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# A Study on Franchisee's Sustainable Performance: The Role of Work Engagement and Financial Performance\*

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## Abstract

**Purpose:** This study aims to analyze the effects of job satisfaction regarding the franchisee's continuous operation intention. In addition, it intends to investigate the mediating effect of work engagement in the relationship between job satisfaction and sustainable performance of the franchisee. **Research design, data and methodology:** 361 survey data were collected and analyzed using SPSS 24 and AMOS 24. To assess the model for goodness of fit, indexes such as TLI, CFI, RMSEA were used. Moreover, SEM method and bootstrapping were used for hypotheses testing. **Results:** The results of this study are as follows. First, the relationship between job satisfaction and the employee's continuous operation intention was significant. Second, it confirms that indeed job satisfaction positively affects work engagement. Third, it was found that work engagement had positive (+) effects on the franchisees' financial performance along with its continuous operation intention. Fourth, work engagement was found to mediate the relationship between job satisfaction and continuous operation intention of the franchisee. **Conclusion:** We found that job satisfaction of the franchisee is related with continuous operation intention through work engagement and financial performance. Hence, by demonstrating the empirical evidence which has been insufficient so far, this study contributes to the theory accumulation regarding the franchisee's continuous operation intention.

**Keywords :** Franchise, Job Satisfaction, Work Engagement, Financial Performance, Sustainable Performance

**JEL Classification Code :** D23, L81, M10, M12, M50

## 1. Introduction

As of late, sustainability has become a coveted topic in business. By pursuing sustainability, in other words through sustainable development, companies are achieving more opportunity to deliver long-term outcomes to shareholders and society (Schulz & Flanigan, 2016). The same is true in the franchise industry. The franchise industry refers to a method in which the franchisor provides know-how plus trademark rights to the franchisee, and in turn the franchisee operates the business under the control of the franchisor (Holmberg & Morgan, 2003). Small businesses have

limitations in securing resources on their own, so they seek to maximize their profits by lowering risks through strategic alliances with franchisors as well as maximizing the utilization of its external resources (Berge, 2015). On the other hand, the franchisor can be seen in obtaining the similar effect - by utilizing the resources of the franchisee, the franchisor operates multiple stores with low investment costs (Bradach, 1998). As a result, clearly the franchising system is a mutually beneficial system for both the franchisor and the franchisee. Thus, a cooperative relationship between the two entities is undoubtedly important for performance (Rubin, 1978).

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One of the important characteristics of the franchise industry is that franchises provide the same products and services using the same brand and sign (Mendelsohn, 2004). Therefore, as the franchise industry is inherently directed in emphasizing homogeneity, it is relatively easy to dismiss the psychological characteristics of individual store owner. Herewith, not until recently, studies on the personal characteristics of franchise store owners have never received much attention – at best, studies were made in the realm of demographic characteristics (age, gender, education level of franchisees) along with psychological temperaments such as risk tolerance, entrepreneurship, autonomy, and dependence. (Jambulingam & Nevin, 1999; Michael & Combs, 2008; Saraogi, 2009).

However, to improve the performance of franchise businesses, satisfaction of the franchisees is important. This is because when the franchisee is satisfied, an amicable relationship with the head office can be maintained, and the individual owner can concentrate on his/her work and create results (Lewis & Lambert, 1991; Meyer et al., 2002). Therefore, when enabling long-term results in franchise companies, it is imperative to consider the franchisee's job satisfaction as a significant factor; since the individual's job satisfaction affects both the financial and the non-financial performance, evidently it is an important variable to properly understand the franchise industry (Abdul & Maulabakhsh, 2015; Khalil-Ur et al., 2017; Judge et al., 2001).

Job satisfaction is a positive emotional state that individuals feel while performing their duties (Khan & Siddiqui, 2017). It is also a criterion for evaluating the emotional state experienced by individuals in the process of performing their duties (Weiss, 2002; Breaugh et al., 2018). According to previous studies, an individual's favorable or unfavorable attitude toward a job is noted to affect productivity (Abdul & Maulabakhsh, 2015; Judge et al., 2001). Research based on motivation theory also claims that individual job satisfaction has a positive effect on non-financial performance - in the likes of a turnover (Khalil-Ur et al., 2017). As such, although job satisfaction is an important variable that affects business performance beyond the personal emotional state, previous studies tend to recognize job satisfaction as merely an outcome variable which lacks consideration between the relationship of job satisfaction and franchisee's performance. Therefore, this study aims to address the relationship between franchisee's job satisfaction and performance.

In addition, research is limited concerning the process or situational conditions related to the relationship between the franchisee's job satisfaction and performance. Job satisfaction is an individual's emotional state about the job. Employees who actively feel job satisfaction are also noted to actively participate in their job and become more

committed (Simpson, 2009; Wanberg & Banas, 2000). When employees engage in their work, productivity increases, leading to increased individual and organizational performance (Bakker & Demerouti, 2008; Markos & Sridevi, 2010; Rich et al., 2010; Schaufeli & Bakker, 2004). Hence, it can be inferred that the franchisee's job satisfaction has an indirect effect through work engagement, rather than a direct effect on performance. Therefore, this study aims to demonstrate the mediating effect of work engagement in the relationship between franchisee's job satisfaction and performance.

Meanwhile, within this research, the category of performance was divided into financial performance and non-financial performance, with the relationship between each performance separately analyzed. From the franchisor's perspective, the franchisee's financial performance and continuous operation intention are important performance indicators. As mentioned prior, this study hopes to emphasize the significance of the franchisee's job satisfaction which have been neglected thus far in research – pertaining to the franchisees' individual characteristics, as well as to provide theoretical and practical implications for the development of the franchise industry.

In summary, the purpose of this research is to reveal the mechanism of the effect of job satisfaction perceived by franchisees on financial performance and continuous management intention - specifically, to demonstrate the relationship between job satisfaction of the franchisees, work engagement, financial performance, and continuous operation intention.

## **2. Literature Review and Hypothesis**

### **2.1. Job Satisfaction and Continuous Operation Intention**

Store owners who are satisfied with their job perform the job voluntarily and put more energy into it. When the franchisee is committed to the job, they become more actively involved in the job and identify themselves with the organization (Brown & Peterson, 1993). Identification with the organization gives the franchisee more confidence in the organization and actively motivating them to participate in the work of the organization, which increases satisfaction with the organization (Christian et al., 2011). It is explained that the intrinsic satisfaction that appears in the process of performing a job, motivates people to be engaged in the job with enhanced fervor and increasing organizational satisfaction through the motivational process (Mathieu & Zajac, 1990): satisfaction with the organization leads to organizational retention (Delfgaauw, 2007). Taken together, it can be inferred that the franchisee's job satisfaction will

lead to commitment in the franchise, thus inducing a positive effect on continuous operation intention.

Based on empirical research, Spector (1994) reveals that when job satisfaction increases, individual stress and job burnout decrease, leading to continuous engagement in one's job. According to Delfgaauw (2007), it is argued that if members of an organization are satisfied with the relationship with one's employer, they remain continuously loyal to its organization. If dissatisfied, they leave the organization and industry, naturally moving on to a new industry.

Taken together, the studies shown above indicate that job satisfaction of franchise store owners have a positive effect on continuous operation intention. Therefore, we propose:

**H1:** Job satisfaction of the franchisee is positively related to his/her continuous operation intention.

## 2.2. Job Satisfaction and Work Engagement

Work engagement refers to a state of mental, physical, and cognitive energy input experienced by individuals in the process of performing a job (Akob et al., 2020; Kahn, 1990). As for the concept of work engagement, the three-factor concept of vigor, dedication, and absorption proposed by Schaufeli et al. (2002) is widely accepted. Vigor refers to a state in which a person continuously maintains a high level of energy in the process of performing his or her work, and puts high energy into work with perseverance even in difficult situations. Dedication refers to the state of being completely committed in one's work and taking pride in one's work. Absorption refers to a state in which an individual completely concentrates on the task in the process of performing the task and is absorbed in the task without noticing the passage of time (Schaufeli et al., 2002).

Job satisfaction can be said to be a psychological change felt by a person who performs a job in a state of being satisfied and motivated in the process of performing a job or in a state of being engaged in one's job (Porter & Steers, 1973). Thus, employees who are satisfied with their jobs are more engaged in their work and are more engaged in their jobs. In other words, as a result of job satisfaction, work engagement appears, in which a lot of energy is devoted to and absorbed in one's job (Simpson, 2009).

According to Wanberg and Banas (2000), employees with high job satisfaction engage themselves in their work to improve organizational performance, and voluntarily participate in work by using their job as an opportunity for growth, resulting in increased engagement for work. Also Amir and Mangundjaya (2021) demonstrated that positive emotions increase employee's work engagement. It can be understood that employees who are satisfied with their jobs become more engaged in their work through intrinsic motivation.

From the above discussion and previous studies, it can be inferred that the franchisee's job satisfaction has a positive effect on job engagement. Therefore, we propose:

**H2:** Franchisee's job satisfaction is positively related with work engagement.

## 2.3. Mediating effect of Work Engagement

In addition, according to previous studies, employees with high work engagement tend to identify themselves with their jobs (Christian et al., 2011). This identification leads to organizational commitment. Thus, if this logic is applied to the franchise situation, it can be inferred that through the organizational identification process, the franchisee's work engagement will ultimately have a positive effect on the continuous operation intention. Also, previous studies have demonstrated that work engagement are linked to performance plus a positive attitude towards the organization (Nguyen & Pham, 2020). Therefore, we propose:

**H3:** Work engagement promoted by job satisfaction will have a positive relationship with continuous operation intention.

According to the results of meta-analysis by Harter et al. (2002), job satisfaction of employees has a significant relationship with customer satisfaction, productivity, profits, turnover, accidents, and business performance. When franchise owners are intrinsically motivated through work engagement, they are passionate about their work, which eventually has a positive impact on individual and organizational performance (Bakker & Demerouti, 2008; Harter et al., 2002; Markos & Sridevi, 2010; Rich et al., 2010; Schaufeli & Bakker, 2004). In other words, it can be explained that the franchise store owner's engagement in his/her work can increase the efficiency of store management and reduce unnecessary expenses, thereby improving the financial performance of the franchise store. All in all, the franchisee's job satisfaction improves organizational productivity and performance through work engagement (Bakker & Demerouti, 2008; Harter et al., 2002; Markos & Sridevi, 2010; Rich et al., 2010; Schaufeli & Bakker, 2004).

**H4:** Franchisees' work engagement is positively related with their financial performance.

## 2.4. Financial Performance and Continuous Operation Intention

Continuous operation intention is the intention of the franchisee to maintain the existing contractual relationship

with the franchisor (Lim et al., 2012). Continuous operation intention is determined according to satisfaction or dissatisfaction with past transactions between headquarters and affiliates (Patterson & Smith, 2003). Since Continuous operation intention is the level of satisfaction that comes from the relationship between the headquarters and franchisees, the relationship of trust between them is an important factor (Doney & Cannon, 1997; Kiessling et al., 2004). Furthermore, the franchisee's continuous operation intention is possible only when it is supported by management performance - particularly, for the long-term management of franchisees, financial performance must be supported first and foremost (Oliver, 1999). Herewith, the purpose of a franchise is to generate profits, and if there is no profit, it is impossible to operate a franchise no matter how good the quality of the relationship is.

For this reason, previous studies also recognized financial performance as an important antecedent of continuous operation intention (Carney & Eric, 1991; Ganesan, 1994; Oliver, 1999). Therefore, it can be inferred that the franchise store owner's financial performance has a positive effect on the continuous operation intention, and the following hypotheses can be established regarding the relationship between the franchise store owner's financial performance and the continuous operation intention.

**H5:** Financial performance of the franchisee is positively related to continuous operation intention.

When combined with the logic of H2, H4, and H5 presented above, job satisfaction of franchise store owners enhances work engagement, and work engagement leads to financial performance, and furthermore, has a positive effect on continuous operation intention. In short, a franchisee who is satisfied with his/her job actively work on one's job and are more engaged in it, creating business performance, gaining an edge in competition with other franchise stores, and finally increasing one's intention to continuous operation (Stern & El-Ansary, 1992).

**H6:** Job satisfaction of the franchisee will have a positive (+) effect on the continuous operation intention through work engagement and financial performance.

### 3. Data and Research Methodology

#### 3.1. Research Model

The purpose of this study is to empirically test the effect of job satisfaction of franchise store owners on financial performance and continuous operation intention. Additionally, within the process, the mediating effect of work engagement is to be tested. The research model is as shown in [Figure 1].

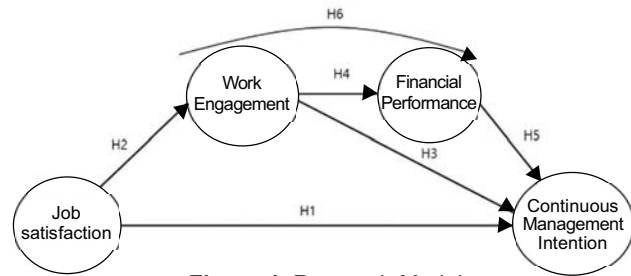


Figure 1: Research Model

#### 3.2. Data

For this study, a survey was conducted on franchise store owners in Korean by in-person and postal questionnaires. 400 questionnaires were collected, and 361 copies were used for analysis, excluding inappropriate responses such as many omissions.

The response came from female 54% (=195), male 46% (=166); age 46 and above (53.2%), age 41~45 (15.8%), age group of 30 and under (12.2%), age 36~40 (11.6%), age 30~35 (7.2%); high school graduates (44.3%), university (30.2%), junior college (24.4%), graduate school (1.1%). The industries to which respondents belonged were food and beverage (45.4%), convenience store (23.5%), beauty (3.3%), laundry service (2.8%), and others (25.1%).

#### 3.3. Measure

The measurement tools used in this study were questionnaires that were proved for validity and reliability in previous studies. All questions were composed of a Likert-based 5-point scale (1=strongly disagree, 5=strongly agree).

##### 3.3.1. Job Satisfaction

Job satisfaction is defined as a positive state experienced by franchisee while operating a store (Warr et al., 1979), and includes satisfaction with work, satisfaction with work methods, satisfaction with relationships with employees, and satisfaction with the head office. Satisfaction with relationships, recognition from surroundings, degree of income, overall workload, utilization of abilities, and daily workload were measured. A total of 10 items were used by selecting items applicable to franchises from 15 items developed by Warr et al. (1979).

##### 3.3.2. Work Engagement

Work engagement was defined as the emotional state of vigor, dedication, and absorption felt by franchise store owners in their job (Schaufeli et al., 2006). We used 9 item questionnaire used by Schaufeli et al. (2006). Sample questions are 'At my work, I feel bursting with energy', 'At my job, I feel strong and vigorous'.

**3.3.3. Financial Performance**

For financial performance, the items used in the studies of Hewett and Bearden (2001), Lewis and Lambert (1991), and Oliver (1980) were reconstructed and used appropriately for the purpose of the study. It was measured by the sales increase rate of franchisees. The questionnaire consisted of a total of 3 items.

**3.3.4. Continuous Operation Intention**

Continuous operation intention was measured by reconstructing the items used in the studies of Hewett and Bearden (2001), Lewis and Lambert (1991), and Oliver (1980) to suit the purpose of the study.

**4. Method: Analytical Strategy**

SPSS 22 and AMOS 22 were used to test the hypothesis. We checked Cronbach's  $\alpha$  values to confirm the reliability of the measurement. In addition, a confirmatory factor analysis was performed using AMOS 22, and the goodness of fit was evaluated by using indices such as TLI, CFI, and RMSEA. Item parceling method was used in SEM analysis. The item parceling is a methodology that averages the scores of two or more items in the process of setting up a measurement model and uses them as observation variables (Kishton & Widaman, 1994).

**4.1. Validity and Reliability**

**4.1.1. Confirmatory Factor Analysis**

A confirmatory factor analysis was conducted using Amos 24 to verify the construct validity of the variables used in the study. As a result of the analysis, the fit indices of the measurement model were found to be at an acceptable level ( $\chi^2 = 35.166$ ,  $\chi^2/df = 2.705$ , TLI = .973, CFI = .987, RMSEA = .071) In addition, all of the factor loadings of the measurement items showed .5 or higher, indicating good validity. In order to more strictly confirm the convergent validity of the variables, composite reliability (CR) and average variance extracted (AVE) were additionally checked. In general, if the CR is .70 or higher and the AVE is .50 or higher, it is evaluated as an appropriate level (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). As shown in Table 1, since the CR and AVE values of all variables exceeded .70 and .50 respectively, the measurement tools of this study were found to have convergent validity. Discriminant validity was evaluated according to whether the AVE value exceeded the square value of the correlation coefficient between variables (Fornell & Larcker, 1981). As shown in Table 2, it was found that the AVE values of all variables exceeded the squared value of the correlation coefficient between variables. Therefore, the discriminant validity of the variables used in this study were confirmed.

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

Factor	Indicator	Estimate	S.E.	C.R.	P	Standardized Factor Loading	C.R	AVE
Job Satisfaction	JS_1	1	-	-	-	.886	.911	.773
	JS_2	.962	.057	16.767	***	.842		
	JS_3	1.021	.065	15.607	***	.841		
Work Engagement	Vigor	1	-	-	-	.791	.962	.895
	Dedication	1.104	.055	20.048	***	.941		
	Absorption	1.076	.057	18.885	***	.874		
Financial Performance	FP_1	1	-	-	-	.797	.893	.736
	FP_2	1.201	.072	16.655	***	.908		
	FP_3	1.103	.075	14.631	***	.736		
Continuous Operation Intention	COI_1	1	-	-	-	.946	.902	.760
	COI_2	.936	.044	21.282	***	.892		
	COI_3	.698	.056	12.478	***	.594		
Fit Indices	$\chi^2/df=3.878$ , TLI=.932, CFI=.954, RMSEA=.088							

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

**4.1.2. Reliability Analysis**

Cronbach's alpha value was used to confirm the reliability of the measurement tool. As a result of reliability analysis, Cronbach's alpha values of all variables met the reliability criteria (Job satisfaction .899, work engagement .910, financial performance .846, and continuous operation intention .911).

**4.2. Correlation Analysis**

The correlation was analyzed before testing the hypothesis. The results of the correlation analysis between variables in this study are shown in Table 2. According to the analysis results, it can be seen that there is a significant correlation between the measured variables.

**Table 2:** Results of Correlation Analysis

Factor	Mean	S.D	(1)	(2)	(3)	(4)
(1) Job Satisfaction	3.404	.514	(.773)			
(2) Work Engagement	3.413	.551	.655	(.895)		
(3) Financial Performance	2.814	.732	.329	.347	(.736)	
(4) Continuous Operation Intention	3.230	.688	.521	.513	.421	(.760)

Note: \*p<0.05, \*\*p <0.01, Figures inside of the parentheses is AVE

### 4.3. Hypothesis Tests

Hypothesis 1 is that job satisfaction has a positive effect on continuous operation intention. As shown in Table 3, the hypothesis was supported as  $\beta=.372$ , C.R=4.782, P<.001. Hypothesis 2 assumes that job satisfaction will have a positive effect on work engagement. As shown in Table 3, this hypothesis was also supported ( $\beta=.714$ , C.R=11.266, P<.001). Hypothesis 4 that work engagement would have a positive effect on financial performance was also supported ( $\beta=.392$ , C.R=6.437, P<.001), and the relationship between financial performance and continuous operation intention

(Hypothesis 5) was also significant. ( $\beta=.251$ , C.R=4.992, P<.001).

In this study, phantom variables were used to analyze the mediating effect of hypotheses 3 and 6. The analysis results are shown in Table 4. As shown in Table 4, the indirect effect of job satisfaction influencing continuous operation intention through work engagement was found to be not significant (Hypothesis 3 rejected). However, the indirect effect in which job satisfaction affects continuous operation intention through work engagement and financial performance was found to be significant. Thus hypothesis 6 adopted.

**Table 3:** Result of Path Analysis

Path	Estimate	S.E.	C.R.	p	Standardized Factor Loading
H1 Job Satisfaction → Continuous Operation Intention	.481	.101	4.782	***	.372
H2 Job Satisfaction → Work Engagement	.630	.056	11.266	***	.714
H3 Work Engagement → Continuous Operation Intention	.022	.108	.202	.840	.164
H4 Work Engagement → Financial Performance	.483	.075	6.437	***	.392
H5 Financial Performance → Continuous Operation Intention	.331	.066	4.992	***	.251
Goodness of Fit Index	$\chi^2/df=3.762$ , TLI=.935, CFI=.956, RMSEA=.088				

Note: \*\*\* p<0.001

**Table 4:** Result of Mediating Effect Analysis

Path	Estimate	Indirect Effect	p
H3 Job Satisfaction → (Work Engagement) → Continuous Operation Intention	.630	.014	.870
	.022		
H6 Job Satisfaction → (Work Engagement) → (Financial Performance) → Continuous Operation Intention	.630	.101	**
	.483		
	.331		

Note: \*\* p<0.01

## 5. Conclusion

### 5.1. Summary of the Results

This study was intended to emphasize the importance of job satisfaction at the individual level among the factors influencing the franchisee's continuous operation intention. Indeed, we tried to logically explain the process in which job satisfaction affects continuous operation intention - via paying attention to the mediating effect of work engagement and financial performance in retrospect to the relationship between them. The empirical results are as follows.

First, as a result of the empirical analysis, it was found that the job satisfaction of the franchisee has a positive (+) effect on the intention to continue management (continuous operation intention). When franchisee feels job satisfaction, they become committed to their work (Porter & Steers, 1973), more actively involved in the work and eventually come to identify themselves with the organization (Christian et al., 2011). Through this identification process, the franchisee becomes more committed to the organization and builds a trusting relationship with the headquarters staff, which entails a positive effect on the intention to continuous operation (Connolly & Viswesvaran, 2000; Wanberg & Banas, 2000).

Second, the job satisfaction of franchisee was found to have a positive (+) effect on work engagement. Job satisfaction can also be referred to as an individual's attitude toward a job (Weiss, 2002). When franchise store owners frequently experience positive emotions in their jobs, they voluntarily participate in the job, identify their beliefs with the job, and become more committed in their work (Bakker, 2009). This is in line with the research findings that employees with high job satisfaction are enthusiastic about their work (Banas, 2000; Connolly & Viswesvaran, 2000).

Third, the empirical results showed that the franchisee's work engagement had a direct effect on the financial performance. Such result reaffirms the assertion of previous studies that performance improves when one is passionate about one's job (Bakker & Demerouti, 2008; Markos & Sridevi, 2010; Rich et al., 2010; Schaufeli & Bakker, 2004).

Fourth, it was found that the financial performance of the franchisee had a positive (+) effect on the continuous operation intention. These results indicate that financial performance should be the basis for the continued management of franchisees (Oliver, 1999); if there is no profit, the franchisee cannot operate the store no matter how good the quality of the relationship with the head office is to be. Thus, once again the empirical results are in line with previous studies (e.g. Carney & Eric, 1991; Ganesan, 1994; Oliver, 1999) that recognized financial performance as an important antecedent of continuous operation intention.

Fifth, the relationship between work engagement promoted by the franchisee's job satisfaction and continuous operation intention was not significant. Nonetheless, it was found that the job satisfaction of the franchisee is connected to the continuous operation intention by mediating the work engagement and financial performance. The significance of this study is to confirm through which paths the franchisee's job satisfaction affects the continuous operation intention. Henceforth, in line with empirical research, we concluded that only with job satisfaction and work engagement, it is difficult to explain the franchisee's continuous operation intention. In conclusion, it was confirmed that the continuous operation intention is possible only when job satisfaction leads to work engagement and then to financial performance.

## 5.2. Implications

This has been an empirical approach as to understanding the process of how a franchisee's job satisfaction through work engagement and financial performance, affects continuous operation intention. The results of this study provide the following theoretical implications.

First, this study confirmed the mechanism that the franchisee's job satisfaction affects performance. Until now, regarding his/her performance, previous studies have merely

focused on the direct effect of the franchisees' personal characteristics. However, by considering various factors such as work engagement and financial performance, we were able to assess the process with more variety and depth.

Second, the business performance was analyzed by two areas of scope - financial performance and continuous operation intention. Once again in previous research, the business performance of a franchisee was measured by a single factor - such as financial performance or intention to re-contract. Hence, due to the difference in approach, this study is able to contribute to the accumulation of performance-related research by distinguishing them and confirming the causal relationship between these two outcomes.

Third, by adopting job satisfaction of franchisee as an antecedent variable, which has been neglected in 'franchise performance research' thus far, the difference is quite significant. As it has been previous, research has been generally swayed toward homogeneity (in consideration of the characteristics of the franchise industry). Therefore, with only the personal characteristics at display, it was easy to overlook. However, through this study, it was confirmed that job satisfaction of franchise store owners is indeed important to one's business performance (in the franchise industry as in other fields).

Meanwhile, the results of this study can provide meaningful practical implications to franchise headquarters and franchise store owners who want to improve performance.

The franchise headquarters takes various approaches such as store owner training and marketing support to improve the performance of the franchise. However, in the end, it is the people who increase the performance, that is, the franchisees. Therefore, to increase the performance of the franchise, it is imperative to consider individual-level factors - such as the store owner's job satisfaction and work engagement. Moreover, when the franchise head office supports affiliated stores, one must prepare to support store owners so that job satisfaction can be achieved and have healthy work engagement - rather than simply having monetary compensation. One must remember that a drop in job satisfaction (of the franchisee) leads to a drop in the financial performance (of the franchisee), which in turn adversely affects the business performance of the head office. Herewith, the franchise headquarters need to strive to improve long-term management performance through job satisfaction (of franchisees) to enable sustainable growth rather than pursuing immediate profits.

To conclude, it is evident that a long-term approach is crucial in remaining competitive - starting all the way from the basic stages of franchise recruitment and contract assessments.

### 5.3. Limitations and Future Research Directions

Although this study contributes to the accumulation of nepotism theory while providing practical implications, it has the following limitations.

First, this study draws conclusions based on the results of data collection plus analysis rendered via a cross-sectional study along with a self-report survey. Unfortunately, there is a limit to claiming a causal relationship between variables. Hence, in future studies, it will be necessary to verify the causal relationship based on a sophisticated longitudinal study design.

Second, as the financial performance is measured depending on the franchisee's perception, there is a limit to securing the objectivity of the data. Therefore, in future studies, it will be necessary to enhance the validity of the research results based on more objective data - such as sales per store, sales growth rate, and sales per store.

Third, the sample has regional limitations due to the subject of the survey being limited to only a part of Korea. Therefore, it is necessary to increase the generalizability of the research results by collecting and analyzing samples from various regions.

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