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The impact of franchisor resources, relational capital, and market responsiveness on franchisee performance: From the dynamic capability perspective

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A B S T R A C T

In today's rapidly changing business environment, franchisees' market responsiveness is a way to create a sustainable competitive advantage. Drawing on the resource-based view, dynamic capability perspective and relational view, this study examines the relationships between franchisor resources, relational capital, market responsiveness, and franchisee performance. Based on data collected from 152 franchisees in a convenience store chain in Taiwan, the analysis revealed that market responsiveness, franchisor resources and relational capital are all positively related to franchisee performance. Franchisor resources and relational capital positively affect franchisee performance both directly and indirectly through market responsiveness. Furthermore, relational capital has the strongest effect on franchisee performance.

1. Introduction

In volatile business environments, where franchisors continually face new challenges, their franchisees' ability to respond to local markets can help create a sustainable competitive advantage (Bradach, 1998; Colla et al., 2019). For franchisees, market responsiveness may be viewed as a specific capability to respond to their local market changes. Franchisees' market responsiveness refers to their ability to respond rapidly to market changes, outpacing their rivals in local markets. Because they keep the residual profits of their franchise store, franchisees are highly motivated to develop their market responsiveness in order to improve their performance. For market responsiveness to be useful, the literature is increasingly asserting that it must involve the dynamic perspective, specifically from the dynamic capability approach (Griffith et al., 2006). Prior research indicates that market responsiveness improves market pioneering (Garrett et al., 2009), product strategy change (Wei et al., 2014), marketing performance (Khan & Khan, 2021) and firm performance (Lee, 2010).

The franchising literature mainly focuses on the local responsiveness perspective. Bradach (1998) indicates that local responsiveness is viewed as an important challenge facing chain management by the franchisor. Since the adaptation view argues that higher levels of environmental uncertainty requires more adaptability and local responsiveness, the concept of local responsiveness is similar with the adaptation (Glaser et al., 2020). However, although studies in franchising emphasize the importance of responsiveness in the local market, there is little or no insight into the relative importance of capability in the dynamic environment.

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Given the strategic importance of market responsiveness, this study focuses on the concept of market responsiveness from the dynamic capability perspective. Dynamic capabilities have incorporated the concept of ‘dynamic value’ into the resource–based view (RBV) argument in an attempt to explain how competitive advantage functions in rapidly changing environments. Few studies have indicated that market responsiveness is viewed as the key element of dynamic capability to improve firm performance (Griffith et al., 2006; Luu, 2017; Khan & Khan, 2021).

Understanding the determinants of market responsiveness may allow franchisees to foster the development of market responsiveness. The literature on dynamic capabilities argues that resources improve the development of dynamic capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997). Luu (2017) adopts the dynamic capability perspective to explore that EO is considered as a resource to engender market responsiveness. Similarly, based on the dynamic capability approach, Khan and Khan (2021) examine that marketing skill improves market responsiveness. Thus, valuable resources represent an important determinant of market responsiveness. In the business format franchise, a franchisee is more like an entrepreneur than a manager in terms of their temperament, but one who operates with the added benefit of external resources provided by the franchisor. Franchisees gain access to franchisor resources such as an established brand name and training. On the other hand, relational capital contributes to the lowering of franchisees’ perceptions of opportunistic behavior and encourages them to make relationship–specific investments (Delerue–Vidot, 2006). Based on the resource–based view (RBV), prior research argues that franchisor resources and relational capital are valuable resources to achieve competitive advantages (Gillis et al., 2014; Nijmeijer et al., 2014).

Perhaps more than ever, franchisees are more engaging in integrating franchisor resources and relational capital into market responsiveness to enhance performance in the increasingly competitive marketplace. To address this issue, the present study applies the RBV, dynamic capability and relationship– marketing theory to explore the role of franchisee market responsiveness. Based on insights from these perspectives, this study presents a conceptual model proposing that a franchisor’s resources, relational capital, and market responsiveness all affect franchisee performance.

The paper proceeds as follows. The next section reviews the research on market responsiveness, franchisor resources, and relational capital and develops the study hypotheses. Market responsiveness is the ability to respond to the local market. Franchisor resources will be treated as the franchise training and the brand name (Michael & Combs, 2008), and relational capital will be viewed as trust and communication (Gillis et al., 2014). The approach to data collection and analysis will then be described, followed by the results of the hypothesis testing. Finally, the implications for researchers and franchise managers will be considered, and the study’s limitations and suggestions for potentially fruitful future research directions presented.

2. Theoretical background and hypotheses development

The RBV of the firm indicates that resources that differ in value, rarity, and imitability lie at the root of competitive advantage (Barney, 1991). The RBV, which focuses on differences among firms’ resources and capabilities, can relax the homogeneous assumption of agency theory in the context of franchising (Combs et al., 2004; De Castro et al., 2009). From the RBV, franchisees can use valuable franchisor resources and relational capital if they think these resources will improve their franchise performance.

However, the mere possession of valuable resources does not guarantee that a sustainable competitive advantage will actually be achieved in dynamic market environments (Eisenhardt & Martin, 2000; Teece et al., 1997). Dynamic capabilities incorporate the concept of ‘dynamic value’ into the RBV argument in an attempt to explain how competitive advantage functions in rapidly changing environments. In that sense, possessing resources will not automatically allow franchisees to achieve competitive advantages in dynamic marketplaces, as they must also develop dynamic capabilities, such as market responsiveness. Prior research suggests that a small retailer’s market responsiveness should be viewed as the key element of dynamic capability to improve firm performance (Griffith et al., 2006; Luu, 2017; Khan & Khan, 2021).

Based on the perspective of relationship marketing literature, relational capital within a franchise relationship can be treated as a resource. A franchise is the prototype of relational exchange, and that the informal relationships that develop between the franchisor and individual franchisees become more important than the formal contracts that nominally bind them (e.g. Gassenheimer et al., 1996). This is because as the partnership progresses, franchisors and franchisees develop joint actions in response to market conditions that cannot be anticipated and written into the original contract (Bordonaba–Juste and Polo–Redondo, 2008). The relational capital in franchising refers to the relational rent generated in the franchisor–franchisee relationship that cannot be generated by either a franchisor or a franchisee in isolation (Dyer & Singh, 1998). Two key dimensions of relational capital are essential to the development of dynamic capability: trust and communication (Harmon and Griffiths, 2008; Watson & Johnson, 2010).

2.1. Market responsiveness and franchisee performance

With unexpected customer needs and increased competition, responsiveness to local market changes has become an important success factor for most franchisees. According to Kohli and Jaworski (1990, p.6), “Responsiveness is the action taken in response to intelligence that is generated and disseminated." Responsive actions react to market information generated by both customers and competitors; Wei et al. (2014) indicate that responsive action allows firms to adjust their offerings to respond rapidly to changing markets. Based on the dynamic capability perspective, Griffith et al., (2006, p.56) define a retailer's market responsiveness as "the ability (in relation to competitors) to respond to new and existing customer needs". In this study, a franchisee's market responsiveness is considered to be their specific ability to respond quickly to customer needs ahead of their competitors in the local market.

Due to geographic dispersion, franchisees in different areas must deal with different local market conditions, inevitably possessing more local market knowledge than their franchisor (Windsperger, 2004). If franchisees respond rapidly to changing local markets, they are likely to achieve a competitive advantage. For example, while customers require increased level of convenience, franchisees' market responsiveness that focuses on making a timely response to initiatives by local competitors and their customers' requests by exploiting existing resources could well be associated with positive performance (Theoharakis & Hooley, 2003; Lee, 2010). Moreover, market responsiveness may allow franchisees to engage in tying their products or services closely to what their customers want (Hult et al., 2005). Responsive actions may cause a franchisee to adjust or differentiate his or her offerings to meet the specific needs of customers, satisfy customers' potential needs, and increase their value to customers, creating a positional competitive advantage in their local market (Wei et al., 2014). A responsive franchisee may react to market signals and potential market opportunities and threats (Wei et al., 2014), responding quickly to local customer needs and competitor actions (Lee, 2010). Empirical reports indicate that market responsiveness positively influences firm performance (Lee, 2010; Griffith et al., 2006). Thus, this study hypothesizes:

H_1: *Franchisees' market responsiveness positively affects franchisee performance.*

2.2. Franchisor resources and franchisee performance

Critical franchisor resources primarily consist of the franchise training and the brand name (Michael and Combs, 2008; Gorovaia & Windsperger, 2018). Franchisors transfer firm–specific know how to their franchisees through franchise training that provides the franchisees with a higher level of business management skills (Litz & Stewart, 2000). Franchise training generally includes both initial training and ongoing training. Initial training programs focus on the acquisition of a franchisor's specific know-how and then help franchisees acquire the necessary expertise to start up a business (El Akremi et al., 2015). Franchisees then receive additional support from ongoing training programs that continue to transfer new knowledge and skills and instill a common set of values while helping franchisees to run their businesses more effectively (Gómez et al., 2004). Learning this type of valuable knowledge from the franchisor helps franchisees to build the human capital that enables franchisees to increase their productivity (Frank & Obloj, 2013).

The brand name provided by the franchisor creates unique brand awareness among customers (Litz & Stewart, 2000). The value of a franchise brand name to customers is that it serves as a signal of the standardization of that particular product (Michael, 1996). The benefits of standardization for customers thus consist of quality assurance and the reduction of transaction costs related to purchasing a familiar brand, especially in unfamiliar geographic areas (Michael, 1996; Wu, 1999). Strong franchise branding may create opportunities, offer superior value compared to rival offerings, and resonate with their target market (Zachary et al., 2011; Pitt et al., 2003). Successful brands can be valuable resources that enable franchisees to create stronger earnings and achieve a more stable performance in their local marketplace (Wu, 2015). Thus, this study can formulate:

H_2: *Franchisor resources positively affect franchisee performance.*

2.3. Relational capital and franchisee performance

In franchising, trust and communication can be considered as important relational strategic assets. Morgan and Hunt define trust as "existing when one party has confidence in an exchange partner's reliability and integrity" (1994, p. 218). A franchisor must be willing to rely on their franchisees to perform at expected levels and within specified guidelines, while franchisees must be willing to rely on their franchisor to provide the resources they need to do so (Davies et al., 2011). When franchisees have trust in their franchisor, they do not fear the franchisor's opportunistic behavior and experience low levels of mental conflict (Gillis et al., 2014; Nijmeijer et al., 2014). Moreover, trust allows franchisees and their franchisor to share information, facilitate joint efforts, and then improve relational rents between the franchisor and franchisees (Herz et al., 2016).

Communication facilitates a shared understanding of what information is important and how best to use it (Spralls et al., 2011), and thus improves efficiency and the effectiveness of coordination in the franchise (Chiou et al., 2004). Communication reduces the level of conflict and ameliorates any negative effect of opportunistic behavior on franchise system performance (Harmon & Griffiths, 2008; Gassenheimer et al., 1996).

Extant research empirically found that relational capital fosters firm performance (e.g. Kohtamaki et al., 2013). In this context, because it reduces the franchisee's motivation for engaging in opportunistic behavior and enhances relational rents within the franchise system, trust plays a vital role in developing franchised–outlet performance (Davies et al., 2011). When the infrastructure for good communication is firmly embedded in the franchise system, a franchisee may easily access necessary information and reduce misunderstandings and uncertainty, thus improving performance. Thus, this study can formulate:

H3: *Relational capital positively affects franchisee performance.*

2.4. Franchisor resources, relational capital and market responsiveness

Resources are seen as assets or inputs to production, while capabilities represent the ability to coordinate and deploy organizational resources in order to achieve the firm's goals (Helfat & Peteraf, 2003). Capabilities, as 'an intermediate transformation ability' between a firm's resources and objectives, enable a firm to convert its resources into whatever outcomes it desires (Dutta et al., 2005). Dynamic capabilities are positioned as an extension of this approach, introducing a dynamic aspect into the RBV, and focusing on how the way resources are integrated to respond to changes is crucial for achieving a competitive advantage, especially under conditions of environmental volatility (Teece et al., 1997; Eisenhardt & Martin, 2000). For franchisees, market responsiveness is generally viewed as a dynamic capability that integrates strategic resources to respond to customer needs and movements in a competitive market.

2.4.1. Franchisor resources and market responsiveness

Franchisors conduct on–going training activities to provide franchisees with timely information. Ensuring that franchisees continuously acquire new information and knowledge equips them with broader rather than narrower knowledge and enables them to rapidly serve customers or compete with their rivals in a more responsive manner (Chang et al., 2012; Tsai et al., 2009). Furthermore, dynamic capabilities should be considered to be complicated routines due to the fact that these routines arise from learning (Zollo & Winter, 2002). The learning franchisees gain in the franchisor's training programs can synergistically integrate their knowledge into their business routines to develop greater human capital (Tsai et al., 2009). As such, learning from training programs is strongly associated with the ability of franchisees to respond to their local market. Moreover, for franchisees, the franchisor's brand identifies and differentiates them from competitors in the same market (Santos-Vijande et al., 2013), as well as helping them develop a positive reputation (Herbig & Milewicz, 1995). Strong brands may also help franchisees develop the ability to respond effectively to target customers, with the goal of achieving lasting competitive advantages in the local market (Urde et al., 2013). Thus, the franchisor's brand enables a franchisee to assess its position and determine appropriate strategic actions, and then deliver superior customer value by providing differentiated products or services to targeted segments (Griffith et al., 2006). McKelvie and Davidsson (2009) found that reputational resources positively influence the development of dynamic capabilities. Thus, this study can formulate:

H4: *Franchisor resources positively affect franchisees' market responsiveness.*

2.4.2. Relational capital and market responsiveness

Trust minimizes the mutual suspicion of opportunistic behavior and therefore tends to lead to greater exchange of resources within the franchisee system (Kale et al., 2000; Kalargyrou et al., 2018). Trust–based relational capital allows franchisees to increase the efficacy and effectiveness of joint problem solving when responding to a changing local market (Mohr & Spekman, 1994). Moreover, trust allows franchisees to 'go the extra mile' to respond to unforeseen local market changes (Dyer and Singh, 1998). For example, trust increases franchisees' voluntary behavior by supporting behavior such as providing additional services to customers in response to unexpected customer needs. Collaborative communication focuses on meaningful and effective information sharing and dissemination between the franchisor and franchisee (Anderson and Narus, 1990). High communication quality allows franchisees to understand what information is important and how best to use it, and makes them more responsive to competitive threats (Spralls et al., 2011). Moreover, high communication quality may facilitate the provision of real–time information (Anderson & Narus, 1990; Sprall et al., 2011), thus enabling franchisees to notice problems and opportunities quickly and adjust their actions accordingly (Eisenhardt & Martin, 2000). Real–time information also builds intuition about the marketplace and helps franchisees to rapidly understand changing conditions and respond appropriately (Eisenhardt & Martin, 2000). Thus, this study can formulate:

H5: *Relational capital positively affects franchisees' market responsiveness.*

3. Methodology

3.1. Research design and sampling

Taiwan has the second highest density of convenience stores in the world. Lately, the franchising of convenience stores has become increasingly competitive. Thus, for this study the hypotheses were tested using data collected from the franchisees of a leading convenience store chain in Taiwan. Although the survey of a single franchised system arguably limits the generalizability of the findings, the focus on a single convenience store chain minimizes the effect of possible cross–industry managerial differences and increases the internal validity of the findings (Davies et al., 2011). The questionnaire was mailed to all 410 of the franchisees in the convenience chain store. Of the 410 subjects invited to participate, 152 questionnaires were returned completed, corresponding to a 37.1% response rate. Of these, 49.4% of the respondents were male, 50.6% were female, 84.6% were married and 15.4% were single. The franchisees were on average 40.4 years of age. The average franchise had spent a median of 8.7 years operating their convenience store and had six full–time employees and four part–time employees. Of the franchisees who participated, 61.3% had a college degree and the remaining 38.7% had a high school education.

3.2. Measures

All items were measured on a five–point Likert–type scale. The franchisor resources considered in the survey consisted of franchise training programs and the chain's brand name. Franchise training was measured by two items adopted from Windsperger (2004). Franchise training programs included both the initial training programs and annual training programs. The franchisor's brand name was measured by two items adopted from Windsperger (2004). The use of the franchisor's brand name also included the franchisor's advertising and promotions. Relational capital includes both trust and communication. Trust was measured by four items, and communication by three. Both sets were adopted from Chiou et al. (2004), and included items such as "The cost charged by the franchisor is reasonable" and "The franchisor emphasizes two–way communication". The market responsiveness was measured by six items derived from Griffith et al.'s (2006) definition. In preliminary interviews, two franchisees operating convenience stores were asked what they thought of the items related to the market responsiveness that Griffith et al., (2006) employed. This led to the retention of 3 items, including "I respond to new customer needs in a speedy manner" and the addition of a further 3 items, including "If my competitors start promotion activities, I will immediately introduce strategies to address the competition." The performance measures consisted of two items drawn from Griffith et al., (2006) and Megicks and Warnaby (2008) that measured the dimensions of revenue growth and net income growth.

3.3. Construct Validity

This study used SmartPLS 3.0 to obtain partial least squares (PLS) estimates with which to analyze the data in the structural equation model. PLS is recommended for this type of analysis due to the relatively small sample sizes required. Because the sample size here was quite small (n=152), PLS was deemed an appropriate choice. To test the statistical significance of the hypothesized relationships in the structural model, a bootstrapping procedure was applied to the data with 5000 resamples to derive stable results. To assess convergent validity, this study evaluated Cronbach's α, the average variance extracted (AVE), factor loadings, and composite reliability (CR) (see Table 1). For all constructs, Cronbach's α and the factor loadings exhibited values above the required thresholds of 0.70 and 0.50, respectively (Fornell & Larcker, 1981). The CR of all the constructs also exceeded the 0.70 threshold and the AVE was above the threshold of 0.50 (Hair et al., 2011). The results from the model are summarized in Table 1. A construct of the square of AVE was found to be larger than its largest correlation with any construct (see Table 2).

Table 1
Properties of Measurement Model

Construct	Item	SL	Cronbach's α	CR	AVE
Dimension:	Franchisor Resources	0.84	0.84	0.9	0.68
	When I started up the business, I received help from the franchisors' initial training program.	0.77			
	I get much benefit from the franchisor's annual meeting	0.85			
	The franchisor's advertising is a great help to me in managing by business	0.86			
	The franchisor provides a lot of promotions to facilitate my business resources.	0.82			
Dimension:	Relational Capital		0.94	0.95	0.68
	I believe that the franchisor will act according to our agreement in the cooperative contract.	0.84			
	The information provided by franchisor is credible.	0.84			
	The cost charged by the franchisor is reasonable.	0.75			
	The franchisor always takes our store into consideration when it wants to make any important decision.	0.85			
	The franchisor emphasizes two-way communication.	0.86			
	The information provided by the franchisor is very helpful in solving our store's problems.	0.86			
	If we propose any questions and suggestions, the franchisor will handle the question.	0.86			
Dimension:	*Market Responsiveness*		0.87	0.90	0.61
	I check out which products/services customers want.	0.74			
	I adjust the products/services that are offered.	0.77			
	I apply to my franchisor for new products/services in a speedy manner.	0.83			
	If my competitors start promotion activities, I will immediately introduce strategies to address the competition.	0.75			
	I report market and competitor information back to my franchisor on a continuous basis.	0.79			
Dimension:	*Franchisor Performance*		0.85	0.93	0.87
	My store is much better than its competitors in relation to revenue growth.	0.93			
	My store is much better than its competitors in relation to net income growth.	0.3			

Note. SL: Standardized loading; CR: Composite reliability; AVE: Average variance extracted.

4. Results

Table 2 provides a detailed description of the means, standard deviations, and correlations.

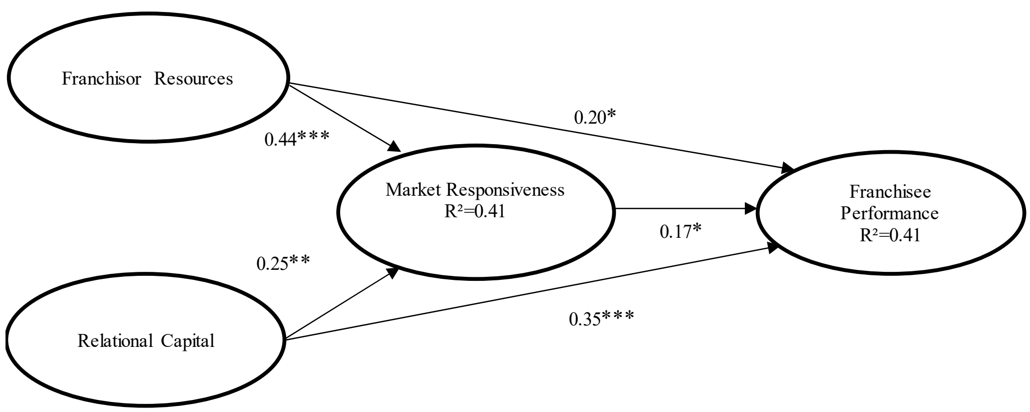
Table 2
Descriptive Statistics and Correlations

Variable	Mean	S.D.	1	2	3	4
1 Franchisor Resources	4.16	0.55	**0.82**			
2 Relational Capital	3.67	0.69	0.71**	**0.83**		
3 Market Responsiveness	4.04	0.53	0.61**	0.55**	**0.78**	
4 Franchisee Performance	3.69	0.75	0.58**	0.64**	0.50**	**0.93**

Note: ** p<0.01; The square root of the AVE is provided in the diagonal (in bold)

The structural model constructed to test the study hypotheses using PLS is shown in Fig. 1. The model accounts for 41% of the franchisees' market responsiveness and 41% of their performance. H1 states that market responsiveness positively impacts franchisee performance. As the figure shows, market responsiveness positively impacts franchisee performance (β=0.17, p<0. 05), thereby supporting the hypothesis. H2 and H3 predict that franchisor resources and relational capital, respectively, will positively impact performance. The empirical results also support this prediction (H2: β=0.20, p<0. 05; H3: β=0.35, p<0. 001). H4 and H5 predict that franchisor resources and relational capital positively impact market responsiveness and this was again supported by the results (H4: β=0.44, p<0. 001; H5: β=0.25, p<0. 01).

Furthermore, franchisor resources have direct effects on market responsiveness (0.44), and direct effects (0.20) and indirect effect (0.07) on financial performance. Relational capital has direct effects on market responsiveness (0.25), and direct effects (0.35) and indirect effect (0.0) on financial performance. Moreover, the ranking order of the total effect on financial performance was relational capital (0.39), franchisor resources (0.27), and market responsiveness (0.17). Overall, compared to relational capital, franchisor resources have a stronger effect on franchisees' market responsiveness. Moreover, relational capital has the strongest effect on financial performance.



Note: *p<0.05; **p<0.01 ;***p<0.001

Fig. 1. Results of the Path Models

5. Conclusions

This research analyzes the effects of resources and capabilities on the franchised store performance using a comprehensive framework that integrates three research streams: the RBV, dynamic capability perspective and relationship marketing. The holistic view allows a better understanding of how to combine the franchisor resources, relational capital and market responsiveness in order to improve franchisee performances.

This study provides interesting results. First, market responsiveness is viewed as a specific capability to improve franchise performance. For example, in order to respond to local market changes, franchisees engage in adjusting its offerings to meet unexpected customer needs and in turn improve their store performance.

Second, these findings show that greater franchisor resources facilitate franchisees' market responsiveness and store performance. Franchisees are typically regarded as resource–constrained when running a business; franchising is effectively a solution for franchisees seeking to access the valuable resources provided by franchisors. For franchisees, franchisor resources, specifically the training programs and brand name that they make available, are critical drivers of superior market responsiveness and store performance.

Third, the results revealed that the greater the amount of relational capital franchisees possessed, the higher their level of performance. In the franchise relationship, informal relationships often become more important than the formal contracts signed by both parties at the outset. Relational capital manifests its influence on franchisee performance through relational capital based on trust and communication within the franchise system.

5.1. Theoretical implications

The study has several theoretical implications. First, agency theory, which considers all agency relationships between franchisors and franchisees to be homogeneous in nature, thus tends to assume that all franchisees will therefore perform homogeneously in the same franchise system. To test this assertion, this study relaxed the assumption of homogeneity and instead adopted a perspective that combined the RBV with the concept of dynamic capabilities to examine franchisees performance differentials within the same franchise system.

Second, adopting the perspective of relationship marketing literature, relational capital within a franchise relationship is explored in this study. Agency theory focuses on the formal contract relationships and the RBV argues that the competitive advantage enjoyed by franchised outlets derives primarily from firm–level resources, but the relational view explains the competitive advantage of franchised outlets as also coming from the informal relationship between the franchisor and the franchisees.

Third, the traditional literature on franchising has generally focused on the motivations for franchising and has not attempted to identify the factors that contribute to superior performance (e.g. Parker et al., 2019). This study therefore addresses this gap by empirically testing the links among franchisor resources, relational capital, market responsiveness and performance to help develop our understanding of the drivers of franchisee performance.

5.2. Managerial implications

These findings have several implications for managers. First, in a dynamic local market, the mere possession of resources is insufficient for franchisees to respond market changes, so it is important for franchisees to possess market responsiveness. Franchisors should therefore pay more attention to fostering the development of their franchisees' market responsiveness. Second, it would be beneficial to acknowledge the role of franchisor resources in improving franchisees' market responsiveness. This study's findings suggest that franchisors, who are generally eager to improve the brand name and training programs, would greatly benefit from a richer understanding of the way the development of franchisees' market responsiveness leads to superior store performance. Finally, the accumulation of relational capital enables franchisees to improve market responsiveness and, ultimately, franchised store performance. Thus, franchisors should find it worthwhile to promote relational capital investment in long–term relationships with their franchisees. For franchisors, cultivating and sustaining a sufficient level of trust and communication may support the development of franchisees' market responsiveness.

5.3. Limitations and research issues

Despite its contributions, like most research, this study suffers from some limitations. First, because franchise relationships include not only positive effects (i.e. relational capital) but also negative effects (i.e. opportunism), these relationships generate both assets and debits and the franchise relationship may be damaged by the franchisee's opportunistic behavior. Thus, future research should explore how the negative effect of a franchise relationship affects the dynamic capability of franchisees. Second, this study has analyzed the relationship only with respect to a specific period of time. Future research should implement a longitudinal panel study to explore the dynamics or evolution of franchisees over time. Third, this study relied on a single source (a leading convenience chain store) to collect data. Future research should consider employing a multiple–source setting to control common method bias in order to improve the reliability of the findings and thus develop a richer understanding of the underlying dynamics driving a successful franchise relationship.

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