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## The Impact of Basic Psychological Needs Satisfaction on the Performance of the Franchisee\*

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### Abstract

**Purpose:** This research is to investigate the effect of the franchisee's basic psychological needs satisfaction on its business performance. Moreover, within the relationship between the franchisee's basic psychological needs satisfaction and its performance, the current study examined the mediating effect of work engagement and the moderating effect of the franchisor's support. **Research design, data and methodology:** 367 survey data were collected and analyzed using SPSS 22 and AMOS 22. For the assessment of goodness of fit of the models, fit indexes such as TLI, CFI, RMSEA were employed. **Results:** The results of the study are as follows: first, the franchisee's basic psychological needs satisfaction is positively related to performance; second, the franchisee's basic psychological needs satisfaction is positively related to work engagement; third, the franchisee's work engagement is positively related to performance; fourth, it is uncovered that the franchisee's work engagement mediates the relationship between basic psychological needs satisfaction and business performance; fifth, the moderating effect of the franchisor's support was insignificant. **Conclusion:** This study would like to contribute to the field of franchise performance, by re-assessing the significance of the individual's characteristics (of the franchisee) which has been ignored thus far. Furthermore, the limitations of the study and future research directions were discussed.

**Keywords:** Franchise, Basic Psychological Needs Satisfaction, Work Engagement, Performance, Franchisor's Support

**JEL Classification Code:** M00, M10, M12, M50, M52

### 1. Introduction

Based on a fixed contract, a "franchise" is when a franchisor offers the franchisee the know-how and the trademarks (of the franchisor) in return for a fee (by the franchisee) as payment (IFA: International Franchise Association). Hence in the franchise industry, the franchisor functions by running its own business, while

simultaneously maintains control of its franchisee's entity along with providing the know-how, trademarks and the commercially attractive locations to the franchisee (Holmberg & Morgan, 2003). In other words, despite the fee, for the sake of increasing profits and improving the performance, normally the franchisee utilizes and depends on the franchisor's resources.

The research on the performance of the franchise industry can be sought in three categories: first, the study regarding the effect coming from the franchisor's support system - offered by the franchisor to the franchisee. Therefore, its performance evidently depends on the system of the franchisor-supporter. The researchers whom are interested in the effect by the franchisor's support system, seek to substantiate the process by illustrating how the franchisee's performance is influenced by the franchisor's support (Babakus, Yavas, Karatepe, & Avci, 2003; Mehta, Dubinsky, & Anderson, 2002). Second, it is the study regarding the relationship between the franchisor's support

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and the franchisee. Scholars are pursuing key elements that establish a long term positive relationship - between the franchisor and franchisee (Bansal, Irving, Havir & Tylor, 2004; Coote, Forrest & Tam, 2003; Davies, Lassar, Manolis, Prince, & Winsor, 2011; Tellefsen & Thomas, 2005). Third, it is research on the characteristics of the franchisee's location. Majority of franchisees are occupied within wholesale and retail plus the food & beverage industry, thus the influence of locational attributes regarding its performances are inevitable (Berman & Evans, 1995; Nelson, 1963). Nevertheless, figuring out locational attributes are not a task that can be achieved by anyone: it is a field that requires specialists; in consequence, franchisees are provided by the franchisor with material such as the analysis on commercial locations that of which are very necessary and valuable.

Although earnest efforts were made by researchers to take into consideration the various elements which influence the performance of the franchisee, there are some limitations. First, as the unawareness of circumstantial elements can lead to influencing performance, with elements of personal traits greatly recognized, research made prior tend to be fragmented. Second, as previous studies centered mostly on the impact on performance from direct variables, there has been a void in the research for the "process". Third, with too much focus on variables - such as location, franchisor's support, and the relationships with the franchisor - the significance regarding the franchisee's personal traits as an individual are ignored.

Therefore, in order to understand the elements that affect franchise performance, this study hopes to reveal how performance can be influenced by the structural relationships between the individual's personal traits, franchisor's support and work Engagement.

## **2. Literature Reviews and Hypotheses**

### **2.1. Basic Psychological Needs Satisfaction and Performance**

Based on Deci and Ryan's Self-Determination Theory (Self-Determination Theory: SDT), through socialization, people are said to exchange and establish relations with one another which naturally will enable them to experience change in the individual's value, faith and attitude; hence arriving at a stage of "synchronization process"(Deci & Ryan, 1985). It is said that human beings can motivate themselves to be able and to make decisions on one's own, by incorporating the concept "self-determination" which differs from the concept of "will". Also, if their covert need is achieved rather than their extrinsic reward they suggest that human beings are motivated to take action: if one's

actions are synchronized by the covert need, the magnitude of the motivation is to be significantly greater than any other (Deci & Ryan, 1985).

According to the Basic Psychological Needs Theory which is one of the core elements of SDT, when a person's three basic psychological needs – autonomy, competence and relatedness – are said to be satisfied, from that moment intrinsic motivation is to rise; for the opposite situation, it will decrease (Ryan & Deci, 2017). Autonomy is a psychological state where the individual can make decisions by themselves without any pressure or threat from the outside (Deci & Ryan, 1985). Self-determination is a state where the individual can decide on their own as to how one is to behave (Deci & Ryan, 1985), therefore autonomy can be regarded as the core element amongst the three basic psychological needs (Ryan, 1982). Competence is an attribute of the individual's efforts, based on skill and range accomplished either through interacting with people, or from the organization it belongs to; thus such an ability that of which contributes to performance enables positive sentiment to spread amongst its members of the organization (Deci & Ryan, 1985). Relatedness is a circumstance when one feels they are interacting with good relations (Ryan, 1995); it is the emotional state where socially connected individuals are interconnected and thus a bond is created. As a result, Ryan and Deci believe that autonomy and competence are connected.

According to SDT, it is believed that autonomy is the important distinction for people whom are motivated by covert need; when autonomy is granted we choose on our own work that must be pursued, as well as the decision as to how the chosen work is to be pursued. Through such an autonomous process, the individual achieves internal motivation (Deci & Ryan, 1992).

Within the midst of the individual's work engagement process, if the individual's job motivation is increased, through the process of job identification, voluntary involvement in achieving the organizations objective will take place (Iverson, 1996). The performance of the organization will naturally improve as greater the number of employees, who are voluntarily willing to participate in achieving the firm's goal. In many previous studies, it is repeatedly reminded of how the employee's internal motivation affects the performance evaluation ratings (Baard, Deci, & Ryan, 2004). Herewith, from the organizational perspective as a whole, it can be confirmed that having employees whom are internally motivated indeed improve the firm's productivity (Gagné, 2014; Gagné & Deci, 2005; Udin & Yuniawan, 2020; Yang & Cho 2015).

In consequence, based on the above, the following hypothesis can be established between the relationship of performance and basic psychological needs.

**H1:** Basic psychological needs satisfaction of the franchisee will be positively related to performance.

## 2.2. The Relationship between Basic Psychological Needs and Work Engagement

With constant vigor, dedication and absorption, work engagement is characterized as a practice that of which is incredibly positive and focused (Schaufeli, Salanova, González-Romá, & Bakker, 2002): Vigor means a strong and highly positive state of mind plus energy, where the execution of perseverance is never held back; Dedication is a psychological state where despite the challenge, the subject is considered with extreme caution and persistence that goes beyond the realm of “professionally required”; Absorption is when one becomes completely engrossed diligently with the work that there is no separation from it (Schaufeli, Salanova, González-Romá, & Bakker, 2002).

Schaufeli and Salanova (2007) found most various elements that cause an individual to display work engagement, is due to his/her satisfaction of basic psychological needs. As the satisfaction of autonomy and competence trigger the increase of internal motivation, so does the rise in work engagement; hence, the rise in internal motivation is noted to positively influence the employee’s work engagement (Deci, Ryan, Gagne, Leone, Usunov, & Kornazheva, 2001; Lee, 2020; Nguyen & Pham, 2020; Trépanier, Fernet, & Austin, 2015). Based on the above, we can conclude that satisfaction of the basic psychological needs ultimately will improve the individual’s work engagement (Colquitt, LePine, & Noe, 2000).

According to the JD-R model (Job Demands-Resources model), it suggests that there is a direct link between JD-R and job exhaustion as well as work engagement. The definition of job demand is when the worker ends up sacrificing oneself by trying to endure pressure from the constant request to perform his/her physical and mental efforts with no end (Bakker, Demerouti, & Verbeke, 2004): for example, work overload with no balance; unrealistic time pressure and overdone work expectations on the employees. In regards to job resource, it is a pool of required resources that the worker-in-charge needs to have in position, in order to execute the worker’s responsible task at hand (Karasek, 1979): for example, autonomy, work diversity, positive feedback, growth potential, support from supervisor and the like. The JD-R model suggests that if job demand is too severe along with high levels of conflict within the individual’s community, in consequence job exhaustion is said to occur; however, if autonomy and credible acknowledgement are given to the individual, work engagement is to increase and be restored, which can secure the positive performance of the worker (Schaufeli & Bakker, 2004). Such a discovery from the research

reconfirms that once more it is indeed in agreement with the theory of STD (Deci & Ryan, 1985): if the individual’s basic psychological needs become satisfied, naturally the internal motivation of this individual will rise as well, which will then enable happiness and absorption to take place in his/her work.

From the outcomes of the research overall, the following hypothesis can be made on the relations between basic psychological needs satisfaction and work engagement.

**H2:** The franchisor’s basic psychological needs satisfaction can be positively related to work engagement.

## 2.3. Relations between Work Engagement and Performance

Recently as HR scholars are recognizing work engagement as the motivation which represents the firm’s employees (Sopiah et al., 2020), it has been acknowledged that the level of the individual’s work engagement determines the individual’s performance, along with the firm’s financial achievements (Harter, Schmidt, & Hayes, 2002; Kahn, 1990). In short, the more dedicated the individual’s work engagement at the work place (due to his/her psychological well-being), greater the performance for the individual as well as for the firm: through the JD-R model, Schaufeli and Bakker proved the above (Chae, Lee, Hwang & Park 2015; Park, Kwon & Choi 2019; Schaufeli & Bakker, 2004; Schaufeli, Bakker & Van Rhenen, 2009).

Performance of the franchisee is the task performance of the franchisee. The outcome of the task performance is linked directly to the individual’s sense of accomplishment, which mostly centers around work activity. If the franchisee becomes physically and psychologically absorbed in his/her work, internal motivation naturally takes to spur; compare to other individuals, the internally motivated franchisee is expected to be more passionate about work, elevating the joy he/she has obtained from work to another level which will evidently influence his/her work performance and the firm’s performance in a positive manner.

Based on the above, the following hypothesis can be made on the relations between work engagement and performance.

**H3:** Work engagement of the franchisee will be positively related to performance.

## 2.4. Mediating Effect of Work Engagement

Repeatedly it has been noted throughout this research as well by many scholars, if the basic psychological needs are satisfied such as via autonomy and competence, according

to STD, people through its internal motivation will voluntarily show more passion for work (Ryan & Deci, 2000) - which naturally will also enhance work engagement and performance (Colquitt, LePine, & Noe, 2000). Moreover, once more, such improvements in job performance are not only positive for the individual but for the financial outcomes of the entire firm (Harter, Schmidt, & Hayes, 2002; Kahn, 1990; Saleh, Hayat, Sumartono, & Pratiwi, 2020).

Individuals who are satisfied in his/her internal motivation, despite being challenged, seem to have a special drive that constantly keeps them highly dedicated, efficient and resourceful in administrating their work at hand (Isen & Reeve, 2005): this special drive which is referred to as work engagement is once again the denominator that can determine the positive influence on the individual's performance as well as for the productivity of the firm (Bakker & Demerouti, 2008; Harter, Schmidt, & Hayes, 2002; Markos & Sridevi, 2010; Rich, Lepine, & Crawford, 2010; Schaufeli & Bakker, 2004). Therefore, positive motivation gained from the likes of autonomy, competence and relations, positively influence work engagement which in turn affects work performance and the firm's productivity in the same positive manner.

Based on the discussion above, the following hypothesis can be established.

**H4:** The work engagement of the franchisee mediates the relations between basic psychological needs satisfaction and performance.

## 2.5. Moderating Effect of Franchisor Support

In order to maintain the same kind of variety as well as quality in its products and service, franchisor's support is when the franchisor tries to control the franchisee, while simultaneously offering support to the franchisee (Ganesan, 1994). From the many previous studies, it is clear that obtaining support by the franchisor in all areas (such as marketing and etc.) are definitely generating positive outcomes on performance (Abdul-Muhmin, 2005; Kumari, 2015; Yoon, Kim & Eom, 2019): enhancing the franchisor's performance indicators, along with more satisfaction overall. In line with this effort, solid trust for one another between the franchisor and the franchisee can be established which can also accelerate interaction and interdependence, enabling solid profitability for the two (Kelley & Thibaut, 1978).

Active support by the franchisor will be acknowledgement to the franchisee's efforts thus far. Therefore, given that the franchisee's work engagement is strong, if the franchisor offers strong support, the franchisee will automatically show absorption and work harder. In other words, by offering timely support to the franchisee, and in turn gaining positive influence from internal

motivation, the performance of the franchisor and franchisee both end up gaining more in abundance. For this reason, franchisees who have vigorous work engagement levels must find active ways to gain that strong support from the franchisors. Unfortunately, because of the franchise industry structure, despite the strong work engagement, unless there is support from the franchisor directly, it is quite limiting for the franchisee to improve the performance by themselves.

For franchisees who are lazy and are unattractive in its work engagement levels, although there is support from the franchisor, the outcome will be weak which will be uneventful in terms of performance. Therefore, considering the above, it is evident that the supporting activity by the franchisor can determine the franchisee's relationship between work engagement and performance. Thus, the following hypothesis can be established.

**H5:** Franchisor's support will positively moderate the relationship between franchisee's work engagement and performance.

## 2.6. Research Model

The objective of this research is to prove the influence on performance due to the franchisee's basic psychological needs. Moreover, to empirically test the mediating effect of work engagement along with the moderating effect of franchisor's support. Figure 1 shows the research model.

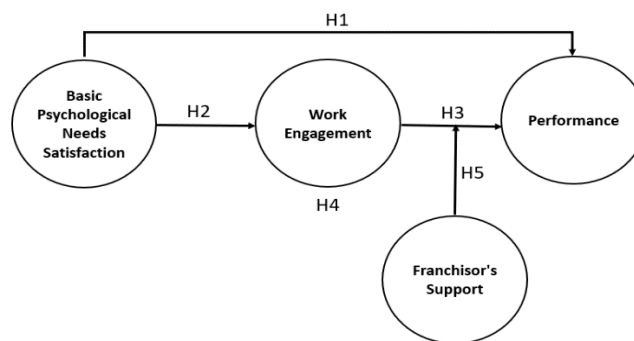


Figure 1: Research model

## 3. Methodology

### 3.1. Sample

For the research, written surveys were conducted by franchisees located in Daejeon city, Sejong city, and Chungcheong-do province (south and north). Within a total of 420 survey copies, excluding material that were damaged or distorted, 367 copies were used. The characters of the

sample are the following. The response came from female 54%(=198), male 46%(=169); age 46 and above (53.1%), age 41~45 (15.5%), age group of 30 and under (12.8%), age 36~40 (11.5%), age 30~35 (7.1%); high school graduates (43.9%), university (30.2%), junior college (24.8%), graduate school (1.1%); business categories convenience store (23.2%), restaurant (14.4%), cafe/desert specialty store (13.9%), chicken/pizza (13.4%), fast food (3.8%), beauty (3.3%), laundry (2.7%), basic necessities (1.6%), other (23.7%).

**3.2. Measurements**

For the analysis of this research, all measures from previous research which have been confirmed as valid and credible were used. Also, all the questions were based on the Likert scale (1=most disagreeable, 5=most agreeable).

**3.2.1. Basic Psychological Needs Satisfaction**

For measurement of basic psychological needs satisfaction, the measurement of Lee and Kim (2008) were used. This tool was chosen as it was developed by translating and transforming the Deci and Ryan model to a more Korean appropriate version. The survey has a total of 18 questions with 6 questions each for autonomy, competence and relatedness.

**3.2.2. Work Engagement**

To measure work engagement, 9 questions developed by Schaufeli, Bakker and Salanova (2006) were used. Within the 9 questions, 3 questions each were given to vigor, dedication and absorption.

**3.2.3. Franchisor’s Support**

Franchisor support is defined as the element that determines the influence on the franchisee’s performance and satisfaction (El-Ansary & Stern, 1992). Based on research conducted by Yavas and Habib (1987), a total of 20 questions were established: 5 in education-support, 5 in marketing-support, 4 in supervisor support, 3 in know-how assessment, 3 in advertisement support.

**3.2.4. Performance**

Based on previous research which analyzed the franchisee’s performance via financial and non-financial performance, we have pursued the same approach. The questionnaire was re-constructed by taking into account the models rendered by Hewett and Bearden (2001), Lewis and Lambert (1991) and Oliver (1980). Within a total of 13 questions, 6 were designated to the financial and the remaining 7 to the non-financial performance.

**4. Analysis**

**4.1. Validity and Reliability**

In order to verify construct validity of basic psychological needs, work engagement, franchisor support and performance, Amos 22 was implemented. Based on the analysis result, the fit indices of the measurement model turned out to be acceptable. Also, since the average factor loading is above .5, the validities of the variables can be acceptable (Ha, Youn, & Moon, 2020).

**Table 1:** Result of Confirmatory Factor Analysis

| Factor                                 | Indicator   | Estimate | S.E  | C.R    | P   | Standardized Factor Loading | C.R  | AVE  |
|--|---|----------|------|--------|-----|-----------------------------|------|------|
| Basic Psychological Needs Satisfaction | autonomy  | 1        |      |        |     | .683                        | .921 | .798 |
|  | competence  | 1.124    | .085 | 13.26  | *** | .841                        |      |      |
|  | relatedness   | 1.032    | .082 | 12.597 | *** | .739                        |      |      |
| Work Engagement                        | vigor   | 1        |      |        |     | .808                        | .962 | .896 |
|  | dedication  | 1.043    | .049 | 21.329 | *** | .933                        |      |      |
|  | absorption  | 1.036    | .051 | 20.29  | *** | .877                        |      |      |
| Franchisor’s Support                   | education, knowhow  | 1.096    | .058 | 18.743 | *** | .828                        | .967 | .907 |
|  | supervisor  | 1.284    | .061 | 21     | *** | .946                        |      |      |
|  | advertising, marketing  | 1        |      |        |     | .814                        |      |      |
| Performance                            | financial performance   | .691     | .052 | 13.24  | *** | .602                        | .925 | .809 |
|  | non-financial performance1  | .959     | .048 | 20.172 | *** | .908                        |      |      |
|  | non-financial performance2  | 1        |      |        |     | .851                        |      |      |
| Goodness of Fit Index                  | X <sup>2</sup> =148.674, df=39, P=.000, X <sup>2</sup> /df=3.812, GFI=.941, AGFI=.882, CFI=.961, NFI=.949, IFI=.962, TLI=.935, RMR=.024, RMSEA=.088 |          |      |        |     |                             |      |      |

Note: \*\*\* p<.001

Furthermore, to verify the validity of the variable with stricter measures, CR (composite reliability: CR), and AVE (average variance extracted: AVE) were added (Yang & Moon, 2019). In general, CR at above .70 and AVE at above .50 is considered to be acceptable (Hair, Black, Babin, & Anderson, 2010). As illustrated in Table 1, the measurements of this research has been reviewed as having convergent validity. In terms of discriminant validity, AVE should be larger than any squared correlations with any other variables (Fornell & Larcker, 1981). As shown of Table 2 the AVE of every variable are above its squared correlations with another variable.

Finally, as a result of the reliability analysis, in order to evaluate measurement consistency within survey categories

which were used as methods of measurement, results from Cronbach's alpha confirmed that reliability was acceptable: basic psychological needs .793, work engagement .902, franchisor support .984, performance .815.

## 4.2. Correlation

With the objective to verify the hypotheses, the correlation analysis was conducted among the variables. The results from the correlation analysis of variables used in this research is found on Table 2. According to the results from the analysis, it can be noticed that a correlation of significance is amongst the measured variables.

**Table 2:** Results of Correlation Analysis

| Factor                                     | Mean  | S.D  | (1)                  | (2)                  | (3)                  | (4)                  |
|--|-------|------|----------------------|----------------------|----------------------|----------------------|
| (1) Basic Psychological Needs Satisfaction | 3.694 | .484 | <b>(.793 / .798)</b> |                      |                      |                      |
| (2) Work Engagement                        | 3.409 | .551 | .547**               | <b>(.902 / .896)</b> |                      |                      |
| (3) Franchisor's Support                   | 3.416 | .507 | .312**               | .345**               | <b>(.984 / .907)</b> |                      |
| (4) Performance                            | 3.202 | .541 | .333**               | .414**               | .570**               | <b>(.815 / .809)</b> |

Note: \*p<.05, \*\*p<.01, \*\*\* p<.001

The first entry inside of the parentheses is Cronbach's index of internal consistency reliability (alpha) and the second one is AVE (Fornell & Larcker, 1981)

## 4.3. Hypothesis Test

The first hypothesis is about basic psychological needs satisfaction being positively related to performance: the relations among the variables were sought to be significant, hence H1 was supported ( $\beta=.112$ ,  $P<.1$ ). For the second hypothesis, it was the franchisor's basic psychological

needs satisfaction positively influencing work engagement. The relations among the variables were also sought to be significant, hence H2 was supported ( $\beta=.618$ ,  $P<.001$ ). Finally, H3 which is "work engagement of the franchisee will be positively related to performance" was supported as well ( $\beta=.162$ ,  $P<.01$ ).

**Table 3:** Results of SEM Analysis (Dependent Variable: Performance)

| Path                  | Estimate  | S.E  | C.R  | P     | $\beta$ |      |
|-----------------------|---|------|------|-------|---------|------|
| H 1                   | BPNS → Performance  | .089 | .054 | 1.648 | †       | .112 |
| H 2                   | BPNS → Work Engagement  | .725 | .074 | 9.816 | ***     | .618 |
| H 3                   | Work Engagement → Performance   | .110 | .042 | 2.633 | **      | .162 |
| H 4                   | BPNS → (Work Engagement) → Performance  | .080 | -    | -     | *       | .102 |
| H 5                   | Franchisor's Support → Performance  | .479 | .055 | 8.749 | ***     | .635 |
|                       | Work Engagement x Franchisor's Support → Performance  | .064 | .064 | 1.003 | .316    | .049 |
| Goodness of Fit Index | $X^2=329.603$ , $df=79$ , $P=.000$ , $X^2/df=4.172$ , $CFI=.919$ ,<br>$NFI=.897$ , $IFI=.920$ , $TLI=.893$ , $RMSEA=.093$ |      |      |       |         |      |

Note: n=367, Bootstrap sample=2,000, †p <.1, \*p<.05, \*\*p<.01, \*\*\* p<.001

BPNS: Basic Psychological Needs Satisfaction

When analyzing the mediating effect based on SEM, the bootstrapping method enables analysis to take place in measuring the total effect, direct effect and the indirect effect. In this research, 2000 samples were designated for the mediating effect on work engagement, which was then analyzed by the bootstrapping method. Like the result of Table 3, the indirect effect on performance via the influence on work engagement through basic psychological needs satisfaction turned out to be significant. Thus, H4 (The work engagement of the franchisee mediate the relations between basic psychological needs satisfaction and performance) was also supported.

In order to verify the moderating effect of franchisor's support on relations between work engagement and performance, methods suggested by Marsh, Wen and Hau (2004) were used: a correlation analysis was established by mean-centering the independent variable and the moderating variable. With the average of the independent and the moderating variable achieved, the mean-centering unconstrained model was exercised. Herewith, the results of the research were identical to Table 3, and H5 was rendered as insignificant.

## 5. Discussion

### 5.1. Results Summary

The objective of this research was to analyze the influence regarding performance and the franchisor's basic psychological needs satisfaction; furthermore, to understand the mediating effect of work engagement between relations of performance and basic psychological needs satisfaction; lastly, to verify the moderating effect of the franchisor's support within the relations between work engagement and performance. The summary to the analysis is the following.

First, it was confirmed that the franchisee's basic psychological needs satisfaction was related to performance in a positive manner. Within the individual's work engagement process, if the individual's job motivation is increased, so will the voluntary involvement in achieving the firm's objective (Iverson, 1996). Second, it was confirmed that the franchisee's basic psychological needs satisfaction positively influenced work engagement. From the JD-R model, if job demand is too severe with high levels of conflict near the individual, job exhaustion is said to occur; however, if autonomy and credibility are given to the worker, work engagement should increase which then can secure positive performances (Schaufeli & Bakker, 2004): henceforth, such a discovery reconfirms the STD theory (Deci & Ryan, 1985). Third, the franchisee's work engagement renders positive influence on performance.

Individuals who have passionate levels of work engagement, tend to be very loyal to its firm and generating strong returns from its work performance. Fourth, the franchisee's work engagement mediates the relations between performance and basic psychological needs satisfaction. Thus, if the franchisee is happy with gains from basic psychological needs satisfaction, work overall becomes rewarding which increases work engagement. Fifth, within relations between work engagement and performance, the moderating effect by the franchisor's support was rendered insignificant. Indeed, given that the relationship between the franchisee and the franchisor are clearly professional, there is no reason but to be positive about the franchisor's support, as job motivation can be achieved from the outcome. Nevertheless, due to negative pressures on the franchisee in exchange for the franchisor's support - where the franchisor demands for sensitive info like sales volume plus purchasing cost - unfortunate ordeals such as work exhaustion can take place. From the perspective of the franchisee, franchisor's support is an investment. Unless the partnership between the franchisee and franchisor are healthy and are of trust, support from the franchisor ironically can be a burden which can lead to work exhaustion eventually putting a negative influence on performance as well (Wright & Bonett, 1997; Wright & Cropanzano, 1998).

### 5.2. Implications

First, the significance of the study renders on how the individual's attributes can influence performance; particularly as to how the franchisee's personal traits influence the performance within the franchise industry. The results from our research confirm that influence on performance, coming from the franchisee's basic psychological needs satisfaction, was positive. Second, our research was able to prove the mechanism that performance is indeed influenced by the franchisee's basic psychological needs satisfaction. Although it has been ignored for quite some time, there has been research on the individual's influence on performance. Nevertheless, as they tend to be too focused only on the direct effect and not on the actual process, the information and logic were insufficient. Herewith, by positioning work engagement as the variable, we were able to substantiate the mechanism of relationship and influence, between performance, work engagement and the franchisee's basic psychological needs satisfaction.

Given that we were able to learn and prove that performance is positively influenced by the franchisee's basic psychological needs satisfaction, the implications from the research are as follows. First, for the sake of improving and increasing performance, the franchisor should allow more autonomy to the franchisee. We are in

agreement that in product, sales and service, the franchisee should definitely follow the guidance provided by the franchisor; however, more autonomy should be given to the franchisee, for areas such as inventory, order requests and shop layouts that of which can be more flexible and creative. Also, by given more autonomy, the franchisee can learn to become more independent which can improve his/her work engagement, and eventually improving the performance overall.

Second, with hopes of improving performance, efforts need to be made to enable the franchisee to become more competent (Mukherjee & Sen, 2019). For certain, the franchisees, they themselves would need to make the effort; however, it would be most ideal if the franchisors can lead in finding collaborative ways of supporting the agenda. Moreover, offering opportunities for the franchisees and franchisors to get together regularly and establish meaningful relations can be helpful. Third, in order to continuously improve performance, as mentioned above, the relationship between the franchisor and the franchisee need to be positive: in particular, the relationship between the supervisor and the franchisee (Kim & Song, 2019). With prospects of being partners for the long run, trust and support with honest and frequent communication and interaction need to take place. However, no matter how close the relationship may be, the franchisor should never let go of the guidance and control he/she must endure in managing the franchise. Lastly, we find franchisors should enable efficiency in its operations so that the franchisees can be more focused in what matters. In other words, mundane administrative activities should be, if possible computerized; thus, by removing such burdens, the franchisees can be more attentive to customer service and the like (Khudadad, Tahir & Jan, 2018).

### 5.3. Limitations and Future Research Directions

The limitations to this research centers on the following. First, as the data were gathered by a survey based on the “self-report” approach, there can be criticism in regard to the lack of “objectivity”. Hence, for future research, we seek to include not only the “self-report”, but also the 3rd party approach, which should alleviate the “objectivity” concern. Second, we used and collected data based on the “cross-sectional study” approach; thus, one must take caution in trying to understand the research from the “cause-result” methodology. Third, further studies will be needed to explore moderating variables on the relationship between personal characteristics of the franchisee and the related outcomes. Additionally, in this research the moderating effect coming from the franchisor’s support was not explored in significance. Thus, future studies on examining the role of the franchisor’s support will also be

needed. Moreover, there is a need to revisit the research by using the longitudinal study. Lastly, unlike issues that surround the environment of the franchise, studies on the influence of personal traits (of the franchisee) on the performance of the franchise are insufficient in the current domestic market. Henceforth, we hope to explore further regarding the influence coming from personal traits in the franchise industry.

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