Impact of COVID-19 pandemic on franchise performance from franchisee perspectives: the role of entrepreneurial orientation, market orientation and franchisor support

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Impact of COVID-19 pandemic on franchise performance from franchisee perspectives: the role of entrepreneurial orientation, market orientation and franchisor support

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ABSTRACT
The epidemic of COVID-19, the disease triggered by the SARS-CoV-2 virus, has had major economic, political and social effects worldwide, leading to concern about the disease, especially in the franchise service industry. The purpose of this paper is to review literature on three factors: entrepreneurial orientation, market orientation, franchisor support and figure out the relationship of these three factors on franchisee performance. Based on the literature, entrepreneurial orientation, market orientation, franchisor resource has positive and significant impact to franchisee performance. Further, franchisor support holds very important role on moderating relationship between entrepreneurial orientation, market orientation and franchisee performance in this pandemic Covid-19. This paper highlight the concepts to clarify the distinctions between them and suggests the propositions between franchisee entrepreneurial orientation, market orientation, and franchisor supports to franchisee performance. Study on franchisee performance is necessary as franchisees are also employees, customers, stakeholders of the franchisors, contribute to the success of franchise system.

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KEYWORDS
Franchisee performances; entrepreneurial orientation; market orientation; franchisor resources; COVID-19

1. Introduction
The COVID-19 pandemic is one of the greatest challenges the modern world has faced. Governments around the world applied several methods such as adopt social distancing, reduce personal direct contacts and provide subsidies for economic policies to mitigate the economic impact of COVID-19 on economic growth. This pandemic has devastated many aspects of citizen’s daily life and also organizations’ transformation (Dwivedi et al. 2020). While social distancing efforts aim to control the corona virus and contribute to public health, they also create challenges for organizations in different industries and their stakeholders and employees around the world (Tuzovic and Kabadayi 2020). Organizations during this pandemic era are changing landscape of new process and new ways to remote working and rethink business models to adapt to the realities of
the unpredictable COVID-19 environment. Franchising sector – a kind of FDI method, which consists mostly of retail and service business – is highly affected by current economic crisis. This research paper highlights important factors from franchisee perspectives such as entrepreneurial orientation, market orientation and franchisor support to help franchisees survive and enhance superior performance of the franchise system during pandemic.

The importance of franchisee entrepreneurial orientation and market orientation has been examined in prior research as the strategic orientations of franchisee which can influence and guide the activities of franchisee companies to ensure long-term competitive advantage and offer better consumer services and verifiable management practices (Krzakiewicz and Cyfert 2019). However, based on this study’s acknowledge, no study has examined the moderating role of franchisor support on entrepreneurial orientation and market orientation during a pandemic on franchising sector. Understanding the level of franchisor support would be an important step in improving franchisee firms’ performance during and after a pandemic.

This paper offers three contributions to the literature. First, it gives the up-to-date information on the impact of COVID-19 on franchising sector from two different markets (the United States and Vietnam). Second, this paper develops a framework to investigate the impact of entrepreneurial orientation, market orientation and franchisor support on franchisee performance. This paper answers the call for studies to investigate factors that impact franchisee performance – which required more attention from scholars in franchise literature. Finally, based on the literature review, this paper explores new insights into franchisee performance in light of the pandemic.

2. Effects of COVID-19 on franchising sector

This part analyzes the COVID-19 impact on franchising sector on two franchise industries – the United States and Vietnam. The United States is one of the leading countries that have developed and well-structured franchise system. In 2019, franchise businesses in the United States had an economic production of about 787.5 billion US dollars. Around 8.43 million persons who served for franchise corporations added to the economic output of franchise institutions across the United States (Statista 2020). Vietnam is emerging country and very impressive in GDP growth rate during COVID-19 period from 2019 to 2020. In 2019, driven by high domestic demand and export-oriented manufacturing, the economy of Vietnam continued to demonstrate basic intensity and resilience. Real GDP grew by an estimated 7% in 2019, one of the ASEAN countries’ fastest growth rates (World Bank 2020).

According to International Franchise Association (2020) in the United States, approximately 32,700 franchised companies had closed as of August 2020 in the first six months since the COVID epidemic. A total of 21,834 businesses were partially closed, while 10,875 businesses were permanently closed. In addition, one in 20 small businesses will permanently shut down in the next six months, based on the small business pulse study carried out by the U.S. Census Bureau; it is also stated that without substantial support from government, there might be other 36,000 franchised units at significant risk of not surviving. Figure 1 illustrates job losses data and total store sales reductions from March 2020 to August 2020 in the USA. 'This report
shows that Covid-19 has caused a staggering amount of business closures and layoffs across franchise businesses’, commented by Robert Cresanti, IFA President and CEO (Multi-Unit Franchisee 2020) (Figure 2).

For some Asian countries who have strong attention to COVID-19, applying strict social distancing and quarantining has handled the current pandemic relatively well and have flattened COVID-19 curve. From Asia Development Bank data 2020, only three countries in South East Asia (Myanmar, Vietnam and Brunei) had positive

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**Figure 1.** Job losses data and total store sales from March 2020 to August 2020 for USA. Source: [www.franchise.org](http://www.franchise.org) (International Franchise Association 2020).

**Figure 2.** GDP growth rate 2020 forecast. Source: [https://www.adb.org/countries/viet-nam/economy](https://www.adb.org/countries/viet-nam/economy) (Asian Development Bank 2021).
forecast GDP growth rate in 2020 and other nine South East Asia countries had forecasted decrease in GDP growth rate, leading by Thailand and Philippines. CEO and Co-Founder of VF Franchise Consulting in HCM City, Vietnam (Bill Edwards 2020), highlighted that ‘there have been quite a bit of disruptions, but if it is a wake-up call perhaps it may a good thing in the long run. Southeast Asia has been spared for the most part when compared to China and Korea, but weaker and less financially stable businesses will fall’.

Vietnam is one of the emerging countries quickly recovering from COVID-19 pandemic. The implication was that Vietnam was able to lift its lockdown early and revive economic operation faster than other nations (Dezan Shira & Associates 2020). Vietnam has attracted many international franchise brands over the next few years; prospective franchisees and investors are paying attention in franchise especially on F&B, education franchising and retail franchises (Loc 2020). During COVID-19 pandemic, to increase customer awareness on brands and minimize operating fees, many big franchise brands are now focusing and expanding on take-away and mobilization model. Understanding market conditions and customer behavior, as well as willing to accept risk-taking, and proactive on unpredictable pandemic crisis is necessary for both franchisors and franchisees.

3. Theoretical background

3.1. Who is franchisee?

According to Lim and Frazer (2004), the franchisee performs the following roles: a client buying a franchise shop (Abdullah et al. 2011), a channel partnership-like company associate (Grünhagen and Dorsch 2003) and an employee (Morrison 1997). Therefore, one could say that for franchisees being in business ‘through themselves, not by themselves’ (Weaven, Grace, and Manning 2009), the perceived business success depends on quality evaluation of interpersonal exchanges (for example, provision of guidance with local marketing initiatives and advice pertaining to day-to-day operations). To retain brand credibility, franchisors depend on franchisees to reliably deliver brand pledge (King, Grace, and Weaven 2013). The incentive for franchisees to build value is attributed to the good customer-brand partnership, the potential to offer a premium and the competitor distinction benefits (Lynch and de Chernatony 2004). It has been assumed that franchisees are types of entrepreneurs that invest financial resources towards the development of business under an existent organizational/brand name (Alpeza, Perić, and Šoltić 2012). According to Gillis, Combs, and Ketchen (2014), the franchisee also has greater understanding of local features and how to communicate with consumers, which can lead to the franchise’s performance. As independent operators, franchisors are most inclined to maintain standardized requirements, implement modifications and local business strategies to sustain the franchise structure (Dant, Weaven, and Baker 2013).

Hence, the franchise industry faces numerous challenges during the COVID-19 pandemic: incomplete knowledge, deep complexity, high risk and uncertainty in the light of decision-making speed, franchisees need to have significant entrepreneurship capabilities and market orientation elements in order to respond to market changes.
3.2. Research on franchisee performance

Franchising has been researched significantly for many years, but it has been increasingly emphasized in the last 10–15 years due to the advent and popularity of globalization which has allowed businesses to conduct operations across international borders. It is a popular business growth model utilized by business as an entry mode into international markets as it minimizes risks by partnering with local franchisees. Obtaining franchise licenses provides a significant advantage as franchisor already has a well-established structure and reputation; however, it does not guarantee success for the franchisees (Welsh, Hayes, and Raven 2011). Therefore, many academic scholars are now paying more attention to franchisee performance literature, including different perspectives such as entrepreneurial characteristics, environmental contingency, intangible assets from both franchisors and franchisees, franchise management strategies, control mechanisms, etc. as listed in Table 1. This paper focuses on three most important franchisee perspectives: entrepreneurial orientation, market orientation and franchisor support.

3.3. Franchisee entrepreneurial orientation

Over the years, entrepreneurial orientation needs emerged as a major concept within the literature on pragmatic management and entrepreneurship and has a core position in the field of entrepreneurship research (Venkatraman and Nelson 2008; Rezaei and Ortt 2018). EO is the state or quality of an enterprise and has been considered a multi-behavioral framework (Ireland, Covin, and Kuratko 2009). Entrepreneurial orientation is one variable closely linked to a firm’s success (Croonen, Brand, and Huizingh 2016; Griffith, Noble, and Chen 2006; Martens et al. 2016) and it has historically a positive effect on the growth rate of sales (Covin, Green, and Slevin 2005; Kraus, Harms, and Fink 2010) which is able to predict innovation (Gupta and Gupta 2015). Franchisee firms who have EO characteristics will have the potential to pursue and implement emerging business opportunities, adapt to the evolving of global economy and achieve stronger comparative advantage over other rivals, therefore can enhance superior performance (Chien 2014). Some notable articles on franchisee entrepreneurial orientation are listed below.

Watson et al. (2020) examined the role of national culture in the rhetoric of entrepreneurial orientation (EO) contained in promotional materials for franchisee recruitment, where EO rhetoric is described as the strategic use of words in organizational narratives to convey the risk-taking, innovation, proactivity, autonomy and competitive aggression of the company based on five different countries (France, India, Australia, South Africa and the UK). That research suggested that EO rhetoric in the franchise system differs depending on the national context where countries with high uncertainty avoidance and feminine culture use less entrepreneurially oriented rhetoric.

López-Fernández and López-Bayón (2018) analyzed the impact of entrepreneurial autonomy (one of the dimensions of entrepreneurial orientation) on franchisee performance and explore the further insights on partnership failure. By leading conflicts and terminations from both sides, entrepreneurial autonomy might be harmful to both parties in franchise networks.
### Table 1. Distribution of franchisee performance research from the period of 2011 to 2020.

<table>
<thead>
<tr>
<th>Journals</th>
<th>Number of papers</th>
<th>Authors</th>
<th>Topics covered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International Small Business Journal</strong></td>
<td>01</td>
<td>Watson et al. (2020)</td>
<td>Franchisee personalities</td>
</tr>
<tr>
<td><strong>Journal of Retailing and Consumer services</strong></td>
<td>01</td>
<td>Basset and Perrigot (2020)</td>
<td>Financial issues, franchisee's expectations</td>
</tr>
<tr>
<td><strong>European Journal of Marketing</strong></td>
<td>02</td>
<td>Quach et al. (2020) Brown et al. (2016)</td>
<td>Franchisee personalities Channel governance</td>
</tr>
<tr>
<td><strong>African Journal of Hospitality, Tourism, and Leisure</strong></td>
<td>01</td>
<td>Dube, Mara, and Ntimane (2020)</td>
<td>Franchisor support, trust and fairness expectation</td>
</tr>
<tr>
<td><strong>The International Review of Retail, Distribution and Consumer Research</strong></td>
<td>01</td>
<td>Colla et al. (2020)</td>
<td>Franchisee entrepreneurial orientation</td>
</tr>
<tr>
<td><strong>Management Science</strong></td>
<td>01</td>
<td>Ackermann (2019)</td>
<td>Franchisee store location, franchisee local market knowledge</td>
</tr>
<tr>
<td><strong>Management &amp; Avenir</strong></td>
<td>01</td>
<td>Beldi and Karmeni (2019)</td>
<td>Control mechanism</td>
</tr>
<tr>
<td><strong>Journal of Business and Psychology</strong></td>
<td>01</td>
<td>Parker et al. (2019)</td>
<td>Personal and contextual resources</td>
</tr>
<tr>
<td><strong>Journal of Human Resources in Hospitality and Tourism</strong></td>
<td>01</td>
<td>Kalargyrou, Hachemi Aliouche, and Schlientrich (2018)</td>
<td>Franchisor's trustworthy, cares, brand, word of mouth</td>
</tr>
<tr>
<td><strong>Journal of Developmental Entrepreneurship</strong></td>
<td>01</td>
<td>Cumberland, Meek, and Germain (2015)</td>
<td>Entrepreneurial self-efficacy</td>
</tr>
<tr>
<td><strong>Journal of Retailing</strong></td>
<td>01</td>
<td>Patel et al. (2018)</td>
<td>Family owned franchisee and non-family franchisee</td>
</tr>
<tr>
<td><strong>International Journal of Contemporary Hospitality Management</strong></td>
<td>01</td>
<td>Lee (2017)</td>
<td>Knowledge sharing</td>
</tr>
<tr>
<td><strong>Journal of Marketing Research</strong></td>
<td>01</td>
<td>Antia, Mani, and Wathne (2017)</td>
<td>Franchisee governance</td>
</tr>
</tbody>
</table>

(Continued)
Adeiza et al. (2018) analyzed the positive impact of entrepreneurial orientation (innovativeness, risktaking and proactiveness) on franchisee’s outlet performance and intention to stay. Based on the qualitative analysis, franchisee’s innovativeness is proved to have significant influences on franchisee outlet performance and there is need of franchisor support to great innovation environment. The other two dimensions of entrepreneurial orientation, risk-taking and proactiveness, will increase franchisee sale growth and profit, and remain intention to stay.

Entrepreneurial orientation has been described as a part of the managerial process that allows some businesses to be ahead of the competition, as EO promotes firm action based on early signals from their internal and external environment (Lumpkin and Dess 1996). Entrepreneurial orientation refers to a company’s strategic orientation, capturing specific business aspects of decision-making styles, methods and practices (Rauch and Frese 2007). Given the importance of entrepreneurship to firm performance, entrepreneurship could be an important measure of how a business is organized – one that increases the performance benefit of an organization’s human capital by focusing attention on using these tools to exploit opportunities.

Looking back to 2020, the business trend focused on O2O (Online to Offline) – which considered an optimal solution for F&B businesses on improving their revenue amid difficulties caused by COVID-19. Taking risk by leveraging traditional buying and selling platforms combined with online platform, number of franchisee businesses have been outperformed and survive through difficult times (Robert Beausoleil 2020). As the pandemic changed how consumers interact with dine in restaurants, Domino’s delivery-focused pizza chains have proven to be resilient and became leading innovator in its space, with the addition of contactless delivery to protect both its staffs and customers. Ace Hardware, 7-Eleven, Fastsigns, Mathnasium, Popeyes, etc. are successful franchising models despite pandemic’s new challenges by proactiveness, innovativeness and risk-taking characteristics (Sean Ludwig 2020).

Table 1. Continued.

<table>
<thead>
<tr>
<th>Journals</th>
<th>Number of papers</th>
<th>Authors</th>
<th>Topics covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial and Decision Economics</td>
<td>02</td>
<td>Meiseberg et al. (2017)</td>
<td>Governance structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mumdziev and Windsperger (2013)</td>
<td>Behavioral uncertainty, environmental uncertainty, franchisee’s specific investment</td>
</tr>
<tr>
<td>Journal of Small Business Management</td>
<td>01</td>
<td>Chiu and Droge (2015)</td>
<td>Standardization, perceived trust</td>
</tr>
<tr>
<td>Management Decision</td>
<td>01</td>
<td>Chien (2014)</td>
<td>Entrepreneurial orientation, franchisor resources, spousal resources</td>
</tr>
<tr>
<td>Journal of Business Economics and</td>
<td>01</td>
<td>Weaven et al. (2014a, 2014b)</td>
<td>Information dissemination, information search, franchisor openness, perceived support</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td>Franchisee-based brand equity Ownership structure</td>
</tr>
<tr>
<td>The Service Industries Journal</td>
<td>02</td>
<td>Felicio et al. (2014)</td>
<td>Franchisee-based brand equity Ownership structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Calderon-Monge and Huerta-Zavala (2014)</td>
<td></td>
</tr>
<tr>
<td>Journal of Marketing Management</td>
<td>01</td>
<td>King, Grace, and Weaven (2013)</td>
<td>Knowledge dissemination, information generation, brand commitment</td>
</tr>
</tbody>
</table>
Proposition 1: Franchisee entrepreneurial orientation, namely, risk-taking, innovativeness and proactiveness, has positive and significant impact on franchisee performance.

3.4. Franchisee market orientation

Market orientation is a philosophy in marketing strategy that promotes the capacity of an organization to deliver both internal and external clients with superior goods and services (Crick 2019). In today’s competitive business climate, where competitiveness and volatility are escalating, MO is critically relevant, especially in COVID-19 pandemic era. According to Kohli and Jaworski (1990), MO refers to the company-wide acquisition of market intelligence, company-wide circulation of that material across departments and company-wide reaction to it. In other words, the company must first recognize the diverse demands of market actors such as rivals, buyers and suppliers, learn how to react efficiently to market changes and work diligently to produce goods and services that provide a competitive edge (Kohli and Jaworski 1990). Moreover, MO is an approach used to expand a company’s valuation model to incorporate exogenous variables affecting a firm. In doing so, a firm may recognize and respond to their customers’ needs and offer goods and services that suit those needs, thereby rendering MO a primary instrument in creating a sustainable competitive edge (Narver and Slater 1990; Pandey and Khare 2015). The general literature on customer/market orientation provides credence to the importance of customers in generating value for both businesses and customers (Kirca, Jayachandran, and Bearden 2005).

A rise in MO can produce greater business efficiency, either at the company level or at the network level, based on market orientation theory. Another study from Lee et al. (2015) indicates that franchise businesses that have a competitive edge are more valuable to franchisees, which helps recruit new members (growth of the company) and improve franchisee satisfaction (sustainable of the business). In addition, a franchise organization effectively encourages all franchisees to be conscious of their business situation and to express their opinions or feedback with the parent company while emphasizing a market-oriented approach. This establishes a two-way communication link between the franchisor and franchisees, which in turn facilitates a relationship of trust and improved channel relationship (Mohr and Sarin 2009; Chiou and Chang 2009). Consistently, Gauzente (2010) shows that MO enhances coordination, conflict functionality and is beneficial to channel members. Gauzente (2010) also points out that franchise channels are more tightly coupled than other distribution channels, and MO is potentially more easily shared in franchise channels. There will be a similar view on MO between franchisors and franchisees, and franchisees of highly market-orientated networks will perceive their network to be more market-orientated than others.

This study shows a temporal progression (Kirca, Jayachandran, and Bearden 2005), as the elements of three behaviors for a concept (Narver and Slater 1990) are defined. First, consumer orientation, which involves recognizing target customers now and over time in order to create superior value for them; second, competitor orientation, which includes collecting data on actual and future rivals, and knowing all the main current and potential competitors’ short-term strengths and limitations and long-term capabilities; and third, inter-functional collaboration, which is the organized utilization of tools to generate higher benefit on target clients. The results (Gruber-Muecke and Hofer 2015) show
that EO and MO impact on firm performance in the emerging markets and can therefore translate to emerging market approaches and variables proven successful in advanced markets.

In COVID-19 pandemic, communication between franchisors and franchisees and between franchisees and customers, suppliers, employees, etc. is very important which can enable them to adapt more rapidly and to make choices with greater confidence (Bretas and Alon 2020). Ms. Nguyen Phi Van, CEO of World Franchise Associates and Chairman of Retail & Franchise Asia, HCM City, Vietnam, commented that, in the post COVID-19 period in Vietnam, the right to operate could thrive in technology-applied business models, O2O (Online to Offline) and DevOps (working model combining software development engineers with systems development engineers, security engineers, network engineers, infrastructure engineers, etc. with the purpose of shorten the product lifecycle), flexible models or low investment level models with high return in profit. Moreover, franchisee firms must change their mindset, always market-focused and flexibility seek solutions, change business models, diversify revenue channels to disperse and limit risks, seize opportunities and quickly turn around in all situations. E-commerce franchise is also emerging as a model capable of recovering and regaining strong growth momentum in the post COVID-19 period that need to be ensured, various plans against treats and attacks in network security (Subahi et al. 2020). Moreover, top management levels must adopt a more market-oriented stance, dictated by current barriers and businesses, and need to be transformed from being open to becoming more proactive (Hung 2020).

**Hypothesis 2**: Franchisee market orientation, namely, customer orientation, competitor orientation and inter functional orientation, has positive and significant impact on franchisee performance.

### 3.5. Franchisor support

Over the years, research has clearly depicted that one of the most important benefits of franchising is that it creates significant entrepreneurial opportunities for both franchisor and franchisee (Lola Dada, Watson, and Kirby 2015) through franchisor support. Franchisor support can be evaluated as an important query that must be answered in order to holistically analyze the implications of intangible assets from both franchisor and franchisee perspectives.

Franchisor support is a main reason to attract potential franchisees and maintain good relationship with existing franchisees in a complex franchise system. Several researches suggest that the level of franchisor support influences franchisees’ attitudes and positive responses and their commitment to achieve outstanding performances and attachment toward franchise brands (Nyadzayo, Matanda, and Ewing 2015). Franchisors can support their franchisees in various ways, through training, franchisee fees/royalties, promotional and advertising assistance, on-going services, franchisor restrictions on day-to-day decisions, marketing and advertising fees and how franchisors take care of franchisees (Roh and Yoon 2009). Chien (2014) defined franchisor support including training provided by franchisor – main instrument to build franchisee’s human capital and provide confident for franchisees in management skills and knowledge. Watson et al. (2016) also suggested that franchisor can have different strategies to manage
entrepreneurial identity on franchisee such as managerial support – franchisee entrepreneurial autonomy is encouraged within the franchise system – franchisor institutionalized support – which are control mechanisms to reinforce entrepreneurial climate – and franchisor structural support – which captures the degree of risk-taking, tolerance and innovation in franchise system’s structure. Consistently, franchising involves the implementation by a dynamic entrepreneurial partnership of a standardized system of broad distribution (López-Bayón and López-Fernández 2016). Jang and Park’s (2019) study examined the contractual arrangement between the franchisor and the franchisee and required the franchisor to provide information and technical assistance to franchisees, and even financial support for the management of franchisees’ outlets. Support services relate to the degree to which franchisors support the franchisees’ objectives, address their demands, engage willingly in problem-solving and offer assistance as requested by the franchisees (Weaven et al. 2014a, 2014b; Ramaseshan, Rabbanee, and Burford 2018). Other two researches (Parker et al. 2019; Jang and Park 2019) had the same idea on franchisor support as support can avoid franchise conflict and minimize franchisee free-riding, which can reduce agency problems. In the research of Jang and Park (2019), franchisor support is one of the important elements that make franchisees willing to continue their current franchise business, and also one of the antecedents and consequences of the franchisor–franchisee relationship. It is also believed that franchisor support enhances franchisee positive affective appraisal and economic satisfaction, as well as the firm’s franchisor–franchisee psychosocial bond, which leads to relational satisfaction. Consequently, the franchisee conducts their business with franchisor support and assistance, while the performance of the franchisor relies on the aggregated income sources of the profitable activities of the franchisees.

Previous research has highlighted the reciprocal effect that if franchisees feel trust and supported by their franchisor, they will engage in entrepreneurial behavior which are beneficial to the system as a whole, at the same time creating a mutually cooperative relationship (Hoy, Perrigot, and Terry 2017).

Franchisees are not only ‘customers’ of the franchisor but are also entrepreneurs who buy and operate business units through franchise networks. Franchisees may involve themselves in activities of less risk owing to franchisor support and resources. Franchisees provided by their franchisors with a well-developed start-up and ongoing support facilities are more likely to achieve consistent operating expectations (Roh and Yoon 2009), which can promote the franchise brand.

The trustworthiness of the franchise system can affect franchisee performance which is proof of the value of a background rich in franchisor support, as low support will reduce the positive impact of franchisee financial success (Parker et al. 2019). It is therefore crucial that individual franchisees feel a high level of support from their franchisor, and that their positive perceptions are shared among the group of franchisees; in particular so that proactivity can be translated into financial performance benefits (Parker et al. 2019).

The study of Adeiza et al. (2017) explores the influence of franchisor support on franchisee financial performance, overall satisfaction and intention to remain. At the initial stage, the effect of training is greatest, but this effect subsequently declines as franchisees master the company’s nuances. In all phases of the franchisee sector, management service retains a constant relevance and shows that preparation and management service help
have a pronounced impact on company performance at both the original and growing levels.

Entrepreneurial orientation focuses on exploring potential prospects and investing capital to improve strategic advantage (Lumpkin and Dess 1996), contributing to better distribution decisions (Grewal et al. 2011). The greater the franchisor support, the greater the EO capacity to leverage capital and maximize efficiency (Chien 2014). There is no doubt that franchisees with strong franchisor support have higher levels of competence and find it easier to identify business opportunities from other stakeholders.

The franchisor-level studies of Ramaseshan, Rabbanee, and Burford (2018) indicate that the franchisor management approach of delivering sufficient support facilities to franchisees positively affects consumer satisfaction; and franchisors who support continuous training and organizational and marketing assistance ensure efficient information-sharing through the franchise network (Paswan and Michael Wittmann 2009). Studies have reflected that the support from the franchisor does not reduce or diminish the independence or innovative capabilities of the franchisee; in fact, it enhances the ability of the franchisee to innovate and create by combining the support and resources of the franchisor. Overall, it can be evaluated that the synergistic and dynamic relationship between the parties plays an important role in gaining a competitive advantage over rival firms (Flint-Hartle and de Bruin 2011). The above evaluation can clearly depict that the benefits of franchising are wide-spread and it has been utilized by large-scale business organizations to expand operations and achieve competitive advantage (Herz et al. 2016).

**Proposition 3**: Franchisor resources have positive and significant impact on franchisee performance.

**Proposition 4**: Greater franchisor resources enhance the impact of the franchisee entrepreneurial orientation on franchisee performance.

**Proposition 5**: Greater franchisor resources enhance the impact of the franchisee market orientation on franchisee performance.

### 4. Conclusion

In the preceding sections, the impact of COVID-19 on the franchising sector in two markets - USA and Vietnam is given. Second, the definition of a franchisee and overview on franchisee performance research are examined. Third, this study has investigated the effect of entrepreneurial orientation, market orientation and franchisor supports on franchisee performance. This study also developed several propositions to support the important role of franchisor supports on franchisee performances. Finally, this study gives insight into the important variables that are critical for franchisee performance.

### 5. Areas for future research

An entrepreneurial and market focus are critical to the success of franchisee efficiency and achieving superior performance; therefore, franchisors must seek out master franchisee firms with high EO and MO. The study findings of Martens et al. (2016) support the study by Wales et al. (2011), which indicates that, despite the significant growth in entrepreneurial orientation (EO) and market orientation (MO) studies, the topic concerns have been offered limited attention by many countries. The results of the study indicate
that the regions of Latin America, Sub-Saharan Africa, Eastern Europe and the Middle East offer rare studies on the topic published in the updated academic search database. The creation of studies in these regions should be encouraged by researchers, especially on countries that have low level of entrepreneurship level. Also, different EO dimensions will have different effects on franchisee performance; hence, further research should examine the level of each EO dimensions effect on franchisee performance in different cultural contexts. Moreover, MO and EO are important dimensions of strategic orientation that can explain the degree to which firms are engaged in satisfying customer demand and offering greater value to customers, and how firms proactive in the business environment take risks and develop new business activities (Deutscher et al. 2016). However, there is a lack of evidence on the relationship between strategic orientation and strategic performance (Shah et al. 2019) and needs further attention of academic research.

Second, in the franchising literature on franchisee performance, prior research mainly used financial performance measures to examine the relationship between EO and performance (Colla et al. 2019; Bourkheili 2020; Rajagopal 2007). Since respondents may be hesitant to provide objective information regarding their company performance, quantitative financial measures are necessary but not sufficient to fully assess firm performance (Dada and Watson 2013). Accounting-based financial measurement systems are no longer sufficient to assess company performance (Rahman and Ramli 2016); therefore, it is a common trend that franchisee firms have adopted many new approaches incorporating financial and non-financial metrics to assess their performance.

Third, this study also suggested that market dynamism influences business performance to improve the explicative power of performance (Khedhaouria, Gurău, and Torrès 2015) especially in this pandemic period. Technological changes, differences in customer preferences, shifts in products’ demand and unpredictability transitions can be seen as a threat, however, franchisee firms can take advantage of it, as it constantly generates new business opportunities, especially in emerging markets. Additional research should consider the role of market dynamism on franchisee performance and examine the relationship between market dynamism and franchisee entrepreneurial orientation, franchisee market orientation.

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