	BCI LL (2.5%)	BCI UL (97.5%)	T Value	P Value	Decision
H1: FR -> MO	0.693	0.695	0.615	0.757	16.040	0.001	Supported
H2: FR -> FSA	0.148	0.149	0.015	0.288	1.778	0.038	Supported
H3: HC -> MO	0.121	0.121	0.028	0.212	2.150	0.016	Supported
H4: HC -> FSA	-0.010	-0.009	-0.122	0.096	0.158	0.437	Not Supported
H5: FS -> MO	0.097	0.098	-0.015	0.208	1.434	0.076	Not Supported
H6: FS -> FSA	0.176	0.179	0.062	0.286	2.587	0.005	Supported
H7: GS -> MO	-0.060	-0.060	-0.162	0.036	1.006	0.157	Not Supported
H8: GS -> FSA	0.287	0.291	0.187	0.375	5.044	0.001	Supported
H9: MO -> FSA	0.177	0.175	0.021	0.324	1.941	0.026	Supported
H10: FR -> MO -> FSA	0.123	0.064	0.014	0.224	1.921	0.027	Supported
H11: HC -> MO -> FSA	0.021	0.016	0.003	0.056	1.369	0.086	Not Supported
H12: FS -> MO -> FSA	0.017	0.015	0.000	0.054	1.107	0.134	Not Supported
H13: GS -> MO -> FSA	-0.011	0.012	-0.041	0.003	0.852	0.197	Not Supported

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation.

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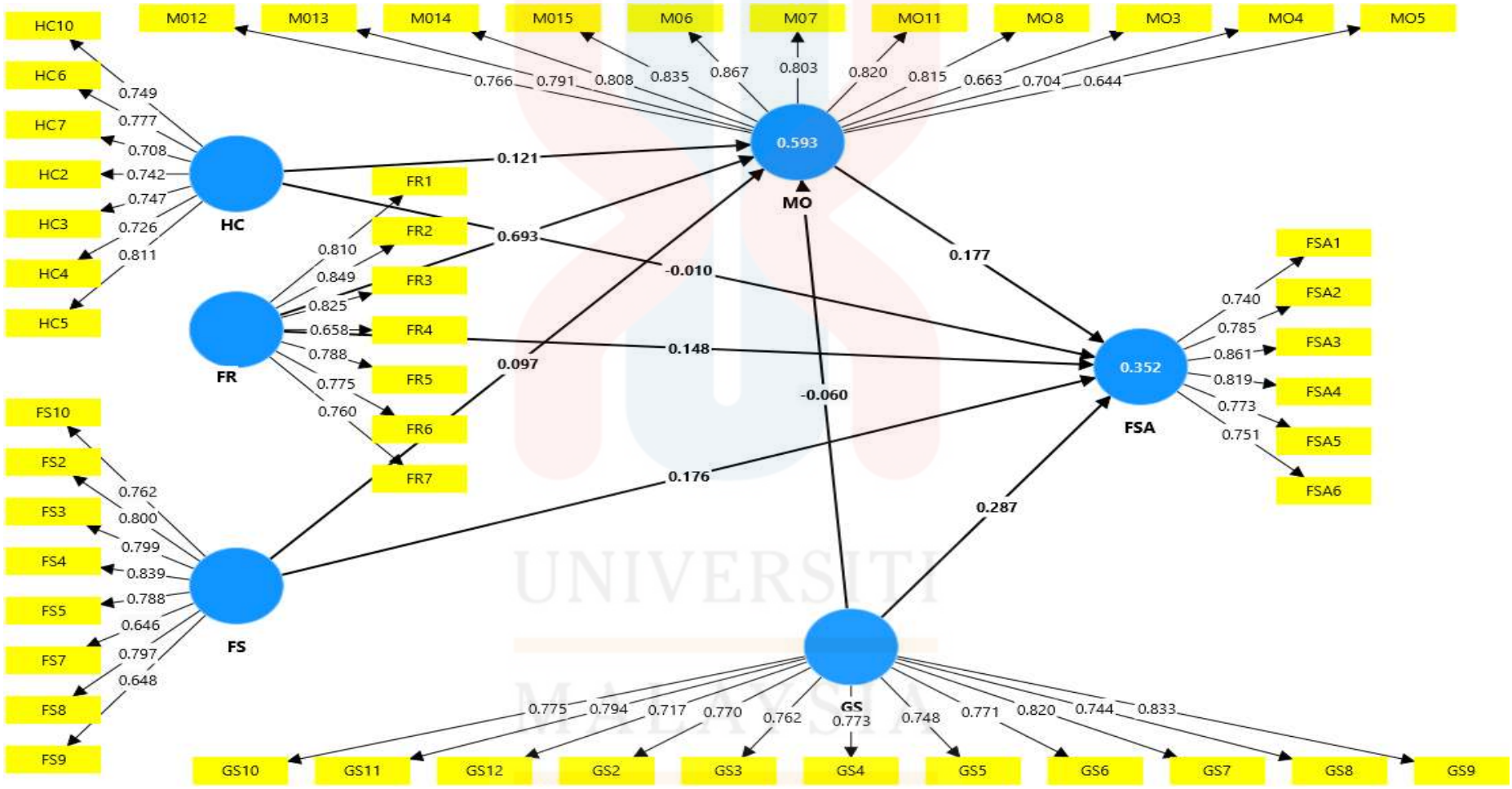

Figure 4. 1: PLS Model

Note: FSA = franchisee survival ability, FR = financial resources, HC = human capital, FS = franchisor support, GS = government support, and MO = market orientation.

4.7.1 Financial Resources

According to the first research question (RQ1) and first research objective (RO1), Hypothesis One (H1) evaluates the positive relationship between financial resources and market orientation. In addition, H2 examines that financial resources have a positive effect on franchisee survival ability.

Finding indicates that H1 was supported, indicating that there was a significant positive correlation between financial resources (FR) and market orientation (MO) (FR -> MO: β= 0.693, t= 16.040, p<0.001). Confidence intervals bias corrected (BCI) at lower (2.5%) to upper level (97.5%) have no negative value, thus H1 was supported. Next, H2 examines the relationship between financial resources and franchisee survival ability (FSA), and the findings indicate that financial resources have a positive and significant influence on franchisee survival ability (FSA) (FR -> FSA: $\beta = 0.148$, $t = 1.776$, $p > 0.05$). There is no zero value in between the BCI upper and lower levels ($BCI_{LL, UL}$); therefore, H2 was supported.

4.7.2 Human Capital

Meanwhile, the second research question and objective determine the positive relationship between human capital on market orientation (H3) and franchisee survival ability (H4). Thus, H3, which indicated the relationship between human capital and market orientation, the findings indicate that human capital has a substantial and favourable influence on internal marketing (MO) and (HC -> MO: β =0.121, t=2.150, p<0.05). $BCI_{LL, UL}$ has no negative value;

thus, H3 was supported. In addition, the findings also showed that FSA is insignificantly affected by human capital (HC -> FSA: β =-0.010, t =0.158, p>0.05). $BCI_{LL, UL}$ has a negative value thus, there is zero in between the levels, hence, H4 was not supported. The results have specified that during the crises, employees only have a significant impact on market orientation, but not franchisee resilience.

4.7.3 Franchisor Support

Objective five was to examine the relationship between franchisor support with market orientation and franchisee survival ability. Therefore, H5 was developed to test the direct influence of franchisor support and market orientation, and H6 observes the positive relationship between franchisor support and FSA. The result indicates that franchisor support has an insignificant impact on MO (FS -> MO: β =0.097, t = 1.434, p>0.05), and BCI has a negative value between higher and lower levels; thus, H5 was not supported. Next, the results supported H6, indicating that there was a positive and significant impact of FS on FSA was confirmed (FS -> FSA: β =0.1176, t = 2.587, p<0.05). $BCI_{LL, UL}$ has no negative value, thus no zero in between; accordingly, H6 was supported. The findings describe that an increase in franchisor support only significantly increases franchisee ability to continue business during the calamity.

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4.7.4 Government Support

Research question 4: Does government support have a relationship with franchisee survival ability? Leads to the fourth objective to determine the relationship between government support and franchisee survival ability. Thus, hypotheses 7 and 8 describe the positive significant impact of government support on market orientation and franchisee survival ability. The outcomes proved that government support had no considerable impact on MO implementation; therefore, the H7 is not supported (GS ->MO: $\beta = -0.060$, $t = 1.006$, $p > 0.05$, with zero in between $BCI_{LL, UL}$). Hypothesis 8 describes the positive significant impact of government support on franchisee survival ability, with no zero in between $BCI_{LL, UL}$. The outcomes prove that an increase in government support led to a considerable increase in FSA; therefore, the H8 is accepted (GS ->FSA: $\beta = 0.287$, $t = 5.044$, $p < 0.001$).

4.7.5 Market Orientation

Research question 5 examines whether market orientation have a positive relationship with franchisee survival ability. While objective 5 determines the positive relationship between market orientation and franchisee survival ability. Therefore, hypothesis H9 determines the positive correlation between market orientation and franchisee survival ability. The evaluation of the relationship, findings show that the strategic orientation of MO had a favourable effect on FSA (MO ->FSA: $\beta = 0.177$, $t = 1.941$, $p < 0.05$, with no zero in between BCIs level). This offered that hypothesis H8 was supported. Based on this finding, the indirect

relationship of IVs with MV could be determined further in the next subsection. Next, the discussion of mediating results will be discussed in the next subsection.

4.8 Mediating Impact

The mediating impact of MO is assessed by H10, H11, H12 and H13, where market orientation mediates the relationship between financial resources, human capital, franchisor support, and franchisor support with franchisee survival ability. Mediation analysis was performed, and the results are shown in Tables 4.23 and 4.24.

Referring to the outcomes in Table 4.23, the total effect of financial resources and franchisee survival ability was significant ($\beta = 0.271$, $P<0.05$). And with the inclusion of mediation, in the path coefficient, the relationship of the indirect effect of FR on FSA through MO was also significant (H10: $\beta = 0.027$, $P<0.05$). Meanwhile, the confidence intervals (CI) bias-corrected value is between 0.014 and 0.224, so there was no zero in between, meaning that the indirect effect of MO between FR and FSA was significant.

In Addition, according to Gaskin et al (2023), effect size analysis, if the indirect effect is significant, and the indirect effect size should be significant, then the mediation hypothesis is significant. According to the finding, only the H10 effect size was significant (p value >0.05), where the p value of the indirect effect size is 0.015; thus, the value has a significant indirect effect size ($v^2>0.01$). This shows that the relationship between FR and FSA was mediated by MO, has a significant effect size, and H10 was supported.

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The indirect effect size of mediating analysis was performed, and the result is shown in Table 4.24. Based on the beta coefficient value, the Variance Accounted (VAF) calculation was calculated, and the types of mediation were determined through the VAF value suggested by Hair et al (2017). The VAF value for FR -> MO -> FSA was 45.38% (ratio of specific indirect effect (0.123) on total effect (0.271), which is between 20 to 80 percent, thus according to Hair et al (2017), the mediation is partial mediation.

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Table 4.23: Mediation Impacts

Relationship	Total Effect		Direct Effect				Indirect Effect			Decision
	B_1 to FSA without MO	P Value	B_2 to FSA with MO	P Value	B_3 Coeff.	T Value	P Value	BCI LL (5%)	BCI UL (95%)	
H10: FR -> MO -> FSA	0.271	0.001	0.148	0.038	0.123	1.921	0.027	0.014	0.224	Supported
H11: HC -> MO -> FSA	0.011	0.434	-0.010	0.437	0.021	1.369	0.086	0.003	0.056	Not Supported
H12: FS -> MO -> FSA	0.193	0.001	0.176	0.005	0.017	1.107	0.134	0.000	0.054	Not Supported
H13: GS -> MO -> FSA	0.287	0.026	0.277	0.001	-0.011	0.852	0.197	-0.041	0.003	Not Supported

Table 4.24: Interpreting Evidence for Indirect Effect

Relationship	β_1 to FSA without MO	β_2 to FSA with MO	Interpretation of β_1 and β_2	My v	My v^2	Interpretation
H10: FR -> MO -> FSA	0.271	0.148	Shrink	0.121	0.015	Medium Effect
H11: HC -> MO -> FSA	0.011	-0.010	Shrink	0.021	0.000	No effect
H12: FS -> MO -> FSA	0.193	0.176	Shrink	0.017	0.000	No effect
H13: GS -> MO -> FSA	0.287	0.277	Shrink	-0.01	0.000	No effect

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In addition, according to Hair et al. (2022), when both direct and indirect effect has the same direction and both are significant, the mediation is complementary or partial mediation. The mediation has met the significant bootstrapping analysis (P<0.05) suggested by Becker et al (2023) and observed effect size for indirect impact of V^2 greater than 0.01 for significant indirect effect (Gaskin et al, 2023), thus the indirect effect of H10 was supported.

Meanwhile, for Hypothesis 11, (H10: HC->MO->FSA), the HC total effect on FSA is significant (β =0.011, t = 4.38, P>0.01), and the HC direct effect was also significant (β = -0.001, t = 2.333, P>0.01). However, the indirect effect of HC on FSA through MO was also not significant (β = 0.021, t =1.369, P>0.05). Confidence intervals bias bias-corrected, were between 0.003 and 0.054, so there is no zero in between the upper and lower level of CI, but as the p value is 0.086, showing mediation of MO has no significant impact on the HC relationship on FSA. The value of mediating impact (My v2) also showed no mediation effect; therefore, H11 was not supported.

Whereas for Hypothesis 12, (H11: FS->MO->FSA), the moderation impact of MO on the relationship between FS and FSA. The total effect from FS to FSA without mediation was insignificant (β = 0.179, t = 1.434, p>0.05). The path coefficient showing the relationship with the mediation in direct effect was also insignificant (β = 0.176, t = 2.5877, p = 0.05). Meanwhile, the indirect effect, which was with mediation impact, the relationship is not significant (β = 0.017, t = 1.107, p>0.05). According to confidence intervals, bias corrected result showed the upper and lower level of CI was between 0 and 0.054, there is zero in between the result

and My v2 values is zero indicating no mediation effect, consequently, there was no mediation impact in the relationship of FS on FSA, H12 was not supported.

Ultimately, for Hypothesis 13, (H13: GS->MO->FSA), which examines the mediation impact of MO on the relationship of GS and FSA. The GS total effect on FSA is significant ($\beta = 0.277$, $t = 4.694$, $P<0.001$). Meanwhile for the direct effect was also significant ($\beta = 0.287$, $t = 5.044$, $P<0.001$). In addition, the indirect effect of HC on FSA through MO was also not significant ($\beta = -0.011$, $t = 0.852$, $P>0.05$). Confidence intervals bias-corrected were between -0.041 and 0.003, so there is zero in between the upper and lower levels of CI. The mediation effect size is also zero, showing that the mediation of MO has no significant impact on the GS relationship on FSA. Therefore, H13 was not supported.

Although only one hypothesis was accepted for the effect of MO as a mediator, Table 4.24 results confirmed that the total effect and the beta coefficient of the direct effect have decreased (shrunk) after adding the mediator to the study model. This indicates that the mediator (MO) definitely plays an important role in explaining the relationship between the independent variables (FR, HC, FS, and GS) and the dependent variable (FSA). The decrease in each beta coefficient of the direct effect with the inclusion of the mediation effect for all independent variables indicates that the MO mediator certainly contributes explanatory value to the relationship.

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4.9 Chapter Summary

The study examined the impact of strategic resources of franchisees such as financial resources (FR), human capital (HC), and support from the franchisor (FS) and government (GS) on franchisee survival ability (FSA) with the mediating impact of market orientation (MO) by employing SmartPLS4.0 where observation was derived from the study of both measurement and structural models.

Data collection via survey among franchise holder businesses in Kuala Lumpur and Selangor, Malaysia, using purposive sampling, where 280 questionnaires were distributed, 214 surveys were received (76.43%). After excluding ineligible responses through data screening, the final data set was 156 valid responses. To ensure high-quality data, additional checks included non-response bias analysis, identification of multivariate outliers, common method bias tests, normality assessment, and checks for linearity and multicollinearity. Most of the variables met the statistical assumptions, confirming the readiness of the data set for SEM.

Descriptive statistics indicated demographic tendencies among respondents, indicating that the majority of businesses (79.8%) were single-outlet franchises in the food and beverage industry (86.9%). Approximately 64.7% of respondents represented local brands, with the remainder being foreign. The study found that franchisees older than six years had greater sustainability as the enterprises typically employed up to 30 employees. These demographics illustrate the resilience and growth potential of small and medium-sized franchisee firms in Malaysia's highly competitive market, which have survived the crisis.

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The measurement model was evaluated using PLS SEM using internal consistency reliability, indicator reliability, convergent validity, and discriminant validity. The measurement model demonstrated satisfactory levels of reliability and validity. Each of the components exhibited high internal consistency, with composite reliability values over 0.7. Additionally, every item demonstrates indicator reliability, confirmed by factor loadings greater than 0.7. The measuring model exhibited good convergent and discriminant validity, as indicated by the average variance extracted (AVE) values for all constructs considerably greater than 0.50. Discriminant validity is established considering that the conditions of cross-loading and HTMT were satisfied.

Next, the validation of the structural model was demonstrated, which further exhibits satisfactory results. The model possesses significant explanatory power and demonstrates a high level of predictive power. In addition, the bootstrapping analysis revealed that seven out of the thirteen proposed paths in the structural model are supported. The results of the analysis show that all internal resources (FR and HC) have a significant and positive relationship to market orientation, proving that franchisees who have access to strategic resources tend to have a higher market orientation capability. While financial and external resources have a significant impact on franchisee survival during the crisis. Subsequently, market orientation was found to act as a significant intermediary in linking the financial resources with the franchisee's viability capabilities.

These findings indirectly support the conceptual model of the study developed based on the theoretical frameworks of Resource Scarcity Theory (RST), Resource-Based View (RBV), where internal resources are no longer sufficient

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without the strategic ability to utilize them effectively. This chapter provides a solid basis for a discussion of the theoretical, practical and proposed implications of the policy that will be elaborated in Chapter 5.

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CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

The purpose of this chapter is to provide a brief overview of the study's findings and to summarise the entire chapter, discussing the most important results gained by using the appropriate literature that suits the topic of investigation. Following that, the discussion proceeded with the explanation of the implications of the study, acknowledging the limits, and providing suitable recommendations.

5.2 Recapitulation of the Study

The particular interest of the study is on how franchisee businesses are able to survive the uncertainty and complexity of a global crisis, through their strategic internal (financial resources and human capital), and external resources (franchisor and government support), which were aligned by the market orientation capability as the potential mediator. Based on this concern, the study develops a research framework from the theories: Resource Scarcity resources (RST), Resource-Based View (RBV), and Agency Theory (AT).

The theoretical framework was derived to answer the research question; thus, 13 hypotheses were developed. The Resource Scarcity Theory (RST) explained the limited resources and the need to get access to capital and managerial resources

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needed to retain and grow businesses through franchising resources. Later, the Agency Theory (AT), on the other hand, discusses how franchisee relationships align franchisor and franchisee interests to survive the crisis through franchisor support. Next, the RBV complements these theories by focusing on effective resources and capability to respond, adapt, and thrive in the environmental pressure.

The alignment of the theories and supported by literature review, variables were identified namely financial resources (FR), human capital (HC), franchisor (FS) and government support (GS), and capability, market orientation (MO) (as the mediating variable) on franchisee survival ability (FSA). Research framework and hypotheses were developed. Next, methodologies to answer the research question and objectives was designed and the analysis was conducted via Smart PLS which was deemed appropriate to investigate the research objectives where the expected hypotheses of the resources have positive significant with MO (H1, 3, 5 and 7) and FSA (H2, 4, 6, 8, 9). Then, the MO mediates the relationship between the resources (FR, HC, FS, and GS) and FSA was examined (H10, 11, 12 and 13).

The research findings clearly illustrated that the hypothesis of only FR has a positive and significant impact on MO (H1) and FSA (H2). Meanwhile, HC only has a positive impact on MO (3), while FS (H6) and GS (H8) only impact FSA, but not MO MO was tested to have a positive significant impact on FSA (H9). Thus, hypotheses 1,2,3,6,8, and 9, were supported. In addition, for mediating impact, MO only has a significant mediating impact on the relationship between FR and FSA (H10). Thus, the research demonstrates that with strategic capabilities (MO) leads to the significant indirect impact between financial resources and franchisee survival ability, but raises the question of why human capital (H11), franchisor support (H12)

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and government support (H13) were insignificant to generates franchisee resilience through MO during the global crises. The findings of the study are discussed further in the next section, and the summary of the research is summarised as follows:

The first chapter establishes the purpose of the investigation. It clarifies the issues, rationale, and objectives of this research, which was to gain an understanding of the factors that influence the franchisee's ability to endure global crises. The motivation for this research was the lack of literature and understanding regarding franchisee resilience (Bui et ap, 2021) and the demand for empirical investigations to test the fostering factors that influence the continuity of franchisee businesses during the pandemic crises in Malaysia (Othman et al, 2023).

The significance and research problem, inquiries, and objectives of the study are delineated in this chapter. The subsequent section of this chapter elaborates on the theoretical underpinnings of the present investigation. The research employed three theoretical perspectives: agency theory (AT), resource scarcity theory (RST), and resource-based view (RBV). Combs et al. (2011) mentioned that to explain franchising phenomena, researchers should utilize more than one theory. Therefore, the combination of the theories complemented each other and suited the investigation of the phenomenon of keeping the business operating during the period of global crises.

RST is typically applied to describe resource scarcity and the evolution of franchisee business (franchising as a means of survival resource). In contrast, the RBV theory clarifies that the strategic assets and competencies of a franchise organization (financial resources, human capital, government support, and market

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orientation capability) possess a significant impact on retaining business operations throughout the crises. Finally, agency theory clarifies the relationship between a franchisor and franchisee to strive for both businesses, through franchisor support, which is part of the franchising format, to gain mutual success.

Next, the research proceeds with Chapter 2, which provides a comprehensive survey of scholarly sources and identifies consistent patterns in prior research that investigates the subject matter. A systematic literature review was performed to review prior research with well-structured and objective-based analysis in prior research of the subject matter. To restrict the analysis's scope, only prior studies published between 1997 and 2024 that investigated the subject of ongoing knowledge sharing were reviewed and assessed. Few franchise survivals themes have been identified, namely, marketing, managerial capability, value proposition, franchisor and franchisee relationship, franchise resources, entrepreneurship, and a few other themes. The literature gap has been established where there is limited research on franchise survival research, which focuses on the franchisee perspective, emphasized both internal and external factors and market orientation as mediator has not been rigorously tested in franchising studies. Thus, the study's analysis has revealed that the area of franchisee survival necessitates additional investigation.

The investigation's research design, techniques, and procedure to analyse the research topic were elaborated upon in Chapter 3. The study was quantitative research, and the method of data collection was questionnaire surveys, which were distributed via a purposive sample. Before the data collection was carried out, FSA measurement scales were developed through theories, literature, and validation via expert review. From the process few items were deleted, and the development items

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were evaluated via pilot testing for reliability and validity. The final survey was distributed among 280 franchisees, and 198 data files were screened and prepared for data analysis via SPSS. The final data set, which was 156, was analysed. The structural equation modelling (SEM) method was employed to examine the research hypotheses. The analysis via SmartPLS 4.0 starts with the assessment of validity and reliability of the measurement model before analysing the structural model via bootstrapping, Consistence PLS Sem bootstrapping, and PLS Predict. The outcomes of the relationship between direct and indirect were presented in accordance with the methodology in Chapter 4.

In Chapter 4, the results were discussed in accordance with the research questions and objectives. In total, the research findings provided support for eight of 13 research hypotheses (H1, H2, H3, H6, H7, H8, H9, and H10). Conversely, five hypotheses (H4, H5, H11, H12 and H13) are not supported. The summary of the research questions, objectives, hypotheses, and findings is provided in Table 5.1. which would be discussed further in this chapter. Later, in this final chapter, contributions, limitations, and recommendations were deliberated on as a closure to the study.

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Table 5.1: Summary of research questions, objectives, hypotheses, and results

Research Questions	Research Objectives	Research Hypotheses	Results
1) Do financial resources have a relationship with market orientation and franchisee survival ability?	1) To determine the relationship between financial resources with market orientation and franchisee survival ability.	H1: Financial resources have a positive correlation with market orientation.	Supported
		H2: Financial resources have a positive correlation with franchisee survival ability.	Supported
2) Does human capital have a relationship with market orientation and franchisee survival ability?	2) To determine the relationship between human capital with market orientation and franchisee survival ability.	H3: Human capital has a positive correlation with market orientation.	Supported
		H4: Human capital has a positive correlation with franchisees' survival ability.	Not Supported
3) Does franchisor support have a relationship with market orientation and franchisee survival ability?	3) To determine the relationship between franchisor support with market orientation and franchisee survival ability.	H5: Franchisor support has a positive correlation with market orientation.	Not Supported
		H6: Franchisor support has a positive correlation with franchisees' survival ability.	Supported
4) Does government support have a relationship with franchisee survival ability?	4) To determine the relationship between government support and franchisee survival ability.	H7: Government support has positive correlation with market orientation	Not Supported
		H8: Government support has positive correlation with franchisee survival ability.	Supported
5) Does market orientation have a relationship with franchisee survival ability?	5) To determine the relationship between market orientation with and franchisee survival ability.	H9: Market orientation has positive correlation with franchisee survival ability	Supported

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Table 5.1 (continued) : Summary of research questions, objectives, hypotheses and results

Research Questions	Research Objectives	Research Hypotheses	Results
6) Does market orientation mediate the relationship between financial resources, human capital, franchisor support and government support with franchisee survival ability?	6) To examine the mediating role of market orientation in the relationship between financial resources, human capital, franchisor support and government support with franchisee survival ability.	H10: Market orientation mediates the relationship between financial resources and franchisee survival ability.	Supported
		H11: Market orientation mediates the relationship between human capital and franchisee survival ability.	Not Supported
		H12: Market orientation mediates the relationship between franchisor support and franchisee survival ability.	Not Supported
		H13: Market orientation mediates the relationship between government support and franchisee survival ability.	Not Supported

5.3 Discussion of the Findings

Malaysia franchise industry is just in its infancy stage of development, especially among the homegrown franchise (MFA, 2024), therefore more research is needed to explore and discover factor that could develop the sector. The study findings fill in the gap in exploring franchisee survival ability as literature of Othman et al (2023) and Bui et al (2021) had shown concern where empirical investigation on franchisee survival condition during the current pandemic crises is still scarce.

Meanwhile, previous franchise survival studies focusing on franchisor perspective, using financial based analysis and mostly focused on long term survivability. There were mixed results on franchise survival ability compared to independent business (Bates et al, 1998). Data had proven that franchisee survival

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were reduced during the current crises (Bui et al, 2021) and in Malaysia, KPDN surveys in year 2020 declared that franchising performance have decline by up to 80 percent due to the pandemic (KPDN, 2020).

During pandemic crises, there were restrictions during MCO1, 2, and 3 where businesses had to temporarily shut down operations, meanwhile franchisees still had to pay employees' wages, rent payment, business new model installation, and other fixed expenditures. Larger size franchisees tend to have better resources, especially financial resources (savings) and other assets to help them during this difficult time. However, most of the small businesses, especially franchisees who had just started their business operation, had nearly decided to close their business as their financial resources were barely enough to fund their business recovery plan and operation. Somehow, the effective franchisor and government financial and non-financial support have assisted the vulnerable franchisee to bounce back, recover, adapt to the crisis's impact, and finally survive the critical time.

Interesting findings also discovered that financial resources, market orientation, franchisor, and government support have a significant impact on FSA; yet, human capital has no significant impact on franchisee business resilience. Meanwhile, for the strategic orientation (MO), the financial resources, human capital, and government support have a significant positive impact on market orientation. However, for mediating impact, only financial resources have a significant impact on franchisee survival through market orientation. These findings are discussed further in the next section.

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5.3.1 The Relationship Between Financial Resources with Market Orientation and Franchisee Survival Ability

Few researchers assessed how access to funds and financing strategies affect the ability of franchisees to implement market orientation during economic uncertainties (Beliaeva et al., 2020; Bokhari et al., 2022). Past studies also focused heavily on the financial impact on short-term performance, but few have assessed the impact of financial resources on franchisees' survivability in the context of the crisis in Malaysia (Assefa, 2021; Abd Ghani et al., 2022). According to this, the first research question (RQ1) is do financial resources have a relationship with market orientation and franchisee survival ability. Therefore, the research objective (RO1) was to determine the relationship between financial resources with market orientation (H1) and franchisee survival ability (H2). The hypotheses and findings for the research question are discussed in the following sections.

5.3.1 (a) The Relationship Between Financial Resources and Market Orientation

The first hypothesis (H1) was that financial resources have a significant positive relationship with market orientation. The current study found that there is a significant positive relationship between financial resources and market orientation. The strategic capability of MO is designed to generate, disseminate, and respond to the current crises via market intelligence, which requires extensive financial investment to apply market research, customer management, internal coordination, and marketing communication. The result further supports the notion that a company's financial resources facilitate the allocation of funds towards market research endeavours, where a greater financial allocation enables

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a more comprehensive and meticulous assessment of consumer behaviour, market developments, competitor assessments, and internal coordination of employees for the marketing plan been done.

The result matches the RBV and earlier literature, which indicates that greater financial resources lead to better implementation of the market orientation strategy, where firms can derive more benefits from these strategies to enhance the firm's performance (Nguyen et al, 2023; Gaur et al., 2011). The franchisee's investment to develop and implement MO activities during the crises enhances their responsiveness capability to thrive through the crises (Jaworski and Kohli, 1993). Consequently, the result has proven that financial resources exert a substantial influence on MO. This finding indicates that even in crisis, franchisees are facing significant financial challenges due to reduced revenue and operational restrictions. However, some internal financial strategies, such as personal savings, family financial assistance, cost sharing from franchisors, and bootstrapping actions, have helped franchisees maintain their financial viability and implement market orientation strategies (market orientation, MO).

Personal savings and family financial assistance act as the main source of support for franchisees who do not have access to external loans. This financial resource has enabled the franchisee to cover basic operating costs such as rent, wages, and stock supplies. In the context of MO, this cash flow allows franchisees to carry out current market research and adapt product offers according to customers, which changed significantly during the pandemic. For example, franchisees in the food industry may be able to use these funds to

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improve delivery services and add menus that are more relevant to demand. Allocation of costs by the franchisor also plays an important role, especially when the franchisor is willing to bear a portion of advertising, training, or marketing materials. With this help, franchisees can focus their finances on other more pressing aspects, such as developing a customer experience that is always with MO. Cost reductions from franchisors also allow franchisees to allocate more funds to activities that improve customer relationships and strengthen the brand. In addition, bootstrapping actions, such as lowering operating costs and optimizing available resources, have helped franchisees survive in difficult economic conditions. For example, franchisees may delay hiring or use existing equipment to minimize costs. This gives the franchise room to invest in marketing aspects that can attract new customers or retain existing customers.

Overall, strategies such as financial resources from personal savings, family support, and cost reduction through franchisors and bootstrapping activity have enabled franchisees to leverage market orientation to improve relationships with stakeholders and implement market orientation activity to sustain business performance in a challenging environment.

5.3.1 (b) The Relationship Between Financial Resources and Franchisee Survival Ability

The second hypothesis (H2) is that financial resources have a significant positive correlation with franchisee survival ability. However, the hypothesis is not supported by the empirical findings. Thus, it is aligned with previous study which indicates that financial resources are the most crucial variables which determine franchise success (Perrigot et al., 2020) and

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availability of financial resources is the major determinant of a business ability to survive during a crisis that enabled business adaptation and transformation (Nabila et al., 2020).

The result is consistent with other studies, which suggest that financial resources have a strong impact on franchisee survival ability (Salunkhe et al, 2023; Islam & Fatema, 2023; Sundarakai & Onyia, 2021). There are several explanations for the result, and one of the reasons is franchisee has good financial management, which includes a savings account to cover the COVID-19 pandemic crisis impact. Franchisees also have access to finance from family, government agencies, and loans. Access to external financial resources (Singh & Pruthi, 2023), whether loans from the government agencies or from social networks (friends of the franchisee, franchisor, family, and friends), which help the franchisee to cover expenses, finance a recovery plan, and survive the crises.

The results also verified that the franchisees had financial capacity, sufficient cash reserves, and a healthy financial structure to remain in the market. Throughout the crises even though there is a significant increase in operational cost due to supply chain disruption, which created difficulty in obtaining raw materials and cost escalation of up to 20 percent (Federation of Malaysia Manufacturers (FMM, 2023).

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5.3.2 The Relationship Between Human Capital with Market Orientation and Franchisee Survival Ability

Although human capital is considered important in the implementation of strategies, there is still a lack of studies that assess how the HC dimension (knowledge, skills, experience) influences the ability of franchisees to build market orientation (Alnoor, 2020). In addition, most studies focus on human capital development in the context of large organizations, but there is a lack of empirical evidence on its impact on the viability of franchisees operating in small and medium-sized companies (Putri et al., 2019; Alnoor, 2020). Thus, the second research question (RQ2) is does human capital has a relationship with market orientation and franchisee survival ability? The research question (RO2) leads to the second objective, which is to determine the relationship between human capital and market orientation and franchisee survival ability. The hypotheses and findings are discussed in following subsection.

5.3.2 (a) The Relationship Between Human Capital and Market Orientation

The third hypothesis (H3) stated that human capital has a significant positive correlation with market orientation. As expected, this study found a significant relationship between human capital on market orientation implementation. The result explained that franchisee have the human capital ability to performed changes in new business model via market orientation strategy.

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The finding is aligned with Tjahjadi et al (2024) and Narver & Slater (1990), who claimed that MO requires not just customer orientation but also human capital to proactively manage processes and changes in implementing MO. In addition, according to Jaworski and Kohli (1993), MO emphasises the necessity of organisational systems and processes; thus, the result confirmed that human capital must be effectively trained and funnelled through supportive structures and cultures to successfully impact MO. Therefore, the study proved the idea of Day (1994), where he suggested that HC effectively impacts MO when employee management is combined with relational capabilities, which requires a combination of human capital and relational capabilities such as technological capabilities, proactive management practices, and customer relationship management systems.

During the crisis, franchisees have shown to have a holistic approach that leverages human capital within supporting structures and strategic frameworks to improve market orientation, especially through customer services. Organizational ability to manage human capital and equip employees with sufficient knowledge, skill, and capability, especially on digitalization and technology adoption, avoiding human resources issues to support the business recovery plan and new business model adaptation, which leads to the successful implementation of MO. During a crisis, the human capital, especially the marketing team, coordinates and works diligently with all departments to execute an effective market orientation strategy.

In the context of the findings, franchisees were among small and medium-sized franchise organizations, and the majority of respondents were

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operating in the food and beverage sector. The implementation of MO requires the full involvement of employees to achieve outcomes, so employees play a critical role as they interact directly with customers, giving them a deep understanding of customer needs and expectations. The franchise front-line employees are a vital source of information that helps the organization understand customer trends and concerns, which in turn allows the franchise to make improvements in service and product support faster and more efficiently.

For SME franchisees, challenges such as limited resources require a more flexible and responsive MO approach. Therefore, employees in smaller franchises typically have broader responsibilities and closer relationships with management, which allows their ideas and suggestions to be heard and implemented more immediately. Through a closer understanding of customers, employees can deliver specific and relevant feedback to franchise owners, which can positively impact customer satisfaction and drive brand loyalty.

As a franchise that has been operating for more than five years, this organization has the opportunity to leverage its experience in the food and beverage sector to refine its MO approach. Experienced employees can identify changes in customer tastes and preferences and adjust menus or services offered according to current market needs. With an organized market orientation culture, SMEs can strengthen relationships with existing customers while at the same time being able to attract new demographics by being responsive to changing customer tastes and expectations.

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Overall, employees are the heart of MO implementation in SME franchises. They are not only the main representative of the company in channeling market information, but also help form a proactive approach that has a positive impact on the organization's resilience in a competitive market.

5.3.2 (b) The Relationship Between Human Capital and Franchisee Survival Ability

The fourth hypothesis (H4) described that human capital has no positive correlation with franchisees' survival ability. Moreover, one unanticipated finding was that the results indicated that HC and FSA do not have any significant relationship.

The result is supported by Zolfagharian et al (2020), who found that franchisee businesses use a low level of employee management approach, such as low investment in training, job work results in lower job performance. Franchise business operations seem to offer better jobs, but with more sophisticated employee management systems than non-franchise businesses. Therefore, according to Kellner (2017), who reported that human resource management in franchise organizations potentially involves overlapping systems that may or may not be aligned, a system with core elements managed by franchisors and one with ongoing elements managed by franchisees' business. Similarly, López-Bayón and López-Fernández (2016) found that franchisee human capital management is usually considered a foreign element by franchisors.

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The inconsistent outcome of the study suggested that the pandemic had a negative impact on human capital performance which resulting in a negative result for employee background and motivation to work performance during Covid crises, is due to the worker inability to adapt to changing environment and overshadowed by digitalization platform (Mgammal et al., 2022). Furthermore, most franchisees lay down worker health procedures enforcement and remote working, which affects employee productivity, particularly in industries where franchisee operations are not feasible online, such as the restaurant industry (Zhang & Acts, 2022).

Siong et al. (2022) argued that franchisees were having issues with human resource management during the crisis. As a result, the periods of MCO1 and MCO2 are a sudden transition in human resource management, bringing extreme difficulties with a lack of digital capacity, adaptability, and employee engagement is extremely restricted (Omar et al, 2020). Moreover, the COVID-19 pandemic has presented obstacles for current staff, particularly those with inadequate digital expertise, who are tasked with ensuring the organization's continuity of operations amidst the crisis. Yet, the limited capacity of employees was able to work during the crisis, which led to an insignificant impact of HC on FSA. In addition, human resource management among franchises in Malaysia is still unproductive, and there is a need to develop a consistent plan of action to effectively train and manage employees throughout the franchise chain (Zolfagharian et al, 2020).

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During the pandemic, businesses in the food and beverage sector are facing significant operational difficulties. One of the main challenges is the limitation of worker movement, as workers are restricted to traveling only within the same district. This makes it difficult to recruit or retain staff, especially in cases where key employees live outside the area of business operations. In addition, the number of workers allowed on site had to be limited, which affected the efficiency of daily operations, making it difficult to meet customer demand. Strict Standard Operating Procedures (SOPs) have been imposed, requiring the premises to be kept clean and the environment always safe for employees and customers.

These additional health protocols increase operating costs and are time-consuming, adding to the stress of managing a business. The fear of infection is constant, leading to discomfort among employees and customers, reducing their willingness to work or eat on the premises. In addition, if an employee or customer is infected, the entire premises will be forced to close for 14 days, with all employees having to be quarantined. This not only halts business operations but also leads to significant financial losses, making it difficult for food and beverage businesses to maintain profitability and continue operating in such an uncertain environment. Lastly, human capital in Tjahjadi et al (2023) has been claimed to have an indirect effect on business survival.

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5.3.3 The Relationship Franchisor Support has a Relationship with Market Orientation and Franchisee Survival Ability

Research on franchisors focuses more on control and structural relationships as compared to how franchisor assistance affects franchisees' ability to adjust their market strategies (Hoe, 2003; Abd Aziz et al., 2022). Despite the importance of franchisor assistance, previous research has not evaluated the precise aspects of support for franchisee resilience, particularly in times of public health emergencies (Abdullah et al., 2008; Lee & Choi, 2023). Therefore, the third research question (RQ3) is does franchisor support has a relationship with market orientation and franchisee survival ability? Thus, the third objective (RO3) aims to determine the relationship between franchisor support with market orientation and franchisee survival ability. The hypotheses and findings for the research question are discussed in the following sections.

5.3.3 (a) Franchisor Support has a Positive Relationship with Market Orientation.

Hypothesis five (H5) describes the positive relationship between franchisor support and market orientation. The evidence of this study suggests that franchisor support has no significant relationship with market orientation. Thus, the outcome is opposed to the notion that franchisor support is of paramount importance in fostering market orientation strategy among franchisees, as franchisor furnishes them with essential resources, direction, and incentives to comprehend market trends, marketing support, and consumer demands.

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According to Abd Ghani et al (2022), franchising strategy failure happens when both franchisor and franchisee create tension and conflicts in the franchising relationship. During the pandemic crisis, MO demands commitment from both franchisor and franchisee to recognise and respond to consumers' needs, competitive actions, and broader market trends. Both franchisor and franchisee were having difficulties navigating business during the high uncertainty. Yet, MO is a marketing tool whose decision depends on the franchisor's know-how capability. This is because, in franchising, market research or marketing tools were undertaken by franchisors as an obligation to franchisees, where the franchisor analysed the competitive landscape, consumer preferences, and market trends in order to provide franchisees with valuable information and operational guidance.

The findings are parallel to Wyk et al. (2009), where ineffective communication leads to the failure of business planning. MO's successful implementation is a collaborative strategy; thus, the crisis, which creates stress among both parties, will surely promote failure in implementing MO effectively. The outcomes show that the provision of franchisor market research, training, and direction was not well-informed and not properly customized offerings to franchisees to cater to the specific demands of the market during the crisis (Lee & Choi, 2023).

This inadequate support may include a lack of provision of relevant marketing tools or facilities to adapt products and services to changing local customer needs. For example, in turbulent market conditions, such as an

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economic crisis or changing customer tastes, franchisees need guidance and appropriate marketing assistance to adapt their offerings quickly. However, if the franchisor does not provide flexible and market-oriented support, franchisees may not be able to respond efficiently, making their MO implementation less effective.

As a result, the relationship between franchisor support and MO becomes insignificant because franchisees do not gain enough benefits to improve their market capabilities. This situation creates the need for franchisors to provide more comprehensive marketing tools, flexibility in products, as well as training on the MO approach. If the franchisor can improve this support, it can strengthen the franchisee's ability to adapt their MO, thereby building a more significant relationship in promoting better franchise performance and winning customer loyalty.

5.3.3 (b) Franchisor Support has a Positive Relationship with Franchisee Survival Ability

Hypothesis six (H6) was developed to answer whether franchisor support has a positive relationship with franchisees' survival ability. The results reveal a significant positive relationship between FS and FSA.

The result is similar to Lee & Choi (2023), Gillis et al. (2020), and Bui et al. (2022), where franchisor support, such as training, operational procedure, marketing, and financial support, has given a positive impact on franchisee survival ability during the pandemic crisis. The finding confirmed that to business relationship or strategic alliance in franchising helps to sustain the

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franchisee business and retain the franchising system (Xue & Li, 2023). The interconnected survival and performance of franchisor and franchisee have ensured that franchisors give financial and non-financial support to avoid franchisee failure or intention to exit the franchising business, which eventually affects the franchising system as a whole.

The research has shown that operationalization support provided by franchisors, including communication, service support, financial arrangements, assurance, and competence, had a positive impact on the ability of franchisees to survive the pandemic. During the pandemic, engagement and communication facilitate franchisee resolution of operational issues as well as their collective decision-making and survival strategies. Furthermore, the franchisor provides a range of value-added activities, marketing strategies, and business model modifications throughout the COVID-19 pandemic to ensure that franchisees generate positive revenue.

Furthermore, franchisors have taken into account various financial considerations, including reducing or postponing royalty payments, raw material expenses, and other expenditures, to minimise the financial burden on franchisees. Meanwhile, during the crisis, businesses were having supply chain problems; therefore, franchisor support provided guidance with the change in distribution channels to contactless delivery to support franchisee operations. Besides that, the franchisor also provides guidance with employee issues, product offering, and social support, such as motivational support to help franchisees tolerate the crisis's impact and resilience.

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Franchisor assistance has a significant relationship with franchisee survival because the type of assistance usually provided by franchisors is more closely related to the basic aspects of franchisee operation survival than adaptation to the market. From a survival perspective, franchisor assistance is more about financial support, basic training, and operational support are critical to sustainable operation. This assistance supports franchisees in dealing with operating costs, building basic management skills, and providing stable operating standards. Such support helps franchisees maintain operations in challenging situations, ensuring business continuity even though they may lack flexibility in implementing MO strategies.

In summary, although the franchisor's assistance has a great impact on the franchisee's survival by providing a base and operational stability, it is not significant to the market orientation due to the lack of flexibility and adaptation in the marketing strategy required by the franchisee to meet the needs of the local market more responsively. As a result, franchisees should portray a good relationship with the franchisor at all times, as their assistance and support are needed to overcome obstacles and achieve long-term success. Hence, franchisors should prioritise the establishment and constant enhancement of support programmes to maintain franchisees' long-term survival and success.

5.3.4 The Relationship Between Government Support with Market Orientation and Franchisee Survival Ability

There are still few studies on how government assistance affects market orientation, especially when it comes to post-pandemic franchising and in

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Malaysia, there are limited number of empirical studies that examine directly how different types of government assistance, both financial and non-financial, affect franchisee survival (Adam & Alarifi, 2021; Yang & Yu, 2022). As a consequence, the fourth research question four (RQ4) is does government support has a relationship with market orientation and franchisee survival ability? The objective (RO4) was to determine the relationship between government support and market orientation and franchisee survival ability, leading to hypothesis seven (H7) and eight (H8).

5.3.4 (a) The Relationship Between Government Support with Market Orientation

Hypothesis seven (H7) explains that government support has a positive correlation with market orientation, yet statistically insignificant. The hypothesis was not supported by the findings, indicating that government support plays a critical role in shaping a firm's survival strategy. Market challenge from economic crisis compels franchisees' business to adopt a strategic orientation (MO) to maintain and increase the ability to continue and steadily grow.

The finding that government support has a negative and insignificant relationship with market orientation contradicts the assumption that external support naturally enhances strategic decisions, such as customer focus (MO) made by franchisees through competitor and consumer awareness and inter-functional coordination in human resource management. This result can be explained by several theoretical and practical considerations, especially in the context of a crisis such as the COVID-19 pandemic. First, government support during a crisis tends to focus on business survival, not strategic development such as MO

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implementation. Government support includes providing financial subsidies, moratoriums, or wage subsidies, which can ease operational burdens but do not necessarily encourage proactive behaviours such as market sensing or customer response (Eggers, 2020).

Excessive reliance on external support can also reduce the firm's urgency to innovate or adapt to market needs, leading to a weakening of the ability to drive strategic market behavior (Tan et al., 2009). The administrative nature of government programs during a pandemic may reduce their strategic impact on business strategy. Many SMEs and franchisees report challenges in accessing timely, relevant support and a lack of clear information about the assistance to be provided (Zamani et al., 2024). Complex application procedures, lack of clarity, and delays in disbursement of funds can lead to frustration and loss of engagement by SMEs (Amankwah-Amoah et al., 2021). As a result, rather than enabling strategic reorientation, government support may be seen as not influencing the strategic implementation goals of meeting customer needs and market competitiveness.

Furthermore, MO is a capability that is nurtured internally by businesses, rooted in leadership commitment, employee empowerment, and a culture of continuous learning within the organization (Narver & Slater, 1990). So, since government support is external, it often does not have the direct influence needed to shift internal processes, values, and culture towards a market orientation. Without integration into internal strategy or culture, support remains transactional and fails to promote long-term strategic behavior, thus causing GS to not influence MO.

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In addition, there may be a mismatch between the type of support provided by the government and what the franchisee business needs to foster a market orientation, such as support or an emphasis on compliance or operational sustainability rather than innovation or customer value creation (Chowdhury et al., 2019). Franchisees may also not view government support as credible, sufficient, or aligned with their strategic goals. In Malaysia and similar developing countries, past research has shown that government programs are sometimes perceived as politicized, unevenly distributed, or geared towards short-term optics rather than long-term capacity building (Zainal Abidin et al., 2024). This perception may explain not only the lack of impact on market orientation but also the slightly negative direction of the relationship.

5.3.4 (b) The Relationship Between Government Support with Franchisee Survival Ability

Hypothesis eight (H8), government support has a significant positive correlation with franchisee survival ability. The result has confirmed that government assistance is effective in helping franchisee business continuity during the crisis. The current finding is similar to several such as Kurniawan et al. (2023), Islam & Fatema (2023), and Najib et al. (2021), where government support, financial, and non-financial are essential to sustain a business during crises.

However, when compared to non-financial assistance, Yang & Yu (2022) demonstrated that government financial support has a significant impact on organisational survival. Government financial support, such as grants, loans, and

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funds, financial incentives, regulatory relief, monetary policy, and cost reduction, assists businesses in increasing their financial capability to sustain operations during a crisis (Ayub et al., 2022). The business survival study during the pandemic in Malaysia also found that government support has a significant positive relationship with business resilience.

According to the Yaacob & Mat Radzi (2022) study, government assistance meets the important criteria and business continuity during the pandemic crisis, which are financial assistance, business digitalization, market access, and ecosystem support. The government was trying to empower digitalization and online transactions via fintech among businesses, which is the lifeblood of business survival, especially during the MCO movement restriction enforcement. As such, the government has provided the best online platform to make it easier for traders to conduct online business. However, the ability to adapt and respond depends on the organization itself.

The finding explains that government assistance, both financial and non-financial, plays a critical role in helping franchise firms overcome pandemic risks and survive the crisis. From a financial point of view, grants, subsidies, and tax breaks ease the burden of franchisees' operating costs, allowing them to adapt their business and manage financial risks better. This assistance also enables franchisees to invest in new technologies or operating methods that are better suited to pandemic conditions, such as online delivery systems or service automation support, which were implemented during the crisis.

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In terms of non-financial assistance, training provided by the government increases know-how in managing crisis operations and risks. This training program provides franchisees with essential knowledge on crisis management and adaptation of business strategies to increase resilience. In addition, the government provides up-to-date information related to the development of the pandemic, market trends, and changes in consumer behavior, helping franchisees make decisions based on current data, which also helps them to react and adapt to SOP implementation.

Economic regulations and policies, including temporary regulatory relief or fee waivers, give franchisees the flexibility they need to weather challenging times such as crises. This initiative plays an important role in fostering franchise survival, in line with research findings that show the positive impact of government assistance on business continuity during a crisis. Current research reveals that Malaysian franchisees exhibit strong capabilities in knowledge and adaptability, effectively leveraging government support in various forms, such as technical, regulatory, and financial.

This adaptability has proven essential to make businesses continue their operational function and adopt digitization to survive the crisis. Through digital transformation, franchisees have maintained a competitive edge, responding more efficiently to consumer needs and adapting their service offerings to the new norms introduced by the crisis. Such strategic adjustments, made possible by targeted government assistance, have enabled Malaysian franchisees to maintain performance levels despite operational disruptions caused by the pandemic.

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As a result, this resilience has ensured that franchisees not only survive the ongoing crisis but continue to operate sustainably. The study underlines that government assistance plays an important role in enabling franchisees to adapt effectively, highlighting the important role that support policies and financial assistance play in safeguarding business continuity in turbulent times.

5.3.5 The Relationship Between Market Orientation and Franchisee Survival Ability

Although market orientation is associated with performance, studies related to its impact on franchisees' viability during a crisis are still limited (Slater & Narver, 1993; Tjahjadi et al., 2024). Thus, the fifth research question (RQ5) is does market orientation has a relationship with franchisee survival ability? Thus, the fifth objective (RO5) was to examine the relationship between market orientation (MO) and franchisee survival (H9). Findings reported a significant positive relationship between MO and FSA. The result resonates with the study of Bokkhari et al (2022) and Beliaeva et al. (2020), who reported that organisations with MO result in higher survival ability. The result proves that MO is a strategic orientation to sustain business in times of crisis, which was aligned with Marei et al. (2024). Moreover, the result suggested that MO as marketing capabilities facilitates franchisee business towards recovery and increases performance during crises (Bui et al, 2021)

According to Naido (2010), Frösén et al. (2016), and Lee et al. (2015), market orientation (MO) plays an important role in ensuring customer satisfaction, improving business performance, and protecting organizations from market uncertainty. MO helps organizations understand customer needs and respond to

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market changes, which is essential to survive in crises. Studies show that marketing concepts related to MO have evolved by involving stakeholders to create value and strengthen organizational resilience. For franchisees, the focus on MO should not be just on customers. They need to develop a competitor orientation to understand market advantages, align internal functions to improve interdepartmental collaboration, and maintain responsiveness in the franchise system. These measures help franchisees adapt to market changes and remain competitive. With this approach, franchisees can generate stronger business viability, ensuring they are able to survive and grow in a challenging environment.

MO as a new business model modification to attract customer purchasing behaviour, leading to positive revenue for the business to survive the crisis. The evidence explains franchisees' continuity ability depends on the organization's coping strategies, where the integrated marketing strategy (MO) has led to better business resilience. MO, as an integrated marketing strategy, emphasizes a deep understanding of customer and competitor needs, allowing franchisees to effectively tailor their business offerings and services. Market Orientation (MO) is part of organizational capabilities (Adhikari & Gill, 2012); thus, the result has shown that franchisees has the ability to implement this strategy is the main factor that ensures their survival.

Franchisees usually have certain advantages, such as a deep understanding of the local market and close relationships with customers. By using MO, they can identify changes in customer demand and adapt the business more quickly and effectively than competitors. MO also enables franchisees to streamline internal functions and optimize existing resources, maximizing operational efficiency in

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challenging situations. MO is likely to be demonstrated through an organization's strategic actions, so it is necessary to determine the extent to which these actions are accountable in interpreting MO to improve organisational superior performance. Therefore, past studies have proven that MO is one of the survival strategies for a business to compete in a highly competitive market, such as Tjahjadi et al (2024), Bokhari et al (2022), and Cho & Lee (2020).

Therefore, a significant market orientation not only helps franchisees retain customers but also strengthens their resilience to market uncertainty. In a crisis, this MO approach ensures that franchisees are able to meet changing market demands, making this strategy an important factor influencing franchisee survival. The ability to adapt the MO consistently improves the franchisee's ability to survive and grow in volatile market conditions.

5.3.6 The Mediation of Market Orientation in the Relationship Between Financial Resources, Human Capital, and Franchisor Support with Franchisee Survival Ability

In market orientation studies, there are not many studies that examine the role of MO as an intermediary in the relationship between financial resources, human capital, and survival, especially in the context of franchising and the global economic crisis (Bokhari et al., 2022; Beliaeva et al., 2020). Additionally, previous studies also did not assess how franchisor support can drive market orientation, which in turn contributes to franchisee survival (Lee & Choi, 2023). In addition, there is also a lack of comprehensive studies examining the role of market-oriented mediation, that is focussed on the relationship between

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government support and business continuity in franchisee businesses. The sixth research question (RQ6) is does market orientation mediates the relationship between financial resources, human capital, franchisor, and government support with franchisee survival ability. It has led to objective six (RO6), which was to examine the mediating role of market orientation in the relationship between financial resources, human capital, franchisor, and government support with franchisee survival ability.

The hypothesis developed to test the mediating relationship are (a) H10: Market orientation mediates the relationship between financial resources and franchisee survival ability, (b) H11: Market orientation mediates the relationship between human capital and franchisee survival ability, (c) H12: Market orientation mediates the relationship between franchisor support and franchisee survival ability which would be discussed further in the following section and (d) H13: Market orientation mediates the relationship between government support and franchisee survival ability which would be discussed further in the following section.

5.3.6 (a) The Mediation of Market Orientation in the Relationship Between Financial Resources and Franchisee Survival Ability

In this study, the tenth hypothesis (H10) illustrates that market orientation has a significant mediating impact in the relationship between financial resources and franchisee survival ability. The investigation of MO as a mediator has supported the idea that financial resources through market orientation have a significant impact on organizational resilience. Interestingly,

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financial resources were partially mediated by MO, and the relationship between FR and FSA was reduced.

The implication of the finding has proven that marketing strategy impacts business survival (López-Cabarcos et al., 2015), while Day (1994) highlighted that market orientation requires a combination of financial resources. The finding is supported by Cho & Lee (2020), who highlighted the mediating role of market orientation in turning financial resources into business success. Financial resources availability creates a setting where relationships and efficiency of MO and performance may develop (Helfert et al., 2002). In the meantime, financial resources have a positive contribution to managerial capability in order to sustain an organization in the long term (Portillo-Tarragona et al., 2018).

Therefore, MO is a possible mediator between financial resources and organizational performance (Lekmat et al. 2018; Zainal et al. 2018). The findings further supported the suggestion of Bui et al. (2021), where MO is a possible mediator between a franchisee's resources and performance in a crisis context. Financial resources were significant to mitigate the survival strategy (Obrenovic et al., 2020), which was MO to enable franchisees to survive the current economic crisis. The mediation effect suggests that financial resources alone ensure survival but insufficient impact; rather, it is the market-oriented deployment of these resources that drives more resilience capability and long-term success. Hence, franchisees and franchisors should focus on fostering market orientation to maximize the impact of financial resources on survival ability.

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Looking at the role of MO as a mediator, through market orientation, financial resources are found to be more effective in influencing franchisee survival than the direct relationship between financial resources and survival. For franchisees, especially among small and medium enterprises (SMEs) in the food and beverage sector operating in urban areas, MO is an important strategy in using financial resources efficiently to meet the ever-changing needs of urban customers. Franchisees who practice MO use financial resources to improve customer experience and tailor product offerings to local tastes. In a competitive urban environment, the ability to understand customers and respond quickly to their needs becomes a key factor in retaining customers and achieving competitiveness.

Therefore, franchisees who combine MO with the financial resources they have, such as savings and financial investments, can adapt marketing strategies, improve operations, and diversify products more accurately and relevantly according to customer needs during a crisis to increase revenue. In addition, for SMEs in the food and beverage sector, especially, the financial resources channelled through the MO strategy allow them to improve internal coordination through the value proposition they offer, and provide consistent brand and quality services to gain customer loyalty. Especially in an uncertain market during the global crisis, this study found that investments made in MO reduce the risk of wasting resources and help franchisees use capital strategically to meet customer demand during this crisis more efficiently.

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Overall, through MO, financial resources are used in a more targeted way to support business adaptation to the market, making it more effective in influencing the franchisee's survival, rather than relying solely on financial strength without a clear market strategy.

5.3.6 (b) The Mediation of Market Orientation in the Relationship Between Human Capital and Franchisee Survival Ability

The eleventh hypothesis (H11) is designed to investigate the mediating role of market orientation in the relationship between human capital and franchisee survival ability. According to the literature, employee involvement, including strategy skills, setting, planning, and execution, thus human capital, positively impacts MO strategy implementation. Nevertheless, the result has been unable to demonstrate a significant mediating impact of MO on the relationship between HC and FSA.

Human capital is the major component in strategy implementation and in obtaining business survival outcomes. However, the findings have shown a contradiction in human capital impacts on FSA. As a result, the mediating impact of MO between HC and FSA has led to an insignificant result. Lack of training and low productivity human capital during the crises (Madsidik et al, 2020) through the execution of the marketing concept of MO to respond to consumers' and competitors' actions on behalf of the organization has not resulted in a resilient outcome. Therefore, employees should be equipped with knowledge and skills to impact FSA via the MO application. Lack of learning

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ability, knowledge, and unskilled labour is believed to have an adverse effect on strategy implementation.

To achieve business resilience through the employment of a certain strategy, employees' ability to understand, react, and perform the strategy, which results in higher performance (Morgan & Strong, 1998). Yet, the research findings do not support previous research where MO mediates the effect of human capital on business performance (Tjahjadi et al., 2020). A possible explanation of this result could be due to HC, which has a limited effect on FSA; therefore, MO surely has no mediating impact on the relationship between HC and FSA.

These non-significant results indicate that although HC is important, without the right environment or tools to channel HC into market-oriented actions, it may not directly contribute to franchise business survival. It was found that, although human capital, such as employee skills and expertise, is important for operational efficiency, it may not directly translate to MO if the franchisee does not have specific marketing-oriented skills or tools to adapt knowledge and skills to market demand. HC without targeted training in MO may fail to produce measurable effects on FSA. MO, in an intermediary role, focuses on understanding and responding to market conditions, which requires franchisees to invest in data and systems for market analysis, customer needs, and competitive response.

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In addition, if franchisees are limited in resources, they may not have sufficient systems to effectively leverage human capital through MO, which will lead to a weaker mediation effect of MO. Considering that most of the respondents are formats that require standardization, namely franchises mainly in the food and beverage sector, franchisees may have limited autonomy, less flexibility to take action in adapting to market conditions based on HC alone. This may reduce the importance of MO mediation, as franchisees may not be able to leverage HC in a way that allows them to respond independently to customer preferences.

As discussed in the previous subsection, due to the lack of employee capability, especially the skills needed during the pandemic, such as digital skills, has led to the absence of leveraging technology in the organization to manage the crisis's impact (Ahmed et al, 2020). Despite that, perceived productivity issues due to lockdown policy (Rahman & Arif, 2021) and a lack of engagement practices due to remote working during the pandemic crisis (Chanana et al., 2021).

5.3.6 (c) The Mediation of Market Orientation in the Relationship Between Franchisor Support and Franchisee Survival Ability

Hypothesis twelve (H12) investigates the mediating role of market orientation in the relationship between franchisor support and franchisee survival ability. Contrary to expectation, this study did not find any significant mediating effect of MO on FS and FSA. The result was inconsistent with previous research, which described franchisor support for

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franchisees through market orientation elements such as branding, marketing, and managerial assistance (aligning with customer needs and competitor action) to run the franchisee business operation and thrive in the crisis impact (Bui et al., 2021).

The findings indicated that franchisor support has a direct or immediate impact on franchisee resilience but not on market orientation implementation. The study of Lafontaine & Shaw (1999) described that franchisor support has an immediate impact on franchisees' success. The study's findings demonstrated that market orientation does not significantly moderate the relationship between franchisor support and franchisee survival ability. This shows that franchisor support has a significant direct impact on survival ability, and that strengthening market orientation alone is unlikely to explain this relationship.

Although previous studies suggest that franchisor support promotes MO by offering branding, marketing, and management assistance to align franchisees with customer needs and competitor dynamics, these elements may not fully address the unique challenges faced by franchisees in crisis. Franchisor Support often provides a standardized approach to MO elements, which may lack the flexibility needed to dynamically respond to local market demands and crises. In high-pressure situations, franchisees may need more autonomy to adapt MO strategies to the local context, and franchisor support can sometimes limit this adaptability due to rigid guidelines and standardized practices.

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Based on this study, it was found that franchisor support may be more effective in affecting the survival of franchisees directly, without having to rely on MO as an intermediary. This can happen if the immediate impact of the franchisor's support during the crisis, such as financial assistance, temporary fee waivers, and direct operational guidance. This more direct form of support has a more immediate and significant impact on survival than the long-term strategic orientation that MO represents. During a crisis, franchisees may prioritize survival tactics that address short-term operational challenges rather than long-term market orientation, reducing the relevance of MO in the short term.

In addition, among the critical factors is the availability of resources and the strategic focus of the franchisee itself. If the franchisee lacks the capacity or resources to effectively implement the MO, even with the franchisor's support, the MO may not significantly affect survival. This is in line with findings showing that for MO to mediate effectively, franchisees need a certain degree of operational autonomy, local market knowledge and the capacity for rapid adaptation and resources that may be constrained in smaller or less savvy franchise businesses, especially in highly standardized and complicated sectors such as food and drink.

Overall, these insights suggest that while MO is valuable, the type and delivery of franchisor support and the level of franchisee resources may determine the extent to which MO contributes to survival, highlighting the importance of context-specific support that can be adapted during crises. Therefore, franchisors should focus on providing full direct support to

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franchisees, while acknowledging that market orientation may serve as a complement rather than a mediating role. Governing and tailoring support programs to franchisees' individual needs and regularly adapting such initiatives can significantly improve franchisee survival ability during a crisis.

5.3.6 (d) The Mediation of Market Orientation in the Relationship Between Government Support and Franchisee Survival Ability

Hypothesis 13 observes that market orientation explains the relationship between government support and franchisee survival ability; interestingly, the finding rejected the mediation relationship. However, the result indicates that MO does not have a mediating effect between GS and FSA.

The findings of the current study do not support the previous research where government support stimulates business survival through the enhancement of business capabilities such as strategy implementation (Nyamwanza & Mavhiki, 2014) and enabling them to better navigate challenges with strategies, which finally leads to survival outcomes (Najib et al, 2021). Therefore, the result contradicts previous research where business could improve their operational efficiency and market responsiveness by leveraging government aid in a market-oriented manner, making them better positioned to survive and thrive during times of crisis. A possible explanation for these results may be the lack of adequate marketing tools from the franchisor and flexibility as a franchisee (Abd Ghani et al, 2022).

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Research also shows that high uncertainty and extreme market turbulence lead to an insignificant impact of government intervention on strategy towards business performance (Dayan et al, 2023). In the context of the franchise sector in Malaysia during the pandemic crisis, we need to assess the extent to which these elements can influence the effectiveness of government support for business continuity. In theory, market orientation (MO) where the ability of businesses to understand, meet, and respond to changes in market needs. It is often considered a catalyst that can increase the effectiveness of external assistance, such as government support. However, the findings of the current study show that, in the franchise sector in Malaysia, MO does not necessarily improve the effectiveness of government support to ensure the survival of this business.

The possible explanation for this is that the franchise sector's operations are often constrained by strict franchise manuals, structures, and standards, which limit franchisees' ability to be fully market-oriented. Although these businesses strive to understand the market, their response is limited by a commitment to maintaining the image of the parent brand and adherence to established strategies and standardized products. This leaves franchisees less flexible to adapt their products or services to meet changes in consumer demand that occur suddenly during a crisis. In addition, even if government support, such as financial incentives and operational assistance, is provided, without the ability to adjust strategies based on market needs, this assistance may be less effective. MO as an intermediary should work to bridge government support with market needs, but in the context of franchising, limitations from the main brand may cause MO's efforts not to lead to a

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significant increase in franchise business survival. Reliance on inflexible parent strategies prevents them from leveraging government assistance in a more targeted way to current markets.

Moreover, government assistance that is not specific to the franchise sector may also contribute to the inefficiency in helping these businesses weather the crisis. In Malaysia, franchise businesses face greater financial pressure due to royalties, training, and brand compliance costs, which may not be addressed with direct government assistance. Therefore, the results of this study highlight the need for more tailored government support to help franchise businesses survive and thrive. More targeted support, such as subsidies for royalty costs or digital training to accelerate digital transformation, may be more effective in helping franchisees cope with changes in demand and restrictions that occur during the pandemic crisis.

In conclusion, in the franchise sector in Malaysia, especially during the crisis, MO failed to play an effective role as an intermediary that increases the effectiveness of government support. This indicates the need for more flexible government support and a more open franchise strategy to enable appropriate adaptation to changing market dynamics.

5.4 Contribution of the Study

The study contributes to two different impacts to the body of knowledge (theoretical) and the industrial field (practice), which will be explained in the next subsection.

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5.4.1 Theoretical Implications

The main significance of the study lies in filling the gaps in the lack of research on the franchisee resilience perspective in the global crisis context. The study contributes to franchisee survival perspective knowledge by examining the strategic resources and external support that generate sustainable business operations among franchisees through market orientation strategy in an uncertain economic climate, in Malaysia.

The concept of franchisee survival is flourishingly discussed via intention to remain in the franchising business and business success; however, this present study has developed and validated a hybrid franchisee survival ability scale, combining both monetary and non-monetary measurements, that caters to the franchisee business resilience context during uncertainty. Moreover, until recently, the empirical test on factors affecting franchisee survival in a global crisis is still limited; therefore, the present study empirically examined the significant relationship between financial resources, human capital, franchisor support, government support, and market orientation as mediator and franchisee survival ability during the current global economic shock.

Secondly, to the researcher's best knowledge, the study is one of the first studies to develop and test an integrated model that examines franchisee survivability in a global crisis. As suggested by Comb (2011), the franchising phenomenon should be explained by more than one theory; thus, this study is among the first to integrate three theories of Resource Scarcity Resources (RST), Resource-Based View (RBV) and Agency Theory (AT) which provides

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comprehensive framework for understanding the phenomenon. Each of the theories has a unique perspective and offers different insights that suit the subject matter and establish the dependent, independent, and mediating variables of the study.

Resource Scarcity Theory (RST) is the underpinning theory that defines the limitations and constraints faced by franchisees due to scarce resources and how they manage the resources to cope with the limitations (Kosová & Lafontaine, 2010). RST describes that the franchisee operates with exhaustible resources, by focusing on franchising and financial capacity as the method of survival. In a crisis, RST explains that businesses face difficulties in expanding due to financial and human capital constrain. Thus, RST suggests that in a situation of limited resources, organizations need to increase their strategic management capabilities to remain viable and competitive. Furthermore, the RBV states that strategic capabilities (MO) cannot exist without support from internal organizational resources. RBV views resources such as finance as the foundation for capability development and implementation. In this study, findings show that internal resources (financial resources and human capital) enable franchisees to effectively build and implement MO strategies, thus supporting the RBV premise that internal resources and capabilities are interrelated in improving organizational survival and performance.

The findings of this study support RST by showing that franchisees who have access to financial resources and employees can stabilize their operations, pay fixed costs such as rent, salaries, and supplies, and make adjustments to their operating strategies to cope with market uncertainties. Meanwhile, according to the RBV, financial resources are categorized as valuable, rare, hard to imitate, and non-replaceable assets. Therefore, it becomes a strategic advantage that allows the

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organization to build internal capabilities to respond effectively to external challenges. In this context, financial resources and human capital not only help franchisees to survive but also support the development of management and marketing capabilities necessary for long-term survival. Thus, the finding indicates that franchise financial resources and human capital have a positive and significant impact on market orientation (MO).

From the franchisee standpoint, franchisor support is part of the business format that has a significant impact on franchisee survival (Kremez et al., 2022). Thus, franchisees are able to navigate resource constraints during a crisis, by leveraging not just internal resources but also business support to survive the crisis. Franchisor governance and support mechanism of franchisors is explained through the concept of business-to-business relationship or the duty of good faith in franchising relationships, which is better explained by Agency Theory (AT) (Madanoglu & Castrogiovanni, 2018). According to the findings, franchisor support has a significant impact on FSA, showing that, in theory, support from the franchisor, including training, operational guidance, and marketing assistance, helps franchisees implement internal strategies.

However, franchisor support did not have a significant impact on franchisee internal strategy implementation (MO). Therefore, based on the Agency Theory framework, the absence of a significant relationship between franchisor support and franchisee internal strategies can be explained by the franchisee's autonomy in making internal decisions. This finding also shows that in a crisis, reliance on the franchisor alone is not enough; on the contrary, franchisees need to have high

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internal capabilities and flexibility to implement strategies that are appropriate to the current market environment.

Yet, a lack of resources to bounce back during the crises created a need for external support. However, RST has not acknowledged the importance of acquiring external support to gain business resilience. According to Ye et al. (2022) and Najib et al. (2021), government support increases business resources and impacts business continuity; thus, government support is included in the study to develop a dynamic model and broaden the understanding of franchisees' survivability. Since RST does not explicitly define external resources, this study extends RST as external strategic resources as institutional support (Chikweche & Fletcher, 2012), in influencing strategy implementation (MO) and business resilience (FSA) during global crises. However, the findings of the study found that GS only significantly affected FSA and did not affect strategy or capability (MO).

Next, this study also makes important contribution on the mediating impact of market orientation (MO) a significance of business strategy that successfully adjusts internal resources with market conditions to survive a hazard impact as RBV is criticised for failing to explain how resources are obtained, generated and employed, and its failure to include the changing market conditions (Miles, 2012). Thus, the study fills in the gap by employing MO as a mediator to assemble and manage bundles of tangible and intangible resources and integrates market conditions to gain superior outcomes.

In this study, the findings correspond to the previously explored outcomes with logical theoretical perspectives from a Resource Scarcity Theory (RST),

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Resource-Based View (RBV) and Agency Theory (AT) perspectives where the findings had proven that these theories expound the challengers and limitations of the business operation during crises can be solved addressed by aligning strategic resources such as human capital, financial resources, franchisor and government support, and market orientation capability approach. The study has contributed to the market orientation framework and franchise literature to test Mo as mediating in franchisee survivability in a crisis context, which employs external resources such as franchisor and government support.

5.4.2 Practical Implications

This research has several practical applications. Firstly, it is carried out to assess franchisee survivability. The result has shown that franchisor and government support are the two most important resources that contributed to franchisee resilience during the recent crises. In addition, market orientation has a significant moderating impact that fully links financial resources and franchisee resilience. According to the results of this research, franchisee strategic planning practices that seek to maintain business operations during times of crises should augment both internal resources, external support, and capabilities in order to strengthen the resilience of the business. The finding makes a practical contribution to franchisee owners, managers, and franchisors in the form of strategic decisions, allowing businesses to simulate various crisis scenarios and prepare appropriate responses in the event of a future economic or financial crisis.

The study provided empirical evidence of strategic resources and capabilities, especially financial resources, franchisor support, government

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assistance, and market orientation strategy that should be executed to adapt, recover, and thrive in crises where financial resources, franchisor support, government assistance, and market orientation have a significant relationship with franchisee survival. The current study also contributes additional evidence that suggests market orientation as a mediator variable, where all the resources except franchisor support have a positive and significant impact on market orientation implementation. Meanwhile, market orientation has a significant mediating impact only on the relationship between financial resources and franchisee survival capabilities.

The implications of the findings are significant in terms of sustaining and developing internal resources such as financial resources and human capital to gain more effective strategy and outcomes in the future catastrophic event. Franchisees should portray entrepreneurial resilience skill and viable financial management to maintain monetary stability such as adequate personal or business saving, effective cash flow management, financial knowledge/literacy, strategic capital investment, consolidate debt and others. In addition, it is an advantage for franchisees who take care of business and social networks where, when the crisis and normal business operations cannot be carried out as usual, it is now easy for franchisees to seek help from family members, friends and other stakeholders. In addition, the franchisee's wisdom in using financial bootstrapping methods can save costs and reduce financial risks during a crisis.

Meanwhile, the research found that there are issues that hinder employee productivity during crises. Therefore, franchise players should re-evaluate employee training programs to equip employees with digital skills to help them

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adapt to the new business model, manage disruptions, thus maintaining productivity. Despite that, the study shows that franchisee and franchisor should identify ways to support employees during future crises, such as through mental health resources, flexible work arrangements, and effective communication. Human resource investment through effective training and development should help employees deliver the best talent and potential to achieve the organizational goals. Despite that, employee recruitment method should be improved to avoid skills and talent mismatch to improve human capital impact on franchisee long-term performance.

The result also demonstrates that in times of crises, being market-oriented which utilised market knowledge of customers and competitors to coordinate internal resources and create responsiveness that enables the franchisee to maintain business operations and withstand the effects of the crises. Therefore, MO has become a survival strategy which coordinates franchisee resources and improving operational continuity. To ensure business continuity during a crisis, the MO approach can be strategically used by both franchisees and franchisors. Through market orientation, franchisees can tailor the services offered according to current needs such as providing effective packages, pre-order systems and convenient delivery services, while franchisors can support with training, market-oriented value proposition and marketing materials that are appropriate to the crisis situation.

Furthermore, the coordination of internal functions allows franchisees to optimize operations with flexible staff management and reduce fixed costs, while franchisors can play a crucial role by providing centralized communication,

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coordinating operational support, and providing assistance to franchisees. Based on FSA measurement, franchisors need to provide certain indicators in identifying the franchisees' survival levels so that significant support can be provided to franchisees in need. A strategic crisis support strategy should be designed that includes financial issues, human resource management, market-oriented strategy, and continuous assistance to franchisees.

From the aspect of human capital management, regular training in adapting to crises should be provided to franchisees and their staff, which includes leadership skills, stress management, as well as digital technology adaptation. From a strategic standpoint, franchisors should build a flexible contingency plan, including an alternative business model or activable hybrid operations that can be implemented immediately in the event of market disruption. Additionally, franchisors are also advised to develop robust support systems such as franchisee support centres, fast communication channels through smart applications, and ongoing coaching programs that are accessible during a crisis. This whole initiative not only increases the resilience of the franchise network but also strengthens the long-term relationship between franchisees and franchisors.

According to result it is suggested that the government and related agencies, such as KPDN and PNS, formulate specific regulations and targeted incentives to support the survival of franchisees during a global economic crisis. Among them are the deferment of franchise license payments, the provision of micro-emergency funds, as well as subsidies for the rental of commercial premises for affected registered franchisees. In addition, the government can establish digital adaptation grant schemes to help franchisees transition to online business

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models, as well as crisis management and financial training plans that are provided free of charge through agencies such as INSKEN or HRD Corp. Authorities can also consider franchise specific economic incentives such as tax incentives or certain contribution relief for micro-franchisees operating under local brand franchises.

Despite the government as the regulator, other external franchise stakeholders with an interest in franchisee development, such as the franchisor, Malaysia Franchise Association, and related government agencies, should act based on their independent and mutually expected roles to support the franchisee business continuity. Hence, a franchise association such as the Malaysia Franchise Association should take the initiative to incorporate both franchisor and franchisee in their plan for franchise development and growth. Moreover, this study recommended that the government understand franchisee unique issues compared to independent businesses to take more action and respond by formulating appropriate regulations, incentives, assistance, and approaches to assist franchisee businesses to remain sustainable in Malaysia. Besides that, the government should take a big step forward to integrate and coordinate franchising stakeholders to develop a better franchise ecosystem and guarantee the business safety net to keep franchisee business resilience in future calamities.

5.5 Study Limitations and Recommendations

Finally, a number of important limitations need to be considered. The first limitation is that the scope of this study is limited only to franchisee businesses, where respondents were selected among franchisee businesses, and the data were

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collected only in the most saturated area in Malaysia, which is Selangor and Kuala Lumpur. The franchisees are among the successful businesses that have overcome the crisis's impact and are currently operating. Therefore, different results may be obtained if failed franchisees are included in the data collection.

Second, the survey method was time-consuming, requires more expenses, and led to a limited geographical area. Consequently, the data were collected mostly franchisee foreign and local brand franchisee who operates in main city in Selangor and Kuala Lumpur. However, due to the time and cost limitation, this study is not able to reach more master franchisee and franchisee which located in small town where acquiring information from this group. Attaining information from this group of members is worthwhile because they have as they may have different crises impact and views on the external support received and their internal resources impact survival ability.

Third, the respondents of this research were selected constructed on purposive sampling which selected respondent who are most relevant to fulfil the research question and leading to meaningful findings. However, the results obtain generalized to the subpopulation which the sample is drawn but may not represent the diversity and variability to larger population of franchisees or other independent business in Malaysia or another region.

Still, despite the limitation, researcher believed that this research offers meaningful insight into the determinants that influence franchisee survival ability. Based on the limitations this research provides several recommendations for future research. Further investigation is necessary to attain a more comprehensive

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understanding of franchisee resilience by using probability sampling and adding more samples from other states which also includes small town. Future research should include more sample from other franchisee such as master franchisees to get bigger, clearer and better understanding of franchisees survival ability.

In addition, it would be interesting to investigate other relevant factors, such as information and digitalization capabilities such as the usage of robotics, artificial intelligence, or omnichannel features, to sustain business. Given the constraints of the study, it is strongly recommended that future researchers adapt the model proposed in this research but incorporate control variables such as the firm's size and type of business. Future research should also look into a multi-group analysis involving franchisees from foreign franchises, homegrown franchise brands, and master franchisees. In addition, it would also be interesting to examine factors and compare the survival ability of the franchisee and an independent business. Therefore, more interesting conclusions and clear differences can translate to more effective results for different research findings.

Despite that, because the data of this study are constrained to implications regarding specific relationships hypothesized by the study, replication of this research is crucial; therefore, it is recommended that future research employ a mixed-method investigation to test and validate the findings. Finally, this study suggests that other methods of analysis can be used to test this research model. Many other methods of analysis can be used to test the validity of a model by using different software, such as AMOS or R. Additional investigation further develops a more intricate examination of the strategic capability function in order to comprehend its intricate relationship with survivability and resources.

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Additionally, it may be beneficial to examine other additional franchising resources that may contribute to franchisee continuity such as such as brand image, franchise networks, value proposition and franchisor-know-how as direct effect, Future researchers may find it particularly intriguing to incorporate the mediating and moderating effects of the relationship into the current framework, as doing so could contribute to the promotion of a more sustainable future. Future study is recommended to test the mediating impacts of franchisee alliance capability, technology acceptance, learning ability, and business flexibility.

The study additionally provides a foundation for future research endeavours by incorporating third variables, such as the moderating effect of government support and knowledge management, which could potentially enhance comprehension or interpretation of the situation. Moreover, further investigations may consider incorporating other relevant theories and constructs into the current model in order to augment comprehension regarding the franchisee survivability.

5.6 Summary

The discussion in this chapter has shown that most of the findings of the study are supported by previous works. It has successfully extended the current line of research to identify franchisee resilience factors and examine their relationships. The study differs from previous works because it focuses on the perspective of franchisee survival during a hazard event, which was the pandemic crisis in Malaysia. This study also examines the mediation impact of market orientation on the relationship between franchisee internal resources and franchisee survival ability. In total, 13 hypotheses were generated, and seven of them were supported.

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The findings of this study broaden the understanding of the main driving forces of franchisee resilience during turbulent market conditions were financial resources and external support. Financial resources, franchisor support, and government support have a significant positive impact on franchisee resilience. Meanwhile, only internal resources have an impact on MO implementation. Moreover, MO can mediate financial resources to recover and gain sustainable business during high uncertainty circumstances. Therefore, this study validates that MO is a strategic survival strategy for franchisees, which integrates market changes and resource coordination in organizations to fulfil the needs of customers or stakeholders during the global crises to meet business survival outcomes. As a result, the findings of this study enrich the current literature on market orientation, which is largely focused on franchise continuity and sustainability.

The previous chapter has shown the importance of understanding the factors that contribute to franchisee resilience in franchising networks. Thus, such information is useful for the government to formulate effective economic policy and instruments and enables franchisors to set new standard operation procedures, crisis management, and support to navigate franchisees in future catastrophes, prepare better internal human resources and financial management, and a more sustainable franchising system, especially when a crisis occurs. Franchisor should develop leadership, governance, and know-how capability to assist franchisee human capital selection, training, and managerial strategy (marketing) to promote improved resilience in franchising relationship and business sustainability.

This research attempts to fill the gap and provide a new perspective on franchisee survivability by including MO as a mediating variable during times.

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Application of MO, which aligns resources, applies marketing concepts, and facilitates a business's ability to comprehend, respond, and take advantage of environmental changes, leading to superior performance. The outcomes of the current study found that franchisor and government support significantly and positively affect franchisee resilience. While financial resources positive relationship with franchise sustain business was mediated by market orientation. Meanwhile, human capital was found to be insignificant in providing survival outcomes to franchisees during the current crisis. In conclusion, understanding this factor not only provides important insight to franchisees' survival performance but also guides franchisors, government, and researchers to further investigate the sustainable operation management of franchisee organizations.

Further research on franchisee resilience business has been found to be very promising as the sector contributes to economics, entrepreneurial development, technological advancement, brand management, business regulation, and knowledge spill-over effect.

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APPENDIX A

Systematic Literature Review Themes of 38 Articles of Franchise Survival from Scopus and Wos

Marketing	Managerial Capability	Value Proposition	Franchisor and Franchisee Relationship	Franchise Resources	Entrepreneurship	Others
Abd Aziz, Hizam-Hanafiah, Hamid & Isa (2019) Lafontaine, Zapletal & Zhang (2018) Melo, Borini, Oliveira & Parente (2015) Frazer, Merrilees & Wright (2007) Antia, Mani & Wathne (2017) Ghantous & Christodoulides, (2020)	Calderon-Monge, Pastor-Sanz & Huerta-Zavala (2017) Ayup-Gonzalez et al. (2019) Sakolnakorn & Tepsing (2013) Bates (1998) Lim, Lee & Kim (2009) Antia, Mani & Wathne (2017) Perrigot, Lopez-Fernandez, Basset & Herrbach (2020) Chiou et al., (2004) Nguyen, Wang & Lee (2020)	Min & Min (2011) Yokum, Gonzalez, Badgett (2006) Sakolnakorn & Tepsing (2013) Babin & Darden (1996)	Lee & Choi, (2023) Sanfelix & Puig (2018) Madanoglu & Karadag (2016) Chiou et al., (2004) Adeiza, Ismail & Malek (2017) Morrison (1997) Abdullah (2008) Terry & Di Lernia (2009) Frazer, Merrilees & Wright (2007) Antia, Mani & Wathne (2017) Kremez et al. (2022) Evanschitzk et al. (2016)	Calderon-Monge, Pastor-Sanz & Huerta-Zavala (2017) Bates (1998) Frazer & Winzar (2005) Lafontaine & Shaw (1998) Lim, Lee & Kim (2009) Abd Aziz, fiah, Hamid & Isa (2019) Abd Aziz et al. (2022) Kosova & Lafontaine (2012) Kalnin (2005) Façanha et al. (2013) Ayup-Gonzales et al. (2019)	Sanfelix & Puig (2018) Bates (1990) Bates (1998) Lafontaine & Shaw (1998) Weaven (2017) Hizam-Hanafiah & Li (2014) Weaven, Grace & Manning (2009) Evanschitzky et al. (2016)	Institutional orientation Hachemi Aliouche, Fernandez, Chanut & Gharbi (2015) Corporate Social Responsibility Sieverding, Briegleb & Montagu (2015) Network and consumer co-operative support Balnave & Patmore (2015) Psycho-analysis Larty & Hopkinson (2021) Government Support Abd Aziz et al. (2022)

Note:

Othman, N. H., Abd Aziz, N. A., Hasbollah, H. R., Aziz, Z. A., Hanafiah, M. H., & Halim, N. F. (2023). Franchise Industry: A Systematic Review of Business Survival. *Remittances Review*. https://doi.org/10.33182/rr.v8i4.263

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APPENDIX B

Items Development of Franchisee Survival Ability

References	Aspect of Measurement	CA/CR
FRANCHISEE SURVIVAL ABILITY Survival Ability: Organizational ability through its strategic resources (assets that are valuable, rare, non-substitutable, and inimitable), capability and strategy in order to sustain their operation and performance to survive crises)		
Adapted from: (Najib et al., 2021)	1. During the pandemic, our organization was operating continuously. 2. During the pandemic, our organization was able to retain number of employees. 3. During the pandemic, our organization was able to maintain positive cash flow.	CA (0.952)
Adapted from: (Adam & Alarifi, 2021)	4. During the pandemic, our organization was able to maintain cash availability. 5. During the pandemic, our organization was able to maintain its reserve cash. 6. During the pandemic, our organization was able to maintain debt magnitude 7. Business has the ability to rely on low-cost structures. 8. Business has the ability to apply labour cost flexibility	CR (0.840)
FINANCIAL RESOURCES Financial resources as source of the financial physical asset own by franchise, current asset, business finance to operates and sustain business.		
Financial physical asset Adopted from: (Roxas & Chadee, 2012) Current asset (liquidity from bootstrap financing) Adopted from: (Block et al., 2022)	1. Our business has adequate cash to sustain business. 2. Our business has adequate fund (e.g. equity fund) to sustain the business. 3. Our business has an adequate budget (e.g. positive revenue) to sustain the business. 4. Our business has the capacity to access a loan. 5. Our business has rarely delayed payment on invoices. 6. Our business has received reduced commercial rent. 7. Our business has received reduced private rent. 8. Our organization has reducing tax advances. 9. Our organization has reducing health insurance contributions.	NA NA

Items Development of Franchisee Survival Ability (continued)

References	Aspect of Measurement	CA/CR
Business finance (access to fund) Adapted from: (Bretas & Alon, 2020)	10. Our organization has reducing wages. 11.Our organization has reducing operational cost. 12. Our organization rely on business funds/grants. 13. Our organization rely on loan from financial institution. 14. Our organization rely on loan from loans.	NA
HUMAN CAPITAL A set of knowledge and competence, skills and training, innovation and capabilities, attitudes and skills, learning ability and motivation of the people who form the organization.		
Experience and education Adapted from: (Aminu & Mahmood, 2015)	1. Our employees are among the most experience in the industry 2. Our employees are creative and bright 3. Our employee are experts in their particular job and function 4. Our employees develop new idea and knowledge	CA (0.864)
Employee personal attribute Adapted from: (Ruiz et.al, 2016)	5. Our employees are able to identify problems (new ways of doing things) easily 6. Our employees are able to see mistakes from my colleagues 7. Our employees are able to listen to my customers (e.g. complaints, suggestions) 8. Our employees are able to share information with my boss easily 9. Our employees try to reflect and learn from their own mistakes	CR (0.869)
Employee digital skills (Ghi et al., 2022)	10. We always raise awareness of digital transformation 11. We always develop ourselves and digital management skills 12. We are always developing digital capabilities 13. We are always improving adaptability and mobility 14. We always develop digital culture 15. We always improve our creative and intellectual capacity in digital technology	CA (0.854)

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Items Development of Franchisee Survival Ability (continued)

References	Aspect of Measurement	CA/CR
Productiveness Adapted from: (Putri, 2019)	17. Employee capable in finish task on time 18. Employee capable finish task base on position 19. Always try the best to give the best result for company 20. Employee always require suggestion from partner for the hardest task	CR (0.735)
Training Adapted from: (Kang & Na, 2020)	21. Our organization's provide adequate in classroom training to employee 22. Our organization's provide online training to employee 23. Our organizations provide effective managerial/leadership training to employee 24. Our organizations provide effective digital training to employee 25. Our organizations provide adequate interpersonal/communication training to employee	NA
FRANCHISOR SUPPORT Franchisor support refers to financial and non-financial support to franchisee, including business support, training, sharing expertise, and abilities; while the franchisee contributes with prior training, understanding of the local market, and process innovation, as well as royalties and entrance fees.		
Adapted from: (Abdullah et al., 2008) Social interaction Service support	1. The franchisor emphasizes two-way communication to help achieve mutual understanding. 2. The information provided by the franchisor helps solve problems 3. The franchisor always keeps the franchisee involved with policy changes and strategic plans. 4. The franchisor always keeps the franchisee involved with strategic plans. 5. The operational manual provided by the franchisor is up-to-date and informative. 6. The initial support services at the start-up program are adequate. 7. The ongoing support services are satisfactory. 8. The franchisee is provided sufficient guidelines and careful instructions to manage a business.	CA (0.71 – to 0.78)

Items Development of Franchisee Survival Ability (continued)

References	Aspect of Measurement	CA/CR
Financial support	9. The promotion and advertising fees paid to the franchisor are reasonable and sufficient.	
	10. The franchise fee is reasonable.	
	11. The royalties paid for to the franchisor are acceptable.	
	12. Compared to other franchises, the franchisor system is cheaper to run.	
	13. The franchisor are willing to negotiate on royalties/fee flexibility	
Assurance support	14.The franchisee is satisfied with the fair treatment it receives from franchisor	
	15. The franchisee feels secured in this franchise system in the medium and long run.	
	16. The number of disagreements and/or conflicts with the franchisor concerning operations and /or policies is minimal and manageable.	
	17. The amount of protection the franchisee has against our territory's over-saturation is adequate.	
	18. Our college franchise contract's termination and/or renewal terms are fair.	
Competence support	19. The franchisor always considers our college into consideration when it wants to make key policy decisions.	
	20. The franchisor appropriately handles several the franchisee's related programs and/or activities, which benefit our colleagues.	
	21. The timing and frequency of promotional and advertising campaigns carried out by the franchisor are satisfactory	
	22. The franchisor supports and supplements our promotional and advertising campaigns.	

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Items Development of Franchisee Survival Ability (continued)

References	Aspect of Measurement	CA/CR
GOVERNMENT SUPPORT A support services provided by governments for business survival; hard support (financial support from various institutions including subsidies, internal funds, angel investors, banks and financial institutions and so forth) and soft support (advisory or non-financial supports are referred to the support's other than money).		
Adapted from: Yang &Yu (2021) Knowledge Support	1. The government provides adequate information. 2. The government provides assistance for our enterprises to introduce technology. 3. The government provides effective trainings on digital business 4.The government provides effective trainings on business management	CA (0.955)
Business regulation	5. The government has implemented effective simplified regulations for doing business. 6. The government encourages companies to protect intellectual property rights. 7. The government has implemented effective employment related measures. 8. The government has implemented effective economic policies.	
Financial Support	9. The government provides assistance for our business to obtain financial aid/fund/grant. 10. The government provides assistance for our business to obtain financial loans. 11. The government provides effective direct financial subsidies (wage subsidies). 12. The government provides effective moratorium on loans. 13. The government provides effective rental waivers.	
Policy response/incentives (Covid)	14. The government provides assistance for our business to obtain financial aid/fund//grant/ 15. The government provides assistance for our business to obtain financial loan. 16. The government provides effective direct financial subsidies (wage subsidies) 17. The government provides effective moratorium on loans 18. The government provides effective rental waiver	

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Items Development of Franchisee Survival Ability (continued)

References	Aspect of Measurement	CA/CR
MARKET ORIENTATION Organization designs and implements their strategies based on organizational knowledge, responsiveness and understanding of their customers.		
Adopted from: (Gonzales et al., 2005)	1. We encourage customer comments and complaints because they help us do a better job. 2. After-sales service is an important part of our business strategy. 3. We have a strong commitment to our customers. 4. We are always looking at ways to create customer value in our products. 5. We measure customer satisfaction on a regular basis. 6. We regularly monitor our competitors' marketing efforts. 7. We frequently collect marketing data on our competitors to help diirect our marketing plans 8. Our salespeople are instructed to monitor and report on competitor activity. 9. Marketing information is shared with all departments 10.We regularly have inter-departmental meetings to discuss market trends and developments. 11. Our marketing people regularly discuss customer needs with other departments. 12. The marketing people regularly interact with other departments on a formal basis. 13. All departments are involved in preparing business. 14. We do a good job integrating the activities of all departments.	CA (0.8095)
Adopted from: (Fakhreddin et al, 2022)	15. We are quick to respond to significant changes in our competitors' pricing. 16. Somehow, we tend to ignore changes to our customers' product/service need. 17. We periodically review our product development efforts to ensure that they are in line with what customers want. 18. Several departments get together periodically to plan a response to changes taking place in our business environment	CR (0.77)

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APPENDIX C

Expert Review Evaluation Form

FRANCHISEE SURVIVAL ABILITY SURVEY

EXPERT REVIEW RUBRIC

Thank you for agreeing to participate in our expert review of the items that we are developing. Below is a description of the research project, the construct definitions, and then a list of questions about each of the items on the survey. Please begin by familiarizing yourself with this background information, the construct definitions, and then review the specific instructions for completing the content validation.

Background Information

This questionnaire is intended to collect data about franchisee survival ability in Malaysia due to the pandemic COVID-19 recession. This survey help researcher to better understand franchise situation, challenges, organizational resources, capability and needs to survive the disaster. The feedback from respondent (managers) would be very important to assist franchise industry towards crises recovery and to gain effective support from government, franchise association, franchisor, financial institutions, and other stakeholders in the future.

Construct Definitions

Variable	Definition	Source
Franchisee Survival Ability	Organizational ability (franchisee) through its resources, capability and strategy, to sustain their operation to survive environmental impact (crises).	(Suraya et al., 2020)
Financial Resource	Financial resources as the source of the foundation of the monetary fund or the organizational means of gaining monetary incomes and earnings, including financial resources and support.	(Khamatkhanova, 2018)
Human Capital	Human capital is the skills the labour force possesses and is regarded as a resource or asset such as knowledge and competence, skills and training, innovation and capabilities, attitudes and skills, learning ability and motivation of the people who form the organization.	(Schultz, 2003)
Franchisor Support	Franchisor support refers to franchisee financial and non-financial support, including business support, training, sharing expertise, and managerial abilities.	(Sanfelix & Pui,2018)

Construct Definitions (continued)

Variable	Definition	Source
Government Support	Government support refers to the support to the business from the government, including hard support (financial) and soft support (advisory), including provision for targeted business services, quality support, technical, immediate, management skills enhancement, financial incentives, financial assistance, and legal framework reinforcement.	(Yang & Yu, 2022)
Market Orientation	The organization's attitude of identifying and meeting the demands of its customers. MO is a managerial capability that helps companies survive by incorporating superior consumer value into goods and services.	(Saleh & Alharbi, 2015)

PART A: ORGANIZATIONAL BACKGROUND INFORMATION

1. Organizational name: _____

2. Years in operation

- ☐ 1. Less than 5 years
- ☐ 2. Between 6 to 10 years
- ☐ 3. Between 11 to 15 years
- ☐ 4. Between 16 to 20 years
- ☐ 5. More than 20 years

3. Location (by state):

- ☐ 1. Perlis
- ☐ 2. Kedah
- ☐ 3. Pulau Pinang
- ☐ 4. Perak
- ☐ 5. Selangor
- ☐ 6. Negeri Sembilan
- ☐ 7. Melaka
- ☐ 8. Johor
- ☐ 9. Pahang
- ☐ 10. Terengganu
- ☐ 11. Kelantan
- ☐ 12. Sabah
- ☐ 13. Sarawak
- ☐ 14. W.P. Kuala Lumpur
- ☐ 15. W.P. Putrajaya
- ☐ 16. W.P. Labuan

4. Location (by area):

☐ 1. City ☐ 2. Town ☐ 3. Village

5. How many full-time employees does your business have?

- ☐ 1. Below 5 employees
- ☐ 2. Between 6 to 29 employees
- ☐ 3. Between 30 to 75 employees
- ☐ 4. More than 75 employees

6. Sector of operation:

- ☐ 1. Food and Beverage
- ☐ 2. Clothing and Accessories
- ☐ 3. Education and childcare
- ☐ 4. Services
- ☐ 5. Beauty and Healthcare concepts
- ☐ 6. ICT
- ☐ 7. Convenience Stores
- ☐ 8. Others, please specify _____

Please tick the appropriate box using the following rating skills as shown below:

Point of Equivalent : 5. Excellent 4. Very Good 3. Neutral 2. Fair 1. Poor

PART B: FRANCHISEE SURVIVAL ABILITY

		Excellent	Good	Neutral	Fair	Poor	Comment
	Statement	**5**	**4**	**3**	**2**	**1**	
	FRANCHISEE SURVIVAL ABILITY						
1.	During pandemic, our organization able to maintain cash flow.	5	4	3	2	1	
2.	During pandemic, our organization able to maintain number of employees.	5	4	3	2	1	
3.	During pandemic, our organization operating continuously.	5	4	3	2	1	
4.	During pandemic, our organization able to meet liability obligation.	5	4	3	2	1	
5.	During pandemic, our organization able to maintain employees.	5	4	3	2	1	
6.	During pandemic, our organization able to maintain cash availability.	5	4	3	2	1	
7.	During pandemic, our organization able to maintain debt magnitude.	5	4	3	2	1	
8.	During pandemic, our organization able to maintain reserve cash.	5	4	3	2	1	
	FINANCIAL RESOURCES						
1.	Our business has adequate cash to sustain business.						
2.	Our business has adequate fund (e.g. equity fund) to sustain the business.	5	4	3	2	1	
3.	Our business has an adequate budget (e.g. positive revenue) to sustain the business.	5	4	3	2	1	
4.	Our business has the capacity to access a loan.	5	4	3	2	1	
5	Our business has rarely delayed payment on invoices.	5	4	3	2	1	

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		Excellent	Good	Neutral	Fair	Poor	Comment
	Statement	**5**	**4**	**3**	**2**	**1**	
6.	Our business has received reduced commercial rent.	5	4	3	2	1	
7.	Our business has received reduced private rent.	5	4	3	2	1	
8.	Our organization has reducing tax advances.	5	4	3	2	1	
9.	Our organization has reducing health insurance contributions.	5	4	3	2	1	
10.	Our organization has reducing wages.	5	4	3	2	1	
11.	Our organization has reducing operational cost.	5	4	3	2	1	
12.	Our organization rely on business funds.	5	4	3	2	1	
13.	Our organization rely on loan from financial institution.	5	4	3	2	1	
14.	Our organization rely on loan from loans.						
	HUMAN CAPITAL						
1.	Our employees are among the most experienced in the industry	5	4	3	2	1	
2.	Our employees are creative	5	4	3	2	1	
3.	Our employees are experts in their particular job	5	4	3	2	1	
4.	Our employees develop new ideas	5	4	3	2	1	
5.	Our employees are able to identify problems (new ways of doing things) easily	5	4	3	2	1	
6.	Our employees are able to listen to our customers (e.g. complaints, suggestions)	5	4	3	2	1	
7.	Our employees are able to share information with the boss easily	5	4	3	2	1	
8.	Our business always raises awareness of digital transformation.	5	4	3	2	1	
9.	Our business always develops digital management skills	5	4	3	2	1	
10.	Our business always improved our adaptability	5	4	3	2	1	
11	Our business always develops our digital culture	5	4	3	2	1	
12.	Our employees are capable finish task based on position	5	4	3	2	1	
13.	Our employees always try the best to give the best result for the company	5	4	3	2	1	

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		Excellent	Good	Neutral	Fair	Poor	Comment
		5	4	3	2	1	
14.	Our employees always require suggestions from their partners for the hardest tasks.	5	4	3	2	1	
15.	Our organization provides online trainings to the employees	5	4	3	2	1	
16.	Our organization provides effective managerial trainings to the employees						
17.	Our organization provides effective digital trainings to the employees	5	4	3	2	1	
18.	Our organization provides adequate communication trainings to the employees	5	4	3	2	1	
	FRANCHISOR SUPPORT						
1.	The franchisor emphasizes two-way communication to help achieve mutual understanding.	5	4	3	2	1	
2.	The information provided by the franchisor helps solve problems	5	4	3	2	1	
3.	The franchisor always keeps the franchisee involved with policy changes and strategic plans.	5	4	3	2	1	
4.	The franchisor always keeps the franchisee involved with strategic plans.	5	4	3	2	1	
5.	The operational manual provided by the franchisor is up-to-date and informative.	5	4	3	2	1	
6.	The initial support services at the start-up program are adequate.	5	4	3	2	1	
7.	The ongoing support services are satisfactory.	5	4	3	2	1	
8.	The franchisee is provided sufficient guidelines and careful instructions to manage a business.	5	4	3	2	1	
9.	The promotion and advertising fees paid to the franchisor are reasonable and sufficient.	5	4	3	2	1	
10.	The franchise fee is reasonable.	5	4	3	2	1	
11.	The royalties paid for to the franchisor are acceptable.	5	4	3	2	1	
12.	Compared to other franchises, the franchisor system is cheaper to run.	5	4	3	2	1	
13.	The franchisor is willing to negotiate on royalties/fee flexibility	5	4	3	2	1	
14.	The franchisee is satisfied with the fair treatment it receives from franchisor	5	4	3	2	1	

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		Excellent	Good	Neutral	Fair	Poor	Comment
15.	The franchisee feels secured in this franchise system in the medium and long run.	5	4	3	2	1	
16.	The number of disagreements and/or conflicts with the franchisor concerning operations and /or policies is minimal and manageable.	5	4	3	2	1	
17.	The amount of protection the franchisee has against our territory's over-saturation is adequate.	5	4	3	2	1	
18.	Our college franchise contract's termination and/or renewal terms are fair.	5	4	3	2	1	
19.	The franchisor always considers our college into consideration when it wants to make key policy decisions.	5	4	3	2	1	
20.	The franchisor appropriately handles several the franchisee's related programs and/or activities, which benefit our colleagues.	5	4	3	2	1	
21.	The timing and frequency of promotional and advertising campaigns carried out by the franchisor are satisfactory	5	4	3	2	1	
22.	The franchisor supports and supplements our promotional and advertising campaigns.	5	4	3	2	1	
	GOVERNMENT SUPPORT						
1	The government provides information and technical support.	5	4	3	2	1	
2	The government provides assistance for our enterprises to introduce technology and equipment.	5	4	3	2	1	
3	The government provides effective training on human resource development.	5	4	3	2	1	
4	The government provides effective training on digital business.	5	4	3	2	1	
5	The government provides effective training on business management.	5	4	3	2	1	
6	The government provides effective consultation on business management.	5	4	3	2	1	

		Excellent	Good	Neutral	Fair	Poor	Comment
7	The government has issued policies or projects that are conducive to the development of enterprises.	5	4	3	2	1	
8	The government has implemented effective employment-related measures.	5	4	3	2	1	
9	The government has implemented effective health system and medical actions.	5	4	3	2	1	
10	The government has implemented effective fiscal and monetary policies.	5	4	3	2	1	
11	The government has implemented effective stabilizing and stimulating markets.	5	4	3	2	1	
12	The government has implemented effective tax incentives.	5	4	3	2	1	
13	The government has implemented effective simplified regulations for doing business.	5	4	3	2	1	
14	The government provides assistance for our business to obtain financial aid/fund/grant.	5	4	3	2	1	
15	The government provides assistance for our business to obtain financial loan.	5	4	3	2	1	
16	The government provides effective direct financial subsidies (wage subsidies).	5	4	3	2	1	
17	The government provides effective moratorium on loans.	5	4	3	2	1	
18	The government provides effective rental waiver.	5	4	3	2	1	
	MARKET ORIENTATION	5	4	3	2	1	
1.	Our business encourages customer feedback because they help us do a better job.	5	4	3	2	1	
2.	After-sales service is an important part of our business strategy.	5	4	3	2	1	
3.	Our business has a strong commitment to our customers.	5	4	3	2	1	
4.	Our business is always looking for ways to create customer value in our products.	5	4	3	2	1	
5.	Our business measures customer satisfaction on a regular basis.	5	4	3	2	1	

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		Excellent	Good	Neutral	Fair	Poor	Comment
6.	Our business regularly monitors our competitors' marketing efforts.	5	4	3	2	1	
7.	Our business frequently collects marketing data on our competitors to help direct our marketing plans.	5	4	3	2	1	
8.	Our organization's salespeople are instructed to report on competitor activity.	5	4	3	2	1	
9.	Marketing information is shared with all departments.	5	4	3	2	1	
10.	Our business regularly has inter-departmental meetings to discuss market trends.	5	4	3	2	1	
11.	Our marketing people regularly discuss customer needs with other departments.	5	4	3	2	1	
12.	The marketing people regularly interact with other departments on a formal basis.	5	4	3	2	1	
13.	Our business does a good job integrating the activities of all departments.	5	4	3	2	1	
14.	Our business quickly responds to significant changes in our competitors' pricing.	5	4	3	2	1	
15.	Our business tends to look at changes to our customers' product/service need.	5	4	3	2	1	
16	Our business periodically reviews our product development efforts to ensure that they are in line with what customers want.	5	4	3	2	1	
17	Several departments get together periodically to plan a response to the changes in our business environment.	5	4	3	2	1	
18.	The activities of the different departments in our business unit are well coordinated.	5	4	3	2	1	

PART C: FACE VALIDITY							
19.	The format of the research instrument is acceptable.	5	4	3	2	1	
20.	The instructions provided in the research instrument are clear.	5	4	3	2	1	
21.	Common and familiar words are used in the research instrument.	5	4	3	2	1	
22.	The font used in the research instrument is appropriate.	5	4	3	2	1	
23.	The spelling in the research instrument is accurate.	5	4	3	2	1	
24.	The grammar used in the research instrument is good.	5	4	3	2	1	
25.	The terms used in the research instrument are appropriate.	5	4	3	2	1	

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Next, please think about all the items as a whole for a moment. We hope this survey scale fairly represents the entire construct without ignoring important features of the construct. Please indicate any aspects or characteristics that you feel are important parts of this construct which are not represented or are inadequately represented by this survey scale.

_____
_____
_____
_____
_____
_____
_____

REVIEW RUBRIC END

Validated by:

(Expert Review Name:_____)

Stamp:

List of Experts Participants

	Name	Attachment	Area of Expert
1	Dr. Khairol Anuar Ishak	Universiti Utara Malaysia	Senior Lecturer franchising management, relationship marketing, strategic management.
2	Dr Noreen Abd Aziz	Univerisiti Teknologi MARA	Senior Lecturer Marketing Consumer Behavior Service Marketing
3	Puan Noharizan bt. Haj. Hussain	Marrybrown	Franchisee/Owner
4	Datin Leela Bava	Smart Reader	Franchisee/Owner
5	Puan Shahnuriza binti Abu Bakar	Q-dees	Franchisee/Owner

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APPENDIX D

Content Validity Index

	Respondent 1: UUM (Academician) Respondent 2 Smart Reader (Franchisee Owner) Respondent 3: Qdeez (Franchisee Owner) Respondent 4: Marrybrown (Franchisee Owner) Respondent 5: UITM (Academician)	**Respondent 1**	**Respondent 2**	**Respondent 3**	**Respondent 4**	**Respondent 5**		**I-CVI**	
	Statement	**5**	**4**	**3**	**2**	**1**			
	FRANCHISEE SURVIVAL ABILITY								
1	During pandemic, our organization able to maintain cash flow.	4	3	5	4	5	4	0.80	/
2	During pandemic, our organization able to maintain number of employees.	4	3	5	4	5	4	0.80	/
3	During pandemic, our organization operating continuously.	4	3	5	4	5	4	0.80	/
4	During pandemic, our organization able to meet liability obligation.	2	3	5	4	5	3	0.60	X
5	During pandemic, our organization able to maintain employees.	1	3	5	4	5	3	0.60	X
6	During pandemic, our organization able to maintain cash availability.	4	3	5	4	5	4	0.80	/
7	During pandemic, our organization able to maintain debt magnitude.	4	3	5	4	5	4	0.80	/
8	During pandemic, our organization able to maintain reserve cash.	4	3	5	5	5	4	0.80	/
	FINANCIAL RESOURCES								
1	Our business has adequate cash to sustain business.	4	4	4	4	5	5	1.00	/
2	Our business has adequate fund (e.g. equity fund) to sustain the business.	4	4	5	4	5	5	1.00	/
3	Our business has an adequate budget (e.g. positive revenue) to sustain the business.	3	4	5	4	5	4	0.80	/
4	Our business has the capacity to access a loan.	4	4	5	4	5	5	1.00	/
5	Our business has rarely delayed payment on invoices.	3	4	5	4	5	4	0.80	/
6	Our business has received reduced commercial rent.	2	4	5	4	5	4	0.80	/
7	Our business has received reduced private rent.	4	4	5	3	5	4	0.80	/
8	Our organization has reducing tax advances.	3	3	2	3	5	1	0.20	X
9	Our organization has reducing health insurance contributions.	2	4	2	3	5	2	0.40	X
10	Our organization has reducing wages.	1	4	1	3	5	2	0.40	X
11	Our organization has reducing operational cost.	1	4	2	4	4	3	0.60	X
12	Our organization relies on business funds.	2	3	5	4	5	3	0.60	X
13	Our organization relies on loan from financial institution. (financing programs)	2	4	5	4	5	4	0.80	/
14	Our organization relies on loan.	4	5	4	3	5	4	0.80	/

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Content Validity Index (continued)

		Respondents					Score		
	Statement	**5**	**4**	**3**	**2**	**1**		**I-CVI**	
HUMAN CAPITAL									
1	Our employees are among the most experience in the industry	3	3	3	4	4	2	0.40	X
2	Our employees are creative and bright	4	3	3	4	5	3	0.60	X
3	Our employee are experts in their particular job and function	2	4	2	4	5	3	0.60	X
4	Our employees develop new idea and knowledge	2	4	2	4	5	3	0.60	X
5	Our employees are able to identify problems (new ways of doing things) easily	3	4	2	4	5	3	0.60	X
6	Our employees are able to see mistakes from my colleagues	3	4	5	4	5	4	0.80	/
7	Our employees are able to listen to my customers (e.g. complaints, suggestions)	4	4	4	4	4	5	1.00	/
8	Our business always raises awareness of digital transformation.	4	4	4	4	4	5	1.00	/
9	Our business always develops digital management skills.	3	4	5	4	5	4	0.80	/
10	Our business is always improving on adaptability.	3	4	4	4	5	4	0.80	/
11	Our business always develops digital culture.	3	4	5	4	5	4	0.80	/
12	Our employees are capable of finishing tasks based on their position.	3	4	5	4	5	4	0.80	/
13	Our employees always try their best to give the greatest results for the business.	3	4	5	4	4	4	0.80	/
14	Our employees always require suggestions from partners for the hardest task.	3	4	4	4	5	4	0.80	/
15	Our business provides online training to employees.	3	4	5	4	5	4	0.80	/
16	Our business provides effective managerial training to employees.	2	4	5	4	5	4	0.80	/
17	Our business provides effective digital training to employees.	4	4	5	4	5	4	0.80	/
18	Always try the best to give the best result for company	2	4	2	4	5	3	0.60	X
19	Employee always require suggestion from partner for the hardest task	3	4	2	4	5	3	0.60	X
20	Our organization's provide adequate in classroom training to employee	2	4	3	4	5	3	0.60	X

Content Validity Index (continued)

		Respondents					Score		
	Statement	**5**	**4**	**3**	**2**	**1**		**I-CVI**	
	FRANCHISOR SUPPORT								
1	The franchisor emphasizes two-way communication to help achieve mutual understanding.	4	4	4	4	5	5	1.00	/
2	The information provided by the franchisor is helpful in solving problems.	4	4	5	4	4	5	1.00	/
3	Communication with franchisor is frequent and meaningful.	4	4	4	4	4	5	1.00	/
4	Communication from the franchisor is often consistence and unique in nature.	3	3	4	4	4	3	0.60	X
5	The franchisor always keeps franchisee involve with policy changes and strategic plan.	3	4	3	4	4	3	0.60	X
6	The operational manual provided by franchisor is up to date and informative.	3	4	3	4	4	3	0.60	X
7	The initial support services at start-up of program are adequate.	4	4	5	4	5	5	1.00	/
8	The ongoing support services are satisfactory.	4	4	5	4	4	5	1.00	/
9	Franchisee is provided sufficient guidelines and careful instructions to manage business.	4	4	5	4	5	5	1.00	/
10	The promotion and advertising fees paid to the franchisor are reasonable and sufficient.	4	4	5	4	4	5	1.00	/
11	The franchise fee is reasonable.	4	4	5	4	5	5	1.00	/
12	The royalties paid for to franchisor are acceptable.	4	4	5	4	5	5	1.00	/
13	Compare to other franchise, the franchisor system is cheaper to run.	4	4	5	4	5	5	1.00	/
14	Franchisor are willing to negotiate on royalties/fee feasibility.	4	4	5	4	5	5	1.00	/
15	Franchisee is satisfied with the fair treatment it receives from franchisor.	3	4	4	3	4	3	0.60	X
16	Franchisee feels secured in this franchise system in the medium and long run.	3	4	2	4	5	3	0.60	X
17	The number of disagreement and/or conflicts with franchisor concerning operations and /or policies is minimal and manageable.	3	4	3	3	3	3	0.60	X
18	The amount of protection of franchisee has against over-saturation of our territory is adequate.	2	3	4	4	4	3	0.60	X
19	The termination and/or renewal terms of our college franchise contract are fair.	3	4	3	3	5	2	0.60	X
20	The franchisor always takes our college into consideration when it wants to make key policy decision.	4	4	3	3	3	2	0.60	X
21	The franchisor handles appropriately several franchisee's related programs and/or activities, which are beneficial to our college.	4	4	2	4	3	3	0.60	X
22	The timing and frequency of promotional and advertising campaigns carried out by the franchisor are satisfactory.	3	4	5	4	5	4	0.60	X

Content Validity Index (continued)

		Respondents					Score		
	Statement	**5**	**4**	**3**	**2**	**1**		I-CVI	
GOVERNMENT SUPPORT									
1	The government provides information and technical support.	3	4	5	4	5	4	0.80	/
2	The government provides assistance for our enterprises to introduce technology and equipment.	3	4	5	4	5	4	0.80	/
3	The government provides effective training on human resource development.	2	3	5	4	5	3	0.60	X
4	The government provides effective training on digital business.	2	4	5	4	5	4	0.80	/
5	The government provides effective training on business management.	2	4	5	4	5	4	0.80	/
6	The government provides effective consultation on business management.	2	3	5	4	5	3	0.60	X
7	The government has issued policies or projects that are conducive to the development of enterprises.	2	4	5	4	5	4	0.80	/
8	The government has implemented effective employment-related measures.	2	4	5	4	5	4	0.80	/
9	The government has implemented effective health system and medical actions.	1	3	4	4	5	3	0.60	X
10	The government has implemented effective fiscal and monetary policies.	2	4	5	5	4	4	0.80	/
11	The government has implemented effective stabilizing and stimulating markets.	2	4	5	5	4	4	0.80	/
12	The government has implemented effective tax incentives.	2	4	5	5	4	4	0.80	/
13	The government has implemented effective simplified regulations for doing business.	2	4	5	5	5	4	0.80	/
14	The government provides assistance for our business to obtain financial aid/fund/grant.	3	4	5	5	5	4	0.80	/
15	The government provides assistance for our business to obtain financial loan.	2	4	5	5	5	4	0.80	/
16	The government provides effective direct financial subsidies (wage subsidies).	4	4	5	5	5	5	1.00	/
17	The government provides effective moratorium on loans.	4	4	5	5	5	5	1.00	/
18	The government provides effective rental waiver.	4	4	5	5	5	5	1.00	/
MARKET ORIENTATION									
1	Our organization encourage customer comments and complaints because they help us do a better job.	4	5	5	4	4	5	1.00	/
2	After-sales service is an important part of our business strategy.	4	5	5	4	4	5	1.00	/
3	Our organization has a strong commitment to our customers.	4	5	5	4	5	5	1.00	/
4	Our organization is always looking at ways to create customer value in our products.	4	5	5	4	5	5	1.00	/
5	Our organization measures customer satisfaction on a regular basis.	3	3	3	3	4	1	0.20	X
6	Our organization regularly monitor our competitors' marketing efforts.	4	5	3	4	4	4	0.80	/

Content Validity Index (continued)

		Respondents					Score		
	Statement	**5**	**4**	**3**	**2**	**1**		I-CVI	
7	Our organization frequently collect marketing data on our competitors to help direct our marketing plans.	3	3	3	3	4	1	0.20	X
8	Our organization's salespeople are instructed to monitor and report on competitor activity.	3	3	3	3	4	1	0.20	X
9	Marketing information is shared with all departments.	3	5	2	4	5	3	0.60	X
10	Our organization regularly have inter-departmental meetings to discuss market trends and developments.	4	5	4	4	5	5	1.00	/
11	Our marketing people regularly discuss customer needs with other departments.	4	5	2	4	5	4	0.80	/
12	The marketing people regularly interact with other departments on a formal basis.	4	5	2	4	5	4	0.80	/
13	All departments are involved in preparing business.	3	5	2	4	5	3	0.60	X
14	Our organization does a good job integrating the activities of all departments.	4	5	2	4	5	4	0.80	/
15	Our organization is quick to respond to significant changes in our competitors' pricing.	4	5	2	4	5	4	0.80	/
16	Our organization tend to look at changes to our customers' product/service need.	3	5	5	4	5	4	0.80	/
17	Several departments get together periodically to plan a response to changes taking place in our business environment	4	5	2	4	5	4	0.80	/
18	The activities of the different departments in this business unit are well coordinated	3	5	2	4	5	3	0.60	X

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APPENDIX E

Item Validity Coefficient

	Measurement Item	Pearson Corr.	Critical T-Value (0.2732)
FR1	Our business has adequate cash to sustain business.	.642**	Valid
FR2	Our business has adequate fund (e.g. equity fund) to sustain the business.	.385**	Valid
FR3	Our business has an adequate budget (e.g. positive revenue) to sustain the business.	.583**	Valid
FR4	Our business has the capacity to access a loan.	.573**	Valid
FR5	Our business has rarely delayed payment on invoices.	.321*	Valid
FR6	Our business has received reduced commercial rent.	.404**	Valid
FR7	Our business has received reduced private rent.	.449**	Valid
FR8	Our organization relies on loan from financial funds.	0.231327	Not Valid
FR9	Our organization relies on loan.	0.254348	Not Valid
FS1	Our business relies on government subsidies.	.678**	Valid
FS2	The franchisor emphasizes two-way communication to help achieve mutual understanding.	.633**	Valid
FS3	Communication with franchisor is meaningful.	.685**	Valid
FS4	The information provided by the franchisor is helpful in solving problems.	.713**	Valid
FS5	The initial support services at the start-up program are adequate.	.644**	Valid
FS6	The ongoing support services are satisfactory.	.605**	Valid
FS7	The franchisee is provided with sufficient guidelines and careful instructions to manage the business.	.441**	Valid
FS8	The franchisee is provided with careful instructions to manage the business.	.660**	Valid
FS9	The franchise fees are reasonable.	.706**	Valid
FS10	The royalties paid to the franchisor is acceptable.	.685**	Valid
FS11	Compared to other franchises, this franchise system is cheaper to run.	.460**	Valid
FSA1	During the pandemic, our organization was able to retain number of employees.	.591**	Valid
FSA2	During the pandemic, our organization was operating continuously.	.711**	Valid
FSA3	During the pandemic, our organization was able to meet its liability obligation.	.670**	Valid
FSA4	During the pandemic, our organization was able to maintain its cash availability.	.583**	Valid

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Item Validity Coefficient (continued)

	Measurement Item	Pearson Correlation	Critical T-Value (0.273)
FSA5	During the pandemic, our organization was able to maintain its debt magnitude.	.594**	Valid
FSA6	During the pandemic, our organization was able to maintain its reserve cash.	.587**	Valid
GS1	The government provides adequate information.	.634**	Valid
GS2	The government provides assistance for our business to introduce technology.	.632**	Valid
GS3	The government provides effective training on digital business	.591**	Valid
GS4	The government provides effective training on business management.	.468**	Valid
GS5	The government has implemented effective simplified regulations for doing business.	.502**	Valid
GS6	The government has implemented effective markets stabilizer.	.577**	Valid
GS7	The government has implemented effective employment related measures.	.518**	Valid
GS8	The government has implemented effective economic policies.	.653**	Valid
GS9	The government provides assistance for our business to obtain financial aid/fund/grant.	.769**	Valid
GS10	The government provides assistance for our business to obtain financial loans.	.505**	Valid
GS11	The government provides effective direct financial subsidies (wage subsidies).	.713**	Valid
GS12	The government provides effective moratorium on loans.	.749**	Valid
GS13	The government provides effective rental waivers.	.732**	Valid
HC1	Our employees are able to see mistakes from my colleagues	.221	Not Valid
HC2	Our employees are able to listen to my customers (e.g. complaints, suggestions)	.232	Not Valid
HC3	Our business always raises awareness of digital transformation.	.427**	Valid
HC4	Our business always develops digital management skills.	.534**	Valid
HC5	Our business is always improving on adaptability.	.515**	Valid
HC6	Our business always develops digital culture.	.484**	Valid
HC7	Our employees are capable of finishing tasks based on their position.	.486**	Valid
HC8	Our employees always try their best to give the greatest results for the business.	.562**	Valid
HC9	Our employees always require suggestions from partners for the hardest task.	.554**	Valid
HC10	Our business provides online training to employees.	.450**	Valid

Item Validity Coefficient (continued)

	Measurement Item	Pearson Correlation	Compare to T-Value (0.273)
HC11	Our business provides effective managerial training to employees.	.413**	Valid
HC12	Our business provides effective digital training to employees.	.441**	Valid
MO1	Our business encourages customer feedback because they help us do a better job.	.763**	Valid
MO2	After-sales service is an important part of our business strategy.	.848**	Valid
MO3	Our business has a strong commitment to our customers.	.788**	Valid
MO4	Our business is always looking for ways to create customer value in our products.	.674**	Valid
MO5	Our business measures customer satisfaction on a regular basis.	.660**	Valid
MO6	Our business regularly monitors our competitors' marketing efforts.	.769**	Valid
MO7	Our business frequently collects marketing data on our competitors to help direct our marketing plans.	.302*	Valid
MO8	Our organization's salespeople are instructed to report on competitor activity.	.772**	Valid
MO9	Marketing information is shared with all departments.	.770**	Valid
MO10	Our business regularly has inter-departmental meetings to discuss market trends.	.803**	Valid
MO11	Our marketing people regularly discuss customer needs with other departments.	.533**	Valid
M012	Our marketing people regularly interact with other departments on a formal basis.	.570**	Valid
M013	Our business does a good job integrating the activities of all departments.	.532**	Valid
M014	Our business quickly responds to significant changes in our competitors' pricing.	.508**	Valid
M015	Our business tends to look at changes to our customers' product/service need.	.643**	Valid
M016	Our business periodically reviews our product development efforts to ensure that they are in line with what customers want.	.739**	Valid
M017	Several departments get together periodically to plan a response to the changes in our business environment.	.736**	Valid
MO18	The activities of the different departments in our business unit are well coordinated.	.651**	Valid
TOTAL	Pearson Correlation, n=50	1	
**. Correlation is significant at the 0.01 level (2-tailed).			
*. Correlation is significant at the 0.05 level (2-tailed).			

APPENDIX F

Res. ID:

Franchisee Survival Ability Questionnaire

FRANCHISEE SURVIVAL ABILITY SURVEY

We are researching franchisee survival ability to understand better franchise situation, challenges, organizational resources, capability and needs following the COVID-19 pandemic. Your feedback, on behalf of your organization, would be essential to assist the franchise industry towards crises recovery and to gain effective support from government, franchise associations, franchisors, financial institutions, and other relevant stakeholders. Your personal information will remain **CONFIDENTIAL**. All information provided would be used solely for the purpose of this study. The survey will take approximately 20 minutes to complete. We thank you for taking part in this survey willingly.

PART A: ORGANIZATIONAL BACKGROUND INFORMATION

1. Organizational name: _____
2. Years in operation:
   - ☐ 1. Less than 5 years
   - ☐ 2. Between 6 to 10 years
   - ☐ 3. Between 11 to 15 years
   - ☐ 4. Between 16 to 20 years
   - ☐ 5. More than 20 years
3. Location (by state):
   - ☐ 1. Kuala Lumpur
   - ☐ 2. Selangor
4. Number of Outlet: _____
   Outlet 1 location:_____
   Outlet 2 location:_____
   Outlet 3 location:_____
   Outlet 4 location:_____
5. How many full-time employees does your enterprise have?
   - ☐ 1. Below 5 employees
   - ☐ 2. Between 5 to 29 employees
   - ☐ 3. Between 30 to 75 employees
   - ☐ 4. More than 75 employees
6. Sector of operation:
   - ☐ 1. Food and Beverage
   - ☐ 2. Clothing and Accessories
   - ☐ 3. Education and childcare
   - ☐ 4. Services
   - ☐ 5. Beauty and Healthcare concepts
   - ☐ 6. ICT
   - ☐ 7. Convenience Stores
   - ☐ 8. Others, please specify

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PART B: FACTORS OF FRANCHISEE SURVIVAL

This section relates to statements on factors of franchise survival. Kindly **CIRCLE/TICK** the appropriate option on a scale of 1 representing **strongly disagree**, and 7 representing **strongly agree**.

	Statement	Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
	HUMAN CAPITAL							
1.	Our business always raises awareness of digital transformation.	1	2	3	4	5	6	7
2.	Our business always develops digital management skills.	1	2	3	4	5	6	7
3.	Our business is always improving on adaptability.	1	2	3	4	5	6	7
4.	Our business always develops a digital culture.	1	2	3	4	5	6	7
5.	Our employees are capable of finishing tasks based on their position.	1	2	3	4	5	6	7
6.	Our employees always try their best to give the greatest results for the business.	1	2	3	4	5	6	7
7.	Our employees always require suggestions from partners for the hardest tasks.	1	2	3	4	5	6	7
8.	Our business provides online training to employees.	1	2	3	4	5	6	7
9.	Our business provides effective managerial training to employees.	1	2	3	4	5	6	7
10.	Our business provides effective digital training to employees.	1	2	3	4	5	6	7
	FRANCHISOR SUPPORT							
1.	The franchisor emphasizes two-way communication to help achieve mutual understanding.	1	2	3	4	5	6	7
2.	Communication with the franchisor is meaningful.	1	2	3	4	5	6	7
3.	The information provided by the franchisor helps solve problems.	1	2	3	4	5	6	7
4.	The initial support services at the start-up program are adequate.	1	2	3	4	5	6	7
5.	The ongoing support services are satisfactory.	1	2	3	4	5	6	7
6.	The franchisee is provided with sufficient guidelines and careful instructions to manage the business.	1	2	3	4	5	6	7
7.	The franchisee is provided with careful instructions to manage the business.	1	2	3	4	5	6	7
8.	The franchise fees are reasonable.	1	2	3	4	5	6	7
9.	The royalties paid to the franchisor are acceptable.	1	2	3	4	5	6	7
10.	Compared to other franchises, this franchise system is cheaper to run.	1	2	3	4	5	6	7

		Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
	GOVERNMENT SUPPORT							
1.	The government provides adequate information.	1	2	3	4	5	6	7
2.	The government provides assistance for our business to introduce technology.	1	2	3	4	5	6	7
3.	The government provides effective training in digital business	1	2	3	4	5	6	7
4.	The government provides effective training in business management.	1	2	3	4	5	6	7
5.	The government has implemented effective simplified regulations for doing business.	1	2	3	4	5	6	7
6.	The government has implemented an effective markets stabilizer.	1	2	3	4	5	6	7
7.	The government has implemented effective employment related measures.	1	2	3	4	5	6	7
8.	The government has implemented effective economic policies.	1	2	3	4	5	6	7
9.	The government provides assistance for our business to obtain financial aid/fund/grant.	1	2	3	4	5	6	7
10.	The government provides assistance for our business to obtain financial loans.	1	2	3	4	5	6	7
11.	The government provides effective direct financial subsidies (wage subsidies).	1	2	3	4	5	6	7
12.	The government provides an effective moratorium on loans.	1	2	3	4	5	6	7
13.	The government provides effective rental waivers.	1	2	3	4	5	6	7
	MARKET ORIENTATION							
1.	Our business encourages customer feedback because it helps us do a better job.	1	2	3	4	5	6	7
2.	After-sales service is an important part of our business strategy.	1	2	3	4	5	6	7
3.	Our business has a strong commitment to our customers.	1	2	3	4	5	6	7
4.	Our business is always looking for ways to create customer value in our products.	1	2	3	4	5	6	7
5.	Our business regularly monitors our competitors' marketing efforts.	1	2	3	4	5	6	7
6.	Our business frequently collects marketing data on our competitors to help direct our marketing plans.	1	2	3	4	5	6	7
7.	Our organization's salespeople are instructed to report on competitor activity.	1	2	3	4	5	6	7
8.	Marketing information is shared with all departments.	1	2	3	4	5	6	7

	Statement	Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
9.	Our business regularly has inter-departmental meetings to discuss market trends.	1	2	3	4	5	6	7
10.	Our marketing people regularly discuss customer needs with other departments.	1	2	3	4	5	6	7
11.	The marketing people regularly interact with other departments on a formal basis.	1	2	3	4	5	6	7
12.	Our business quickly responds to significant changes in our competitors' pricing.	1	2	3	4	5	6	7
13.	Our business tends to look at changes to our customers' product/service needs.	1	2	3	4	5	6	7
14.	Our business periodically reviews our product development efforts to ensure that they are in line with what customers want.	1	2	3	4	5	6	7
15.	Several departments get together periodically to plan a response to the changes in our business environment.	1	2	3	4	5	6	7
	FINANCIAL RESOURCES							
1.	Our business has adequate cash to sustain the business.	1	2	3	4	5	6	7
2.	Our business has adequate funds (e.g. equity fund) to sustain the business.	1	2	3	4	5	6	7
3.	Our business has an adequate budget (e.g. positive revenue) to sustain the business.	1	2	3	4	5	6	7
4.	Our business has the capacity to access a loan.	1	2	3	4	5	6	7
5	Our business has rarely delayed payment on invoices.	1	2	3	4	5	6	7
6.	Our business has received reduced commercial rent.	1	2	3	4	5	6	7
7.	Our business has received reduced private rent.	1	2	3	4	5	6	7

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PART C: FRANCHISEE SURVIVAL ABILITY

This section relates to statements on franchisee survival ability. Kindly **CIRCLE/TICK**, the appropriate option on scale 1, represents strongly disagree, and scale 7 represents strongly agree.

	Statement	Strongly Disagree	Disagree	Slightly Disagree	Neutral	Slightly Agree	Agree	Strongly Agree
	FRANCHISEE SURVIVAL ABILITY							
1.	During the pandemic, our organization operating continuously.	1	2	3	4	5	6	7
2.	During the pandemic, our organization was able to maintain number of employees.	1	2	3	4	5	6	7
3.	During the pandemic, our organization was able to maintain cash flow.	1	2	3	4	5	6	7
4.	During the pandemic, our organization was able to maintain cash availability.	1	2	3	4	5	6	7
5.	During the pandemic, our organization was able to maintain reserve cash.	1	2	3	4	5	6	7
6.	During the pandemic, our organization was able to maintain debt magnitude.	1	2	3	4	5	6	7

END OF QUESTION

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Developing a Franchisee Survival Research Models

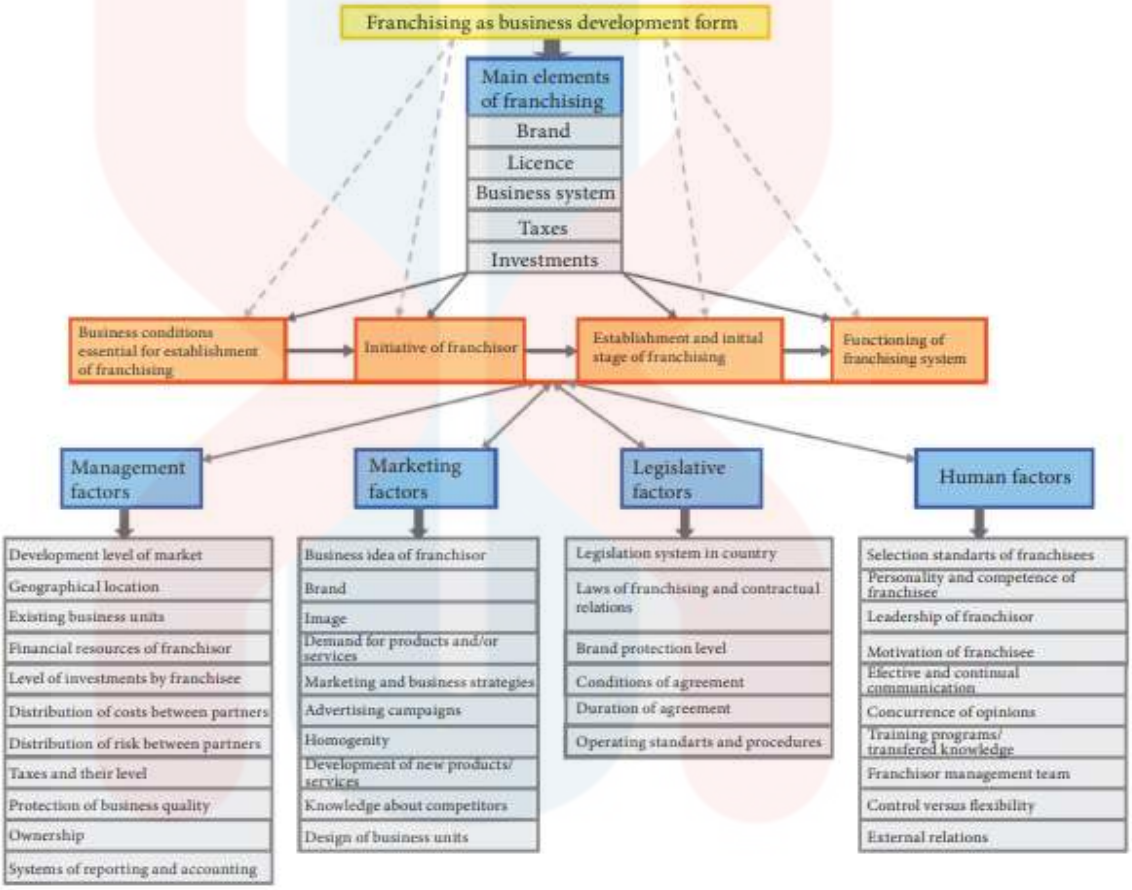


Fig. 1. Franchise system development model

Source: Kavaliauske & Vaiginiene (2011)

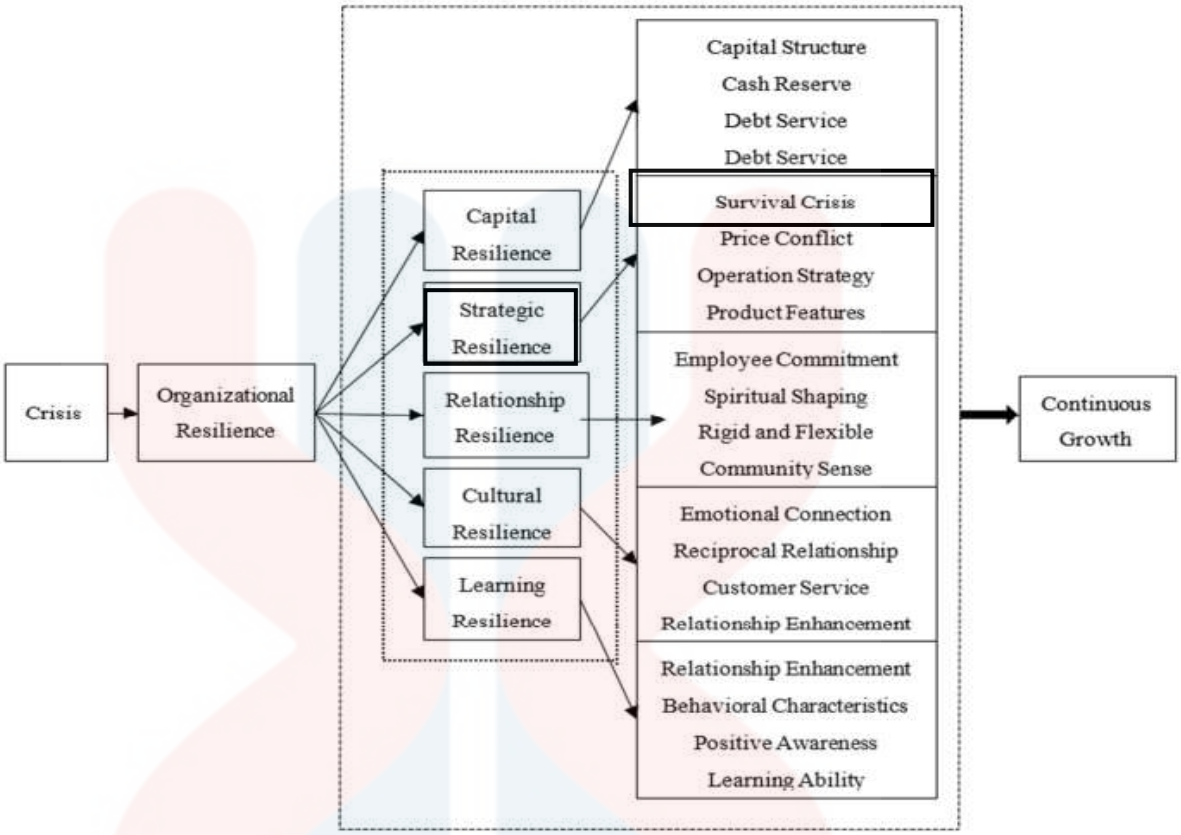
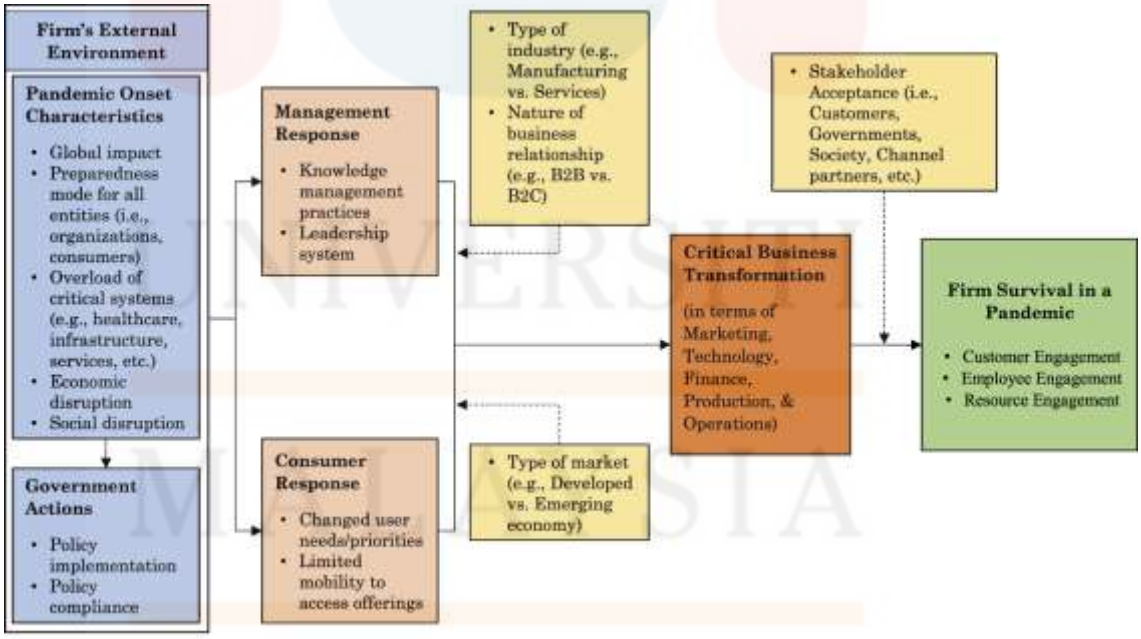


Figure 3. The organizational resilience process.

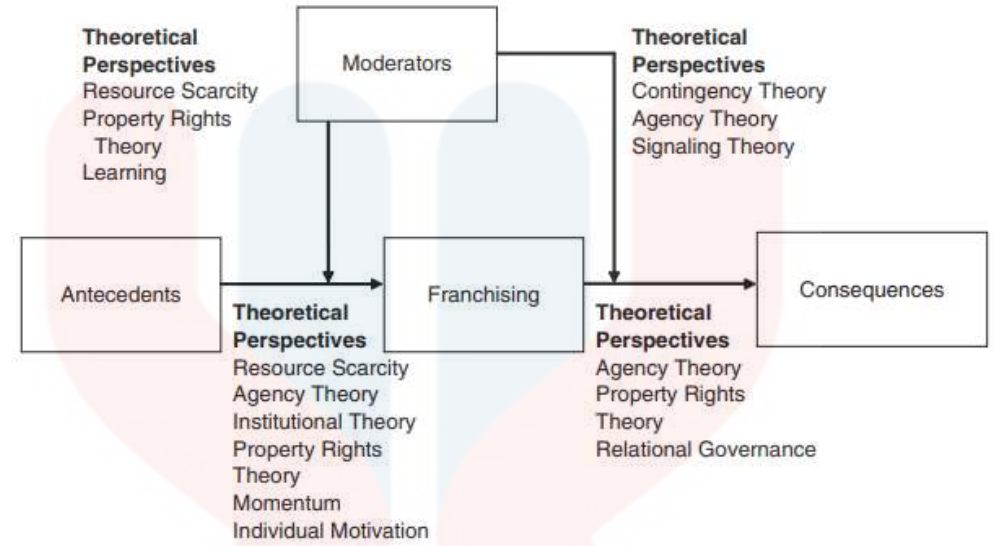
Source: Chen et al., (2021)



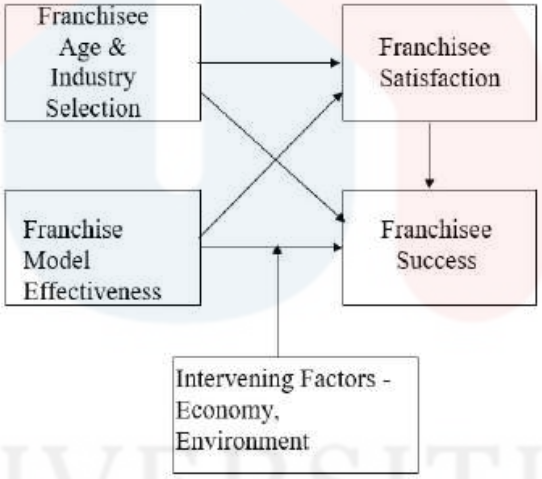
Resource Based Business Survival

Source: Salunkhe et al, 2023

Figure 1
A Conceptual Map of Franchising Research



Source: Combs et al., (2011)



Resource Scarcity Theory in Franchisee Success
Source: McDermott et al. (2023)

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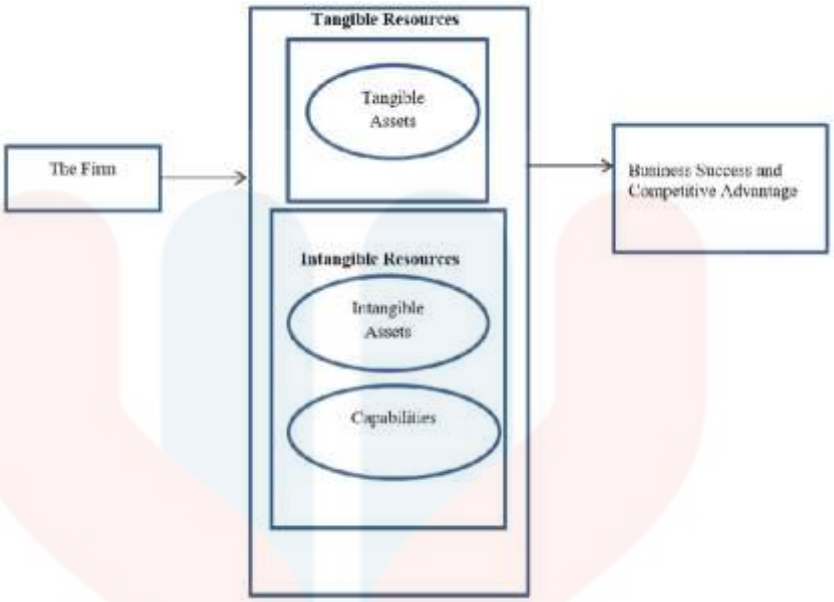

Business Success according to Resource Based View

Source: Barney (1991)

Agency Theory

Source: Wright et al. (2001)

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APPENDIX H

Data Screening

Descriptive Statistics

		A_HC	A_FS	A_GS	A_MO	A_FR	A_FSA
N	Valid	156	156	156	156	156	156
	Missing	0	0	0	0	0	0
Mean		5.8159	5.9762	5.6202	5.5691	5.6999	5.8686
Median		5.7778	5.9412	5.6250	5.5556	5.6818	5.8333
Mode		5.78	5.88[a]	6.50	5.56	6.00	5.33
Std. Deviation		.50709	.54015	.69210	.71222	.75111	.63810
Variance		.257	.292	.479	.507	.564	.407
Minimum		4.06	4.71	1.00	3.78	3.82	4.33
Maximum		7.00	7.00	6.56	7.00	7.00	7.00

a. Multiple modes exist. The smallest value is shown

Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	104.25	255.54	169.19	26.255	156
Std. Predicted Value	-2.473	3.289	0.000	1.000	156
Standard Error of Predicted Value	10.354	44.004	22.263	7.224	156
Adjusted Predicted Value	106.43	275.87	169.59	27.396	156
Residual	-224.200	174.441	0.000	117.372	156
Std. Residual	-1.879	1.462	0.000	0.984	156
Stud. Residual	-1.955	1.476	-0.002	1.006	156
Deleted Residual	-245.131	177.797	-0.400	122.700	156
Stud. Deleted Residual	-1.974	1.482	-0.002	1.008	156
Mahal. Distance	0.174	**20.090**	4.968	3.913	156
Cook's Distance	0.000	0.066	0.008	0.010	156
Centered Leverage Value	0.001	0.130	0.032	0.025	156

a. Dependent Variable: Respondent ID

Finding: The critical value chi square table, n=5, p 0.05 is 11.07, Maha max value, 20.090 is greater than critical value, therefore the data is non normal

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Normality Test for Every Item

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
HC1	0.261	156	0	0.848	156	0
HC2	0.244	156	0	0.858	156	0
HC3	0.279	156	0	0.828	156	0
HC4	0.248	156	0	0.861	156	0
HC5	0.286	156	0	0.847	156	0
HC6	0.246	156	0	0.806	156	0
HC7	0.245	156	0	0.814	156	0
HC8	0.237	156	0	0.858	156	0
HC9	0.262	156	0	0.852	156	0
HC10	0.257	156	0	0.846	156	0
FS1	0.281	156	0	0.839	156	0
FS2	0.282	156	0	0.813	156	0
FS3	0.248	156	0	0.822	156	0
FS4	0.275	156	0	0.852	156	0
FS5	0.223	156	0	0.868	156	0
FS6	0.269	156	0	0.814	156	0
FS7	0.231	156	0	0.826	156	0
FS8	0.221	156	0	0.871	156	0
FS9	0.275	156	0	0.853	156	0
FS10	0.211	156	0	0.897	156	0
FS11	0.223	156	0	0.907	156	0
FS12	0.221	156	0	0.88	156	0
FS13	0.237	156	0	0.86	156	0
FS14	0.236	156	0	0.868	156	0
FS15	0.238	156	0	0.876	156	0
FS16	0.208	156	0	0.874	156	0
FS17	0.22	156	0	0.864	156	0
GS1	0.224	156	0	0.894	156	0
GS2	0.228	156	0	0.895	156	0
GS3	0.212	156	0	0.896	156	0
GS4	0.188	156	0	0.897	156	0
GS5	0.203	156	0	0.877	156	0
GS6	0.202	156	0	0.874	156	0
GS7	0.221	156	0	0.872	156	0
GS8	0.218	156	0	0.878	156	0
GS9	0.191	156	0	0.897	156	0
GS10	0.182	156	0	0.899	156	0
GS11	0.28	156	0	0.858	156	0

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	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df		Statistic	df	
GS12	0.269	156	0	0.871	156	0
GS13	0.195	156	0	0.871	156	0
MO1	0.268	156	0	0.772	156	0
MO2	0.238	156	0	0.814	156	0
MO3	0.258	156	0	0.792	156	0
MO4	0.255	156	0	0.781	156	0
MO5	0.249	156	0	0.795	156	0
MO6	0.234	156	0	0.84	156	0
MO7	0.228	156	0	0.869	156	0
MO8	0.237	156	0	0.875	156	0
MO9	0.237	156	0	0.839	156	0
MO10	0.266	156	0	0.831	156	0
MO11	0.233	156	0	0.85	156	0
M012	0.224	156	0	0.843	156	0
M013	0.231	156	0	0.819	156	0
M014	0.228	156	0	0.857	156	0
M015	0.254	156	0	0.837	156	0
FR1	0.243	156	0	0.854	156	0
FR2	0.227	156	0	0.865	156	0
FR3	0.258	156	0	0.858	156	0
FR4	0.239	156	0	0.857	156	0
FR5	0.245	156	0	0.825	156	0
FR6	0.188	156	0	0.905	156	0
FR7	0.171	156	0	0.901	156	0
FSA1	0.226	156	0	0.869	156	0
FSA2	0.238	156	0	0.876	156	0
FSA3	0.251	156	0	0.866	156	0
FSA4	0.246	156	0	0.871	156	0
FSA5	0.246	156	0	0.869	156	0
FSA6	0.196	156	0	0.917	156	0

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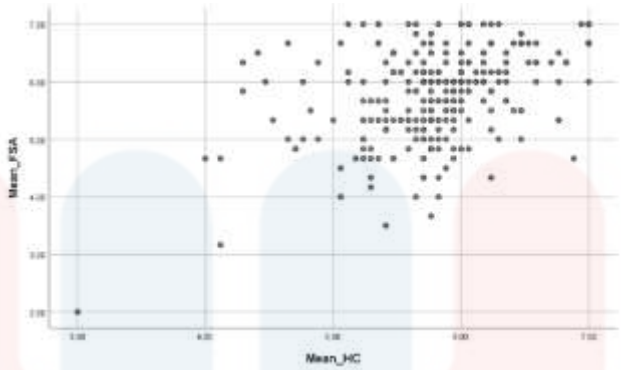
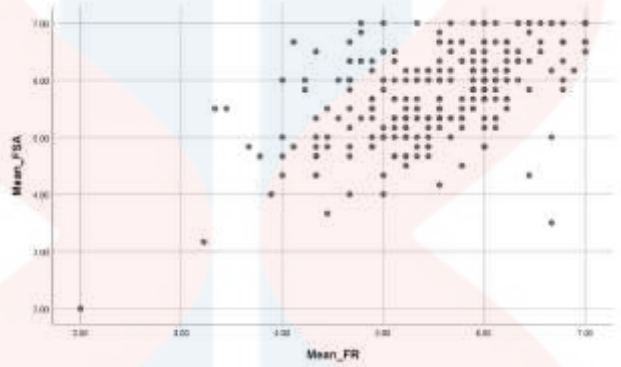
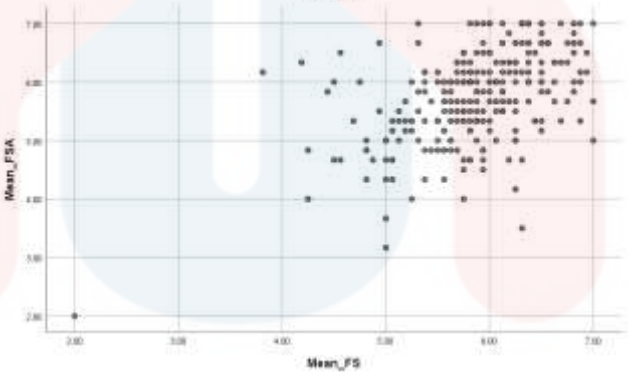
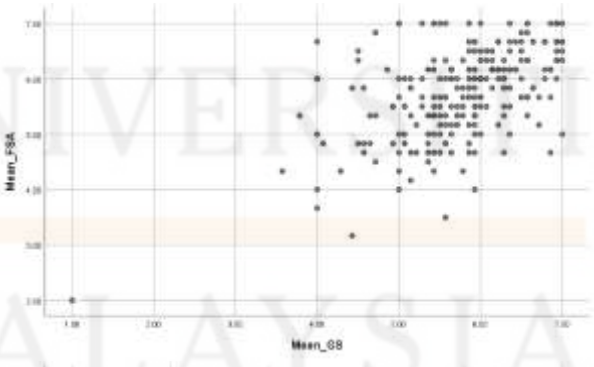
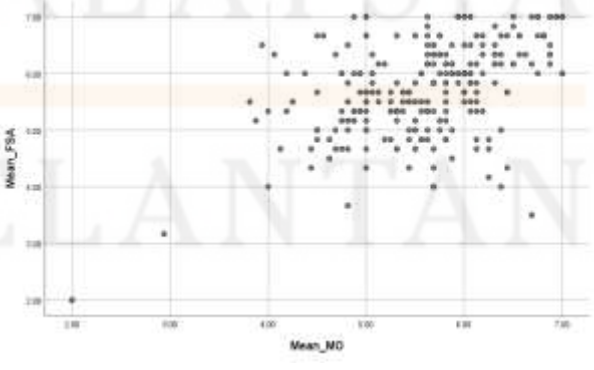
Linearity Scatter Plot











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APPENDIX I

Descriptive Statistics for All 62 Indicators

Constructs	Name	Mean	Median	Standard deviation	Excess kurtosis	Skewness
Franchisee Survival Ability	FSA1	6.173	6	0.752	0.147	-0.663
	FSA2	6.058	6	0.849	0.563	-0.809
	FSA3	5.872	6	0.798	-0.821	-0.069
	FSA4	5.737	6	0.885	-0.019	-0.353
	FSA5	5.583	6	0.927	-0.361	-0.198
	FSA6	5.776	6	0.965	-0.975	-0.227
Financial Resources	FR1	5.397	5	1.072	-0.857	-0.124
	FR2	5.365	5	1.199	-0.31	-0.377
	FR3	5.628	6	1.081	0.601	-0.873
	FR4	5.609	6	1.06	0.726	-0.828
	FR5	5.577	6	1.104	0.673	-0.717
	FR6	5.603	6	0.998	0.033	-0.384
	FR7	5.474	6	0.977	-0.496	-0.24
Human Capital	HC1	5.622	6	0.908	0.588	-0.471
	HC2	5.782	6	0.865	2.222	-0.883
	HC3	5.622	6	0.901	-0.173	-0.29
	HC4	5.724	6	0.852	-0.451	-0.316
	HC5	5.699	6	0.887	0.035	-0.423
	HC6	5.833	6	0.775	-0.403	-0.201
	HC7	5.692	6	0.867	-0.227	-0.31
	HC8	5.891	6	0.874	0.304	-0.716
	HC9	5.942	6	0.795	-0.358	-0.36
	HC10	5.833	6	0.724	0.29	-0.452
Franchisor Support	FS3	6.115	6	0.808	3.392	-1.171
	FS4	6	6	0.913	-0.447	-0.613
	FS5	6.141	6	0.796	0.135	-0.722
	FS6	5.66	6	1.318	2.04	-1.438
	FS7	5.936	6	0.998	3.138	-1.316
	FS8	5.923	6	0.874	-0.147	-0.49
	FS9	5.878	6	0.857	0.532	-0.624
	FS10	6.058	6	0.745	-0.327	-0.376
	FS11	6.051	6	0.791	0.164	-0.641
	FS1	5.776	6	1.095	-1.189	-0.371
	FS2	6.135	6	0.726	1.097	-0.822
Government Support	GS1	6.064	6	0.867	-0.566	-0.542
	GS2	6.141	6	0.702	-0.543	-0.317
	GS3	6.224	6	0.836	-0.264	-0.777
	GS4	6.244	6	0.887	0.159	-1.001
	GS5	5.962	6	1.012	0.448	-0.934
	GS6	6.051	6	0.897	0.614	-0.854
	GS7	6.122	6	0.803	0.854	-0.825
	GS8	6.077	6	0.772	-0.545	-0.387
	GS9	6.147	6	0.853	0.465	-0.851

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Constructs	Name	Mean	Median	Standard deviation	Excess kurtosis	Skewness
	GS10	5.936	6	0.852	-0.184	-0.566
	GS11	6.064	6	0.765	0.541	-0.716
	GS12	6.077	6	0.903	0.778	-0.945
	GS13	5.756	6	1.028	0.534	-0.891
Market Orientation	MO1	5.096	5	1.255	-0.532	-0.242
	MO2	5.692	6	0.945	-0.335	-0.36
	MO3	5.84	6	0.923	0.374	-0.661
	MO4	5.571	6	0.928	-0.857	-0.014
	MO5	5.526	5	0.99	-0.352	-0.172
	MO6	5.500	6	1.047	0.268	-0.575
	M07	5.417	6	1.115	-0.022	-0.601
	M08	5.468	5	1.118	0.2	-0.531
	M09	5.327	5	1.161	-0.628	-0.193
	M010	5.564	6	1.026	-0.04	-0.408
	M011	5.596	6	1.055	-0.312	-0.422
	M012	5.641	6	1.000	-0.651	-0.278
	MO13	5.679	6	0.993	-0.101	-0.547
	MO14	5.500	6	1.047	0.268	-0.575
	MO15	5.679	6	0.993	-0.101	-0.547

Fornell-Larcker Criterion

	FR	FS	FSA	GS	HC	MO
FR	**0.783**	0.320	0.418	0.293	0.391	0.766
FS	0.320	**0.783**	0.458	0.629	0.574	0.358
FSA	0.418	0.458	**0.789**	0.481	0.339	0.418
GS	0.293	0.629	0.481	**0.774**	0.363	0.255
HC	0.391	0.574	0.339	0.363	**0.727**	0.437
MO	0.766	0.358	0.418	0.255	0.437	**0.806**

Effect of Inclusion of Mediation Analysis

	Without MO		With MO	
	B Coefficient	R^2	B Coefficient	R^2
FR	0.265	0.339	0.149	0.614
HC	0.037		0.009	
FS	0.179		0.163	
GS	0.275		0.288	

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