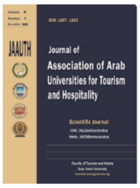

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# Franchisee-Franchisor Relationship Quality and Its Impact on Restaurants' Operational and Financial Performance: An Application of Leader-Member Exchange Theory


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## ABSTRACT

Franchising has evolved as one of the most prevalent business expansion strategies. Essentially, the success of this strategy depends on the dynamic and collaborative relationship between the contracting parties (Franchisor and Franchisee). A franchising relationship is unique and more complicated than conventional business relationships because it is not only a contractual relationship but is also a systematic engagement and partnership. Hence, there is imperative to identify the factors that shape and influence such a relationship. Drawing on the theory of the Leader-Member Exchange (LMX), this study employed an integrated approach to identify the main factors affecting the franchisee-franchisor relationship quality and the extent of their impact on the operational and financial performance of franchise restaurants in Egypt. The integrated model was examined based on data from (50) local and international franchise restaurants in Egypt. The findings indicated that mutual trust, commitment, and franchisor support are essential determinants of the franchisee-franchisor relationship quality. Though the three dimensions had varying degrees of impact, trust and support had the strongest effect. Moreover, the results implied that the mutual relationship between franchisors and franchisees has a direct positive impact on the operational and competitive performance while having an indirect influence on the overall performance of the restaurants. The findings intimate significant theoretical and practical implications.


## Introduction

Franchising is a continuing contractual relationship between two independent parties whereby the franchisor grants the franchisee the privilege to use intellectual and industrial property rights or technical expertise to trade products or services for a particularized period with an obligation to provide technical support in exchange for granted financial returns (Altinay *et al.*, 2014). Nowadays, franchising represents a significant part of the development of the restaurant industry in both domestic and international markets (Jang and Park, 2019).

Two primary franchise business models exist today: the product distribution model and the business format model. In the product distribution franchise model, the franchisor creates a brand name and licenses it to the franchisee. The franchisee is contractually bound with an agreement to use the brand name and produce products/services for a defined interval time and locality (Shane *et al.*, 2006). In contrast, in a business format franchise, the franchisor creates a brand name and a business model. The franchisor then privileges the franchise to another party, the franchisee, to replicate the franchisor’s business concepts. This model of franchising is prevalent in industries in which companies seek to operate copious outlets across wide geographic locations (e.g. fast-food restaurants) (Madanoglu *et al.*, 2019). Most well-recognized franchises, such as McDonald’s, Burger King, Domino’s, and Pizza Hut, prefer business franchise models to achieve remarkable expansion. Recently, franchised restaurants are extremely prevalent due to the high rate of return on investment for the franchisees (Park and Jang, 2017). Successful implementation and operation of the franchise system can yield high profits for both parties (Jang and Park, 2019).

In Egypt, franchising has blossomed as one of the largest entrepreneurial strategies contributing to the Egyptian Gross Domestic Product (GDP) (Elsaman, 2017). Franchising has spurred Egypt’s economic growth by attracting foreign investment and creating new job opportunities. Currently, 800 franchises are operating in Egypt, creating 800,000 direct jobs and 1.6 million indirect jobs, generating $ 50 million and $ 1 billion in sales, respectively. Furthermore, Egypt’s franchise industry is expanding by 20 percent per year (The Egyptian Franchise Development Association, EFDA, 2018). International franchises make up 56% of the franchise industry in Egypt while domestic franchises account for 44%; American franchise chains account for more than a quarter of international franchises in Egypt and achieve almost 30% of the total franchise revenue. The Egyptian restaurant franchise market has witnessed an extraordinary expansion since its inception in 1973. Market sources estimate the current investments in the restaurant franchise market at $ 750 million, with expectations of a consistent annual growth rate of 20 -25% in the future (The U.S. Commercial Service, 2016).

Although franchising has flourished as a proven investment strategy in the restaurant industry, it does not guarantee success for either of the parties. Franchising comes with a set of challenges that face both parties in this dyadic partnership (Altinay *et al.,* 2014). Based on prior studies, franchise restaurants have been particularly susceptible to extensive pressures due to the intense competition that has led to disputes and skirmishes between franchisors and franchisees resulted in significant disruption in the entire franchise system (Kim *et al.*, 2016). From a franchisee's perspective, these disputes include expectations of financial returns, the representation of outlets in a market, obligatory elevations, bond purchases, and improper support. Conversely, the unreliable expectations regarding franchise contracts and a lack of experience in certain businesses are contentious to a franchisor (Jang and Park, 2019).

Although the franchisees-franchisors relationship is well-established in developed countries and works expediently in transitional economies (Hoffman and Preble, 2004), extensive studies are conducted to maintain reciprocity by solving an issue or enhancing the franchise environment in general (Doherty *et al.*, 2014; Hancock, 2015; Park and Jang, 2017). For instance, a meta-analysis by Nijmeijer et al. (2014) compiled from 126 empirical studies of franchising, drawn from 17 countries, indicates that these studies were predominantly in North America and the United Kingdom (67%) and (17%) in Europe, with only seven studies conducted in Asia. Conversely, over the last two decades, the subject of franchisees-franchisors relationships in developing countries is compelling to many scholars. For instance, prior studies were conducted in Mexico and the South American nations, the Asian market (Singapore, Malaysia, Hong Kong, Indonesia), and other regions such as Kuwait, India, and South Africa (Welsh *et al.*, 2006). Perplexingly, there are fewer research venues perceived to exist in the Middle Eastern and North African (MENA) countries including Egypt, which has over 45 years of franchising experience. This is due to the low number of franchises present in these countries compared to developed nations. Moreover, these countries are still importing franchises, while the franchise concept is still not a viable adaptation to most of their domestic small and medium enterprises for local or global expansion. For example, the total number of domestic franchised brands in the entire Middle East market does not exceed 850 (The Middle East and North Africa Franchise Association, MENAFA, 2019), compared to 2,900 domestic brands in the US alone (European Franchise Federation, 2019).

Several researchers have examined the consequences of the relationship between franchisors and franchisees and its impact on the performance of franchise restaurants. In this context, researchers have relied on several theories such as agency theory, resource scarcity perspective, risk-sharing perspective, and Leader-Member Exchange (LMX) theory (Sun and Lee, 2019). However, research has been inconclusive on whether franchisor-franchisee relationship quality leads to more competent performance over the non-franchising restaurants (Doherty *et al.*, 2014; Hancock, 2015; Nguyen, 2015; Lee, 2019). Consequently, the debate still lingers on whether franchising can improve the restaurants' performance.

To identify whether franchisee-franchisor relationship quality influences a restaurant firm's performance, this study has developed an integrated model based on the theory of the Leader-Member Exchange to examine the underlying dimensions of franchisee-franchisor relationship quality and how this relationship impacts the operational and financial performance of franchise restaurants in Egypt. Since the evaluation of restaurant performance is a comprehensive process that creates a challenge when evaluated through one dimension. The current study examined both financial and non-financial (operational) performance. Notably, the study focused on the franchisees' perspective for technical and academic purposes. Technically, the performance of the franchisees is dependent on the performance of the franchisors (Lucia-Palacio *et al.*, 2014). Thus, it was assumed that the franchisees' views of their operating system would be invaluable in improving the overall performance. Further, franchisees are more convenient to access and are likely to ensure an accurate evaluation of the recurrent issues in their system. For academic purposes, franchisees constitute the backbone of the franchise system, yet a negligible number of studies have been examined from their perspective (Altinay *et al.*, 2014). Accordingly, the questions that guide this study can be formulated as follows:

1. What are the critical factors that influence the quality of the franchisees-franchisors relationships in franchise restaurants in Egypt?
2. Is there an association between the quality of the franchisees-franchisors relationships and the restaurants' competitiveness and operational performance?
3. To what extent do franchisees' overall operational performance and competitiveness mediate the influence of a quality relationship on franchisees' overall performance?

## Literature Review

### Leader-Member Exchange (LMX) Theory

The theoretical basis of LMX is based on the existence of an integrative binary relationship and work roles that formed or adjusted over a prolonged period and through a series of transactions, or "*interactions*" between leaders and followers. It focuses on increasing organizational success by creating positive relationships between leaders and subordinates. According to the LMX theory, the form of the relationship between leader and subordinate depends on formal legal obligations as well as informal interactions between binaries (Muldoon *et al.*, 2019). LMX theory opines that human behavior is guided by the exchange of obligations and rewards between the collaborating parties. LMX theory exemplifies leadership as a reciprocal process characterized by confidence and commitment between the leaders and subordinates (Teng *et al.,* 2020). Thus, the LMX theory implied a retreat from the common leadership theories by affirming that leaders do not interact with all subordinates identically; instead, leaders show different levels of quality relationships with subordinates varying from high (in the group) to medium (medium group) and low (out the group). High-quality relationships show a high level of positive mutual influence, commitment, participation, or delegation to exchange professional respect, and confidence, while the contrary is perceived in low-quality exchange relationships. In low LMX relationships, operations are performed according to an accurate arrangement of rules and employment contracts; information is transmitted from top to bottom, and relationships are determined by the traditional extension between leader and followers (Othman *et al.*, 2010).

Previous studies in LMX indicated that subordinates in high-quality LMX obtained and inscribed more positive results than their peers in low-quality LMX relationships (Uhl-Bien, 2011). High LMX branches consistently gained more formal and informal rewards than low LMX members. Low-quality exchange branches may encounter an inequity which proffers a rise in the perception of second-class rank. In a franchise scheme, LMX theory may be invaluable in terms of identifying variables that affect the quality of the relationship between leaders and subordinates, including satisfaction, performance, commitment, and motivation (Bakar, 2020). The LMX hypothesis of a mutual relationship between a leader and members is based on consistent support and the exchange of required resources. The high-quality exchanges between the leader and his subordinates are critical in determining the organizational success or failure of the company, the ability to achieve the desired goals, the improvement of the company's overall performance, the ability to achieve organizational integration, subordinates' satisfaction, and the rate of subordinate turnover. The widespread application of LMX implies that it is a valuable tool in explaining bilateral relations in organizational contexts (Lee, 2019).

***Conceptual model and hypotheses development***

LMX theory assists in determining the attributes that influence the quality of the interaction process between franchisor and franchisee, including job satisfaction, organizational loyalty, motivations to enhance performance, and circumvention of the franchisor's corporate culture. The core components of the proposed model are illustrated in the next section and exhibited in Figure (1). In the proposed model, the LMX theory serves as a framework to depict the aspects of the franchisor-franchisee relationship.

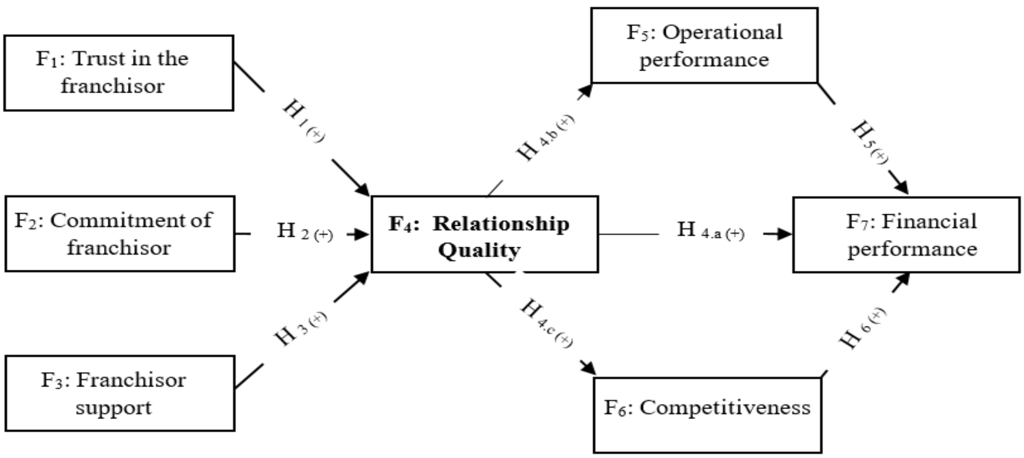


Fig. 1. Conceptual model and hypotheses

***Trust in franchisor***

Trust is perceived as an imperative key determinant in maintaining coherence in the franchisor-franchisee engagement. Trust relates to the partner's benevolence, credibility, integrity, transparency, and confidence that each party will enact in ways that support the benefit of another (Varotto and Parente, 2016). Trust reduces franchisees' discernment of risk and ambiguity related to the franchisor, delivers steadiness to the franchise partnership, and thus creating a solid ground for the business (Altinay *et al.*, 2014). In particular, franchisees are obliged when they perceive that they have been treated honestly, fairly, and attentively and that they are not being exploited by the franchisor, and when the franchisor has adequate flexibility to acclimate to the dynamic business environment (Kalargyrou *et al.*, 2018).

Franchisees' trust is a fundamental factor in satisfaction with franchise partnerships and influences the decision to continue and sustain partnerships with their franchisors (Altinay *et al.*, 2014). For example, a study conducted in Mexico indicated that mutual trust between franchisees-franchisors reflected on improved performance and increased cumulative products and services demanded at restaurant franchise outlets (Palgrave McMillan Ltd., 2007). In Taiwan, a study conducted by Chiou and Droge (2015) revealed that franchisees' satisfaction was directly affected by franchisor confidence in franchisors. In addition, the franchisees' level of confidence in the restaurant franchisor was positively correlated with the franchisees' overall satisfaction with the franchisors in the United States (Dickey *et al.*, 2007) and Turkey (Eser, 2012). A study in South Korea on the relevance of the franchisor's societal obligation and image concluded that the improved franchisee's satisfaction levels are due to trust and long-term business prospects for franchisees (Lee, 2019).

*$H_1$. The higher the level of the franchisees' trust, the higher the quality of the relationship between the franchisor and the franchisee.*

**Commitment of franchisor**

Commitment is related to parties' aspirations to maintain future continuity, fulfillment, and strong relationships. Commitment is defined as the "*perceived importance of relationship and a desire to continue a relationship assuming it will bring future value and benefits*" (Friman *et al.*, 2002, p. 405). Therefore, evidence of commitment occurs when the parties engage in a reciprocal relationship and are determined to make the required interpersonal investment to sustain the bond (Varotto and Parente, 2016). Commitment has three dimensions: emotional, standardizing, and continuity (or computational). The emotional commitment represents an ardent devotion to the relationship, while the standardizing commitment reflects the cognizance of the obligation to maintain the relationship. Further, the continuity commitment (or computation) reflects the identification of the switching costs related to termination versus the costs of remaining in the relationship (Jang and Park, 2019).

Commitment is deemed to promote effective synchronization of activities throughout the company. Also, commitment assists in the prevention of unexpected opportunistic activities intensify loyalty, facilitates acquiescence, and motivates the franchisor/franchisee to maintain the business relationship (Adeiza *et al.*, 2017). Scholars further opine that commitment is one of the critical features of a healthy and quality business relationship that intensifies a competitive position. A study conducted, in Australia and New Zealand, on franchisees concluded that commitment is a pivotal factor in shaping the franchisee-franchisor relationship and the results (Wright and Grace, 2011). Similarly, in a franchise study conducted in Spain, Bordonaba-Juste, and Polo-Redondo (2008) concluded that franchisees and franchisors ranked commitment as the conclusive factor for relationship prosperity. Therefore, the following hypothesis is proposed:

*$H_2$. The higher the level of franchisor commitment, the higher the quality of the relationship between the franchisor and the franchisee.*

**Franchisor support**

In franchising, offering a range of preliminary and continual support is a vital foundation for establishing appropriate franchisors-franchisees relationships. The primary purpose in initiating a business partnership with the franchisor is to obtain the franchisor's brand credibility and adequate support with the relevant infrastructure

(Adeiza *et al.*, 2017). This infrastructure may include informational guides, training, information technology systems, organizational structures, logistical support, marketing, and financial management (Su and Tsai, 2019).

Based on the literature review, the proposed model relied on three types of support: operational, financial, and informational. Operational support in the primary stage of establishing the franchise system includes developing an outlet to meet franchisor requirements and standards in terms of selecting the appropriate location and assistance in layout and design, decoration, banners, furniture, fixtures, and equipment. Other operational supports involve staff hiring and initial corporate and on-the-job training, accounting, and an information technology system. After the actual operation, the franchisor grants additional forms of operational support that include standard operating procedures and manuals, logistic support, marketing support, management training, and new products and services (Ioanna and Maria, 2013). Financial support presumes that the franchisee acts as a lender, which a crucial role in the growth and stability of the franchise system because the restaurant industry usually encounters difficulties in obtaining loans with reasonable terms. This support further enhances the relational satisfaction of the franchisees (Jang and Park, 2019). Informational support is essential in establishing and sustaining healthy relationships and generating effective connections between franchisors and franchisees. Meek et al. (2011) presented four measures of informational support: iteratively, mutual feedback, formalities, and rationality. Iteratively informational support refers to the repetition of communications between a franchisor and franchisees. Regular interaction is expected to reduce business contingency and sustain the relationship. Cross-feedback communication refers to interactive two-way communication between the franchisor and the franchisee. This feedback will reduce ambiguity and uncertainty in business communications. Formal communication involves organized and structured communication between franchisors and franchisees. Rational communication refers to providing logical explanations with supporting information when seeking compliance with a request (Jang and Park, 2019). Hence, the study proposed that:

*$H_3$. The higher the level of franchisor supports, the higher the quality of the relationship between the franchisor and the franchisee.*

**Financial performance of franchisees**

The franchise system is a long-term contractual exchange. In this system, the quality of the relationship is a critical factor in the success of the franchising endeavor, as achieving this level of high-quality relationships leads to the desired benefit of all parties. In general, researchers relied on the classical life-cycle theory to depict the pattern of the relationship between the two contracting parties. The theory confirmed that the quality of the relationship and performance emphasize long-term relationships (Varotto and Parente, 2016). The franchise system follows a life cycle of four phases: incorporation, evolution, maturity, and deterioration (Jang and Park, 2019). Although the quality of the relationship between the franchise parties can add advantages to each of these phases, controversy remains as to whether the quality of this relationship can enhance the firm's financial performance (Lucia-Palacio *et al.*, 2014).

Few studies have examined this issue by analyzing the financial performance of franchising restaurants compared to non-franchising restaurants. For example, Palmatier et al. (2007) stated that high-quality business relationships are an integral determinant in improving financial performance because companies with high levels of cooperation are more inspired to develop products, expand businesses, and reduce costs. Consequently, good relationships with partners enhance financial performance, as exchanges in an environment that allows for greater productivity and efficiency and less stress (Wang and Yang, 2013). Prior studies indicated the definite relationship between franchising and financial performance (e.g. Combs *et al.*, 2011). Based on the results of these studies, the franchising companies achieved better market share than their counterparts, which in turn led to better financial performance (Michael, 2003). Likewise, Madanoglu et al. (2011) compared the financial performance of franchise restaurants versus non-franchising restaurants between 1995 and 2008 using five different performance models. The results revealed that franchise restaurants outperformed their non-franchised counterparts in all models. Alyosch and Schlinrich (2012) applied four financial indicators (market value-added, economic value-added, return on equity, and shareholder returns) to compare 24 franchises with 17 non-franchising restaurants. The results concluded that the franchise restaurants have stable financial performance compared to their competitors. Thus, the following hypothesis is proposed:

*$H_{4a}$. The quality of the franchisee-franchisor relationship is positively related to the franchisee's financial performance.*

***Operational performance of franchisees***

Arguably, some studies revealed that relationship quality, per se, is not enough to directly influence the company's performance in terms of improvement in businesses, profitability, or other financial metrics (Jang and Park, 2019). These studies emphasized that the quality of the relationship improves the company's financial performance through other important mediators, such as operational performance and competitiveness (O'Neill *et al.*, 2006). The researchers particularly focused on examining the financial aspects of performance and overlooked the non-financial aspects. Although non-financial performance is often the driver of current and future financial performance (Prieto and Revilla, 2006). However, the advantages of the operational performance (i.e., reputability, customer increase, customer engagement, employee engagement, and quality in products and services) have been documented as a possible intersection between the operational aspects of performance, corporate profitability, and market share remains under-investigated by researchers. Most of these studies have concluded that customer engagement, for example, may lead to an increased frequency in purchases of products and services. Additionally, employee engagement is closely correlated with the company's financial outcomes because employees have increased confidence and effectiveness in the workplace (Harter *et al.*, 2002). Furthermore, the reputed company may be competent in creating and nurturing healthy relationships with partners, merchants, suppliers, and even franchises (Prieto and Revilla, 2006). Hence, the following hypothesis is proposed:

$H_{4b}$. *The quality of the franchisee-franchisor relationship is positively related to the franchisee's operational performance*.

**Competitiveness**

In today's pugnacious marketplace, restaurants encounter a range of challenges, including fierce competition, a dynamic business environment, a declining market, economic downturns, and changes in customer patterns (Perramon *et al.,* 2014). In such an environment, restaurants are compelled to establish their positions and gain competitive advantages. Arguably, franchising restaurants have a competitive advantage over non-franchising restaurants (Sun and Lee, 2019). Three determinants of competition have been identified: structure of competition, changes in competition structure, and the nature of competition. The competition structure includes the arrangement of the prominent competitive forces in the market. Changes in competition structure involve an instantaneous distribution of control (i.e., instability of the industry). The nature of the competition can be fixed or dynamic. These two types of competition depend on companies either by devaluing assets or creating innovative deterministic assets that outperform competitors. Relationships between franchising and the three dimensions have varying levels of relevance compared to other service industries due to the capital intensity, risk-sharing with franchisors, and the nature of support that franchisees perform in restaurants (Sun and Lee, 2019). Wingrove and Urban (2017) argued that these dimensions affect competitive intensity, which in turn affects the competitive advantage and consumer buying behavior over time. Thus, these findings imply a direct impact on the firm's performance and a tendency to engage in competitive behavior. Based on these findings, the subsequent hypothesis is proposed:

$H_{4c}$. *The quality of the franchisee-franchisor relationship is positively related to firm competitiveness*.

**The mediating role of operational performance and competitiveness**

When the firm's operating performance is emphasized, there is usually a positive impact on its financial performance. This is due to economies in consumption, reduced operating costs, and an overall enhancement of the operating conditions. Therefore, the franchise system provides restaurants with an opportunity to augment financial performance by controlling daily operating costs and improving competitiveness (Perramon *et al.,* 2014). Succinctly, the operational performance and competitiveness of franchising restaurants can be considered as mediating factors between these dimensions and the overall performance of the firm. Thus, the following hypothesis is proposed:

$H_5$. *The quality of the franchisee-franchisor relationship is mediated by operational performance and is positively related to firm performance*.

Prior studies have revealed that franchising helps firms to create competitive advantages that contribute to improved overall performance. Several researchers have claimed that franchisees can achieve better performance through competency and differentiation-oriented approaches. Restaurants that pursue a competence-oriented strategy need to improve their business share while reducing costs compared to competitors. This strategy is favored if the franchisor's goal is to produce standardized products/services that are more efficient than competitors, thereby reducing costs leading to higher profits, and contributing to improving the company's overall performance (Coombs *et al.*, 2004). On the contrary, franchise restaurants that follow a differential orientation strategy can achieve a competitive advantage by offering differentiated products/services (Sun and Lee, 2019). In this case, franchisors can produce products/services that adapt to potential customers by drawing on the franchisee's experience in regional markets (Combs *et al.*, 2004). This strategy enables companies to create special prices, thereby bypassing competitors and increasing performance levels. Hence, the following hypothesis is proposed:

*$H_6$. Quality of franchisee-franchisor relationship, mediated by firm's competitiveness, is positively related to firm performance.*

## Methodology

### *Sampling*

The sample was pulled from a list of business-format franchising restaurants in Greater Cairo Metropolitan (i.e., Cairo, Giza, and Qalyubia governorates). The investigated restaurants were selected for specific criteria. First, business franchising provides an integrated business perspective to the franchise system rather than a unique product or brand. Second, the number of business-format franchising restaurants in Greater Cairo is more prominent than in other governorates (The Egyptian Franchise Directory, 2018). Third, franchising restaurants in Greater Cairo are a homogeneous group to ensure that the sample is mirroring the target population. Respondents included the owners (i.e., the franchisees) or any knowledgeable individual like the unit general manager/operator who has at least three years of experience in evaluating the unit's operations and overall performance. The researchers initially contacted 85 franchisees from information on franchisee's websites or walk-ins for one-on-one interviews. Finally, a reasonable sample size of (50) franchisees was surveyed for this study. The sample included well-recognized local and international brands such as McDonald's, Pizza King, Domino's Pizza, Papa John's, Pizza Queen, Al Tazaj, Burger King, Hardee's, Cook Door, Mo'men, On the Run, Bon Appétit, Majesty, Tebesty, Auntie Annie's, Baskin-Robbins, Carvel, Chili's, Cinnabon, Hard Rock Café, Kentucky Fried Chicken, The Melting Pot, Subway, Sbarro, Starbucks, Ruby Tuesday, and TGI Fridays.

### *Measurements and data collection*

A quantitative approach with a self-administered and structured questionnaire was conducted. Consistent with prior studies (i.e., Altinay *et al.*, 2014; Chiou and Droge, 2015; Adeiza *et al.*, 2017; Jang and Park, 2019), various attributes have been selected. The initial draft of the questionnaire was pilot tested to check the reliability before final dissemination. Several interviews were conducted with franchise professionals from the respective franchises in a study area to ensure structural consistency and achieve approach reliability. Based on the feedback received, the wording of some parts has been revised to suit the overall context of the study. To ensure a higher level of confidence in the information provided by the respondents, it was decided to limit the questionnaire to branches that started their business at least two years ago and have at least one operating outlet.

Data were collected as of October 2019 for six months. The questionnaire was divided into six sections: The first section included a preliminary introduction to reveal the scope of the study and some characteristics of the surveyed restaurants. The data collected in this section covered the size of the system (number of units in the franchise system), type of franchise network (local or international), type of franchise agreement (master, corporate, single-unit, or multi-unit), and duration of the relationship with the franchisors. Relationship duration was dictated based on the reference values adopted by Blut *et al.* (2016): honeymoon (relationship does not exceed one year); routine (relationship did not exceed four years); crossroads (relationship did not exceed eight years); and stable (at least eight or more years passed in the relationship). The second section included several measures to determine the impact of trust, commitment, and support on the quality of the franchisee-franchisor relationship. All predictors have been modified based on prior studies as they were pretested to ensure construct validity. The scales were rated on a 7-point Likert Scale ranging from "totally disagree = 1" to "totally agree = 7". In the third section, relationship quality was adapted from (Dant *et al.*, 2011). Finally, three variables were explored in the other sections of the questionnaire: operational performance, competitiveness, and the company's financial performance. The respondents were asked to divulge, based on a 7-point Likert Scale (ranging from "totally disagree = 1" to "totally agree = 7"), except for the firm performance variable. Due to the nature of this variable, respondents were asked to assess their financial performance by measuring the restaurant's performance compared to their competitors. Five variables have been estimated: average sales growth, gross operating income, return on investment, market share, and net profits for the last two years. Measures were assessed using a 7-point Likert Scale (ranging from "worse than competitors= 1" to "better than competitors = 7").

***Data analysis***

Two steps were adopted to analyze the collected data. In the first step, the reliability of the measurement scales was evaluated. The Cronbach alpha has been implemented to validate the reliability of measurement scales. Descriptive statistics were classified and tabulated to be thoroughly analyzed using Statistical Package for Social Science (SPSS) version 22.0. In the second step, Structural Equations Modeling (SEM) was applied to evaluate how well the conceptual model, including the examined attributes and hypothetical constructs, outfits the collected data. This methodology is engaging because it can administer various relationships concurrently while rendering analytical efficiency. This methodology also supports going from exploratory analysis to confirmatory analysis to examine prespecified relationships (Raju *et al.*, 2010). The current study utilized AMOS software which is part of the SPSS package.

**Results**

The mean and standard deviation have been calculated to determine how homogenous or discrepant (inconsistent) the sample is regarding the investigated variables Table (1).

**Table 1**
Factors and variable definitions

| Variables | Mean | SD |
|---|---|---|
| **F1: Trust in the franchisor (TST)** | | |
| I can trust the franchisor to keep the promises he made to me. | 4.64 | 1.78 |
| I can trust the franchisor's honesty in dealing with me. | 5.73 | 1.68 |
| I can trust my franchisor because he is skillful and effective. | 4.77 | 1.76 |
| I can trust the franchisor's sincerity in dealing with me. | 4.85 | 1.78 |
| I can trust the franchisor to stand by his word. | 4.06 | 1.80 |
| **F2: Commitment of franchisor (COM)** | | |
| The franchisor is completely committed to the relationship. | 3.45 | 1.79 |
| I relish dealing with this franchisor. | 3.77 | 1.67 |
| I feel as if I'm the franchise owner. | 4.85 | 1.76 |
| The franchisor and I do our best to maintain the relationship. | 4.03 | 1.65 |
| I am gratified to be part of this franchise system. | 4.06 | 1.76 |
| I expect to continue to act as a franchisee to our franchisor. | 3.44 | 1.87 |
| I have a reciprocally profitable relationship with the franchisor. | 3.66 | 1.77 |
| The franchisor and I do well together. | 3.76 | 1.86 |
| I have shared values with the franchisor. | 3.87 | 1.74 |
| **F3: Evaluation of franchisor support (SPT)** | | |
| The franchisor grants the required instruments for success. | 5.85 | 0.99 |
| The franchisor provides sophisticated start-up assistance. | 4.43 | 1.03 |
| The franchisor provides full assistance and professional expertise. | 4.45 | 1.64 |
| Promotion and advertisement supports were very propitious. | 5.54 | 1.50 |
| The franchisor provides initial and ongoing training programs. | 5.45 | 1.56 |
| **F4: Franchisee-franchisor quality relationship (QRP)** | | |
| My franchisor understands business conditions and requirements. | 5.01 | 1.89 |
| My franchisor understands my potential. | 4.22 | 1.65 |
| I have a stable business relationship with my franchisor. | 5.09 | 1.78 |
| My franchisor is satisfied with my performance. | 5.23 | 1.65 |
| My franchisor counts my opinion before making decisions. | 4.45 | 1.97 |
| My franchisor encourages me to be more efficient in my career. | 5.66 | 1.89 |
| **F5: Franchisee operational performance (OPER)** | | |
| Franchising activities increased customer satisfaction. | 5.23 | 1.80 |
| Franchising activities reduced the total operating costs. | 4.18 | 1.56 |
| Franchising activities reduced the employee turnover rate. | 4.56 | 1.90 |
| Franchising activities reduced complaints per order. | 4.66 | 1.90 |
| Franchising activities increased the customer retention rate. | 4.98 | 1.95 |
| Franchising activities increased product quality uniformity. | 4.53 | 1.98 |
| Franchising activities enable to attract new customers. | 4.77 | 1.94 |
| Franchising activities differentiated restaurants from competitors. | 4.90 | 1.89 |
| **F6: Firm's competitiveness (COMP)** | | |
| The franchisor relationship enhanced the restaurant's image. | 4.46 | 1.47 |
| Franchisor relationship increased customer satisfaction. | 4.12 | 1.23 |
| Franchisor relationship increased employee engagement. | 4.78 | 1.34 |
| The franchisor relationship increased the restaurant's market share. | 4.65 | 1.54 |

continued

| | | |
|---|---|---|
| The restaurant's sales have increased than those of competitors. | 4.78 | 1.67 |
| **F7: Franchisee financial performance (PERF)** | | |
| Sales for this year rates in the top half of all restaurants in my class. | 4.78 | 0.99 |
| Gross operating income has increased over the last two years. | 3.48 | 0.90 |
| Net profits have increased over the last two years. | 4.76 | .955 |
| The return on investment ratio for this year has increased over the last two years. | 4.78 | 1.78 |
| Market share for this year rates in the top of all restaurants in my class. | 4.88 | 1.03 |

The varimax rotation was applied to perform the exploratory factor analysis. Table (2) displays the loading values for the seven variables. Items with load values of less than 0.60 were excluded (Perramon *et al.*, 2014). A Chi-square test was applied for each structure of the correlation matrix to verify the permanence of the linear relationship between variables. The results supported the continuation of the procedures, and all factors achieved an acceptable ratio of at least 50.0% of the initial variance. The Cronbach's alpha and composite reliability were conducted to evaluate the internal consistency and reliability of the given attributes. Findings confirmed that Cronbach's alpha for the entire traits of the questionnaire ranged from (0.768) to (0.918) and revealed the internal consistency and reliability of these attributes. Further, the figures surpassed the smallest internal consistency measure: over 0.7 for composite reliability (Perramon *et al.*, 2014).

**Table 2**

Factor analyses with psychometric properties of the measurement scales

| Factors | Factor Load | Composite Reliability | *Cronbach alpha* | Total % variance | Chi-square $X^2$ |
|---|---|---|---|---|---|
| Trust (TST) | 0.814 | 0.908 | 0.843 | 66.68 | 882.54 |
| Commitment (COM) | 0.763 | 0.843 | 0.873 | 63.86 | 565.42 |
| Support (SPT) | 0.876 | 0.933 | 0.768 | 67.17 | 763.97 |
| Quality relationship (QRP) | 0.718 | 0.896 | 0.918 | 54.06 | 756.32 |
| Operational performance (OPER) | 0.817 | 0.900 | 0.846 | 63.98 | 653.75 |
| Competitiveness (COMP) | 0.789 | 0.873 | 0.844 | 61.65 | 765.98 |
| Financial performance (PERF) | 0.830 | 0.905 | 0.859 | 69.75 | 642.97 |

Finally, to assess convergent validity, the Average Variance Extracted (AVE) was tested (See Table 3) and for discriminant validity, the square roots of AVE were measured. Moreover, collinearity was also tested with the Variance Extracted Factor (VIF).

**Table 3**

Correlation matrix and discriminant validity

| Factors | AVE | VIF | TST | COM | SPT | QRP | OPER | COMP | PERF |
|---|---|---|---|---|---|---|---|---|---|
| TST | 0.661 | 3.239 | **(0.814)** | | | | | | |
| COM | 0.650 | 3.172 | 0.707 | **(0.724)** | | | | | |
| SPT | 0.643 | 3.434 | 0.708 | 0.716 | **(0.883)** | | | | |
| QRP | 0.673 | 2.708 | 0.674 | 0.658 | 0.611 | **(0.738)** | | | |
| OPER | 0.716 | 3.371 | 0.689 | 0.750 | 0.708 | 0.668 | **(0.846)** | | |
| COMP | 0.699 | 2.796 | 0.691 | 0.620 | 0.665 | 0.672 | 0.585 | **(0.898)** | |
| PERF | 0.695 | 2.511 | 0.692 | 0.636 | 0.667 | 0.657 | 0.694 | 0.554 | **(0.880)** |

Table (3) illustrated a satisfactory convergence and discriminant validity for all measures in the current study. The square root of the extracted average variance (AVE) for each variable was independently calculated and then compared to its correlation with the other dimensions to verify the discriminant validity. It is suggested that the AVE should be above 0.5 (Hair *et al.*, 2016). All AVEs surpassed the merest value of (0.5) for convergence validity and all indicators' loadings were above the threshold value of (0.5). The square root of AVE of dimensions is greater than any of the other correlations including that of constructs (Peng and Lai, 2012). Further, Table (3) showed that all VIFs values are lower than 5 which implies the absence of both multi-collinearity and common methods bias (Kock and Lynn, 2012).

**Structural Equations Modeling (SEM)**

The casual model was examined with the Structural Equation Modeling (SEM) following the highest probability technique and the EQS program. The application of SEM was justified by the fact that SEM proffers further adjustable assumptions. As suggested by Schermelleh-Engel et al. (2003), the results of three indexes were adopted to judge the validity and explanatory power of the study model. First, the (Bentler-Bonnet normed fit index) reached a value of (0.876). Second, the (Bentler-Bonnet non-normed fit index) had a value of (0.787). Third, the (comparative fit index) acquired the value of (0.899). These results reflect the overall fitness of the study model.

**Results of hypotheses testing**

The standardized solutions of the conceptual model are presented in Figure (2) and Table (4). Data from the path coefficients (β), the p values, and the $R^2$ values substantiate each of the hypotheses and are supported at the 0.05 level except for the quality of the franchise relationship and the performance of the company (β = -0.227).

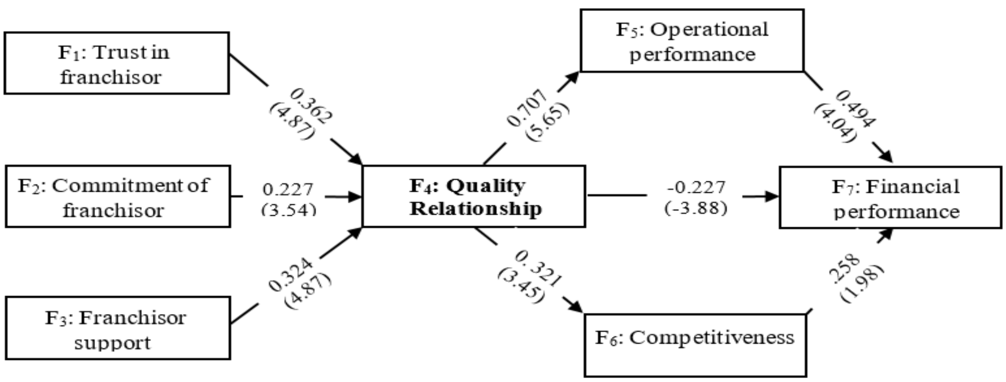


**Fig. 2**. Standardized solution of the conceptual model

The study conclusions implied that trust, commitment, and support are key relational factors in building a high-quality relationship in the franchise system. Though, the three dimensions had varying impacts, with trust and support having the strongest effect (β = 0.362 and β = 0.324 respectively). Conclusively, H1, H2, and H3 are validated. Conversely, the results also indicated that a high-quality franchisee-franchisor relationship has a negative influence on the firm's financial performance (β

= -0.227). Thus, H4a is rejected. Whereas, the findings indicated that a high-quality franchisee-franchisor relationship has a strong positive influence on the firm's operational performance (β = 0.707) and firm competitiveness (β = 0.321). Thus, H4b and H4c are respectively supported.

To test the mediation role of operational performance and competitiveness on the relationship between the quality of the franchisee-franchisor relationship and the firm's performance, the current study implemented the formula suggested by Kock and Lynn (2012) to assess the differences in path coefficients between the high-operational performance and the low-operational performance subgroup model and high-competitiveness subgroup and low-competitiveness subgroup model, t-statistics were calculated. The findings revealed that both operational performance and competitiveness were found to hold a moderating status in the relationship. As illustrated in Table (4), operational performance has a higher influence on the firm's financial performance (β = 0.494). Similarly, competitiveness raises the firm's financial performance (β = 0.258), indicating that H5 and H6 are supported.

**Table 4**

Statistical comparison of paths

| **Path** | Model without OPER (*$R^2$* 0.43) | | Model with OPER as a moderator (*$R^2$* 0.45) | |
|---|---|---|---|---|
| | **Standardized path coefficient** | **P-Value** | **Standardized path coefficient** | **P-Value** |
| QRP -> PERF (OPER) | 0.71 | <0.01 | 0.64 (0.14) | <0.01 |
| **Path** | Model without COMP (*$R^2$* 0.34) | | Model with COMP as a moderator *$R^2$* 0.38) | |
| | **Standardized path coefficient** | **P-Value** | **Standardized path coefficient** | P-Value |
| QRP -> PERF (COMP) | 0.65 | <0.01 | 0.46 (0.16) | <0.01 |

**Discussion**

The concepts of relationship quality and the impact on the firm's performance have acquired increasing salience in franchising. Although it is well-recognized that the franchise agreement dictates the relationship between the franchisor and the franchisee, the contract is insufficient in regulating the interests of both parties which creates mutual misunderstandings. Conflicts in franchise partnerships can lead to the failure of cooperative relationships with monetary and strategic implications (Altinay and Brookes, 2012). Consequently, in addition to formal contracts, relational forms are necessary to govern the relationship between the franchisor and the franchisee. Nonetheless, insufficient research has been conducted on the predictive influences of franchising relationships on franchisees' performance. Unfortunately, there is a dearth of knowledge concerning the mechanisms through which good relationship practices foster franchisee performance. Accordingly, this study employed the social exchange theory to the franchisor-franchisee relationship to examine the underlying dimensions of the franchisee-franchisor relationship quality and the resulting impact on the performance of franchising restaurants in Egypt. Many scholars applied various dimensions to measure relationship quality in different settings and business frameworks (e.g. Bordonaba-Juste and Polo-Redondo, 2008; Fynes *et al.,* 2004; Liu *et al.,* 2009; Wong *et al.,* 2008). In the current study, a consensus was reached that relationship quality is a highly structured concept that has several distinct yet relevant dimensions. Accordingly, trust in the franchisor, franchisor commitment, and perceived franchisee supports were used to measure the quality of relationships between franchisors and franchisees in this study.

From the franchisee's perspective, the relational variable, trust in the franchisor, is considered a key component for a successful franchising relationship. Most of the surveyed franchisees indicated that they have a high level of confidence in the franchisors (the mean score is 4.81). Franchisors not only keep the promises made to the franchisees but are also sincere and honest in their interactions with them. Franchisees with a high level of trust in their franchisors would intensify the collaborative alliance with each other. Trust means the conviction that the franchisor will act positively, ethically, and effectively and that the franchisee can be completely reliable (Jang and Park, 2019). Trust in the proposed model is closely related to the quality of the franchisee-franchisor relationship and thus influences the commitment and performance of the franchisees. Apparent from the descriptive results that the duration of the franchisee's experience with a franchisor did not affect the trust dimension. For a better understanding, data were divided into four groups based on the stage of the life cycle development. Honeymoon stage (relationship does not exceed one year); routine stage (relationship does not exceed four years); crossroads stage (relationship has not exceeded eight years); and stability stage (eight or more years have passed in the relationship). The least experienced quarter, whose relationship with the franchisors did not exceed four years, obtained a mean score of (3.0) in the trust dimension, which was not significantly different from the construct mean score of (3.21) obtained by respondents whose relationship with their franchisors exceeded eight years.

This result intimates that trust does not inevitably start at a low level and strengthen over time and does not start high and decline. Data indicate that trust levels did not change significantly throughout the relationship. This finding is not consistent with the results of Bordonaba Ghost and Polo Redondo (2004) who asserted that trust is the most relevant aspect in the early stages of establishing the franchise system. Conversely, our findings support the modern trust theory, which implies that trust does not grow steadily over time. Ultimately, it is prudent to understand that trust plays a pivotal role in reducing the opportunistic behaviors undertaken by both sides of the franchisee-franchisor. These opportunistic behaviors are likely to reduce long-term performance, as explained by Dickey et al. (2007). Moreover, establishing a trust-based relationship is crucial to sustaining a competitive advantage for international franchise development as contended by several researchers (Altinay and Brookes, 2012; Chiou et al., 2004; Clarkin and Swavely, 2006). A local restaurant franchisor may be unwilling to share and transfer core business practices and resources with a franchisee due to a lack of trust (Altinay and Brookes, 2012).

Consequently, if there is no open franchisor-franchisee communication, the international franchisee, who is acutely aware of consumer trends in the local market and operational issues will also be unwilling to share and discourse business visions and concepts with its international franchisor (Das and Teng, 1998).To develop a collaborative trust-based culture, an effective communication system should be designed to ensure the flow of accurate, reliable, and timely information. To create this culture of trust, franchisors must foster values such as honesty, trustworthiness, sincerity, and mutual understanding with their franchisees.

The findings of the study also indicated that the commitment of the franchisor is an additional factor that has been proven to moderately impact the relationships in the franchise system. Meaning franchisors are completely committed to the relationship and do their best to maintain and continue the relationship with the franchisee. The results are consistent with the findings of previous studies that revealed a positive relationship between inter-organizational commitment and relationship quality (Altinay *et al.,* 2014; Caceres and Paparoidamis, 2007; Mignonac *et al.,* 2015; Wright and Grace's, 2011). For example, in the study to discover a positive relationship between organizational commitment and franchise system outputs, Mignonac et al. (2015) considered that high-commitment franchisors may work toward improving system outputs through a variety of means. As an example, franchisees may engage in customer-focused practices, engage in collaborative behaviors directed towards partners, or take steps toward reinforcing relationships with partners. Franchisors who have rather strong organizational commitment create a spontaneous connection with the franchisees and prefer staying in the relationship (Colla *et al.,* 2018). The results also reveal that a statistically significant relationship was found between the commitment and the nationality of the franchisor (local or international). This intriguing finding is possibly because franchisees interacting with international franchisors have higher expectations and aspirations than those contending with local franchisors. Commitment causes a heightened, more effective synchronization of functions and activities across the firm as is widely believed (Mysen *et al.,* 2010). Franchisor's opportunistic behavior is discouraged by commitment (Watson and Johnson, 2010), and certainly encourage the franchisee's loyalty (Caceres and Paparoidamis, 2007; Frazer *et al.,* 2012). The development of long-term relationship orientation ensures loyalty which is the perception of a high level of commitment as empirically established by Caceres and Paparoidamis (2007).

Amongst the relationship-building factors, perceived franchisor support is deemed to be one of the key dimensions in establishing and maintaining relationships, which can be inferred from the high mean score of this factor (5.14). This finding is consistent with the results of Piercy et al. (2006) who stated that providing organizational support will lead to business engagement and organizational commitment and will elevate the overall performance of the organization. Continuous support provides an added effect on the relationship between the franchisor and franchisee. As expected, there were strong correlations between the size of the system (number of units in the franchising system) and the number of services that can be provided by the franchisor. Typically, extensive systems offer a greater degree of support services to the franchisees than their counterparts with fewer units in the franchise. Support services across extensive systems provide an opportunity to create a competitive advantage for the franchise business and retain the market.

Overall, the empirical findings imply that quality franchising relationships influence franchisees' operations and competitiveness thereby assisting restaurants to expand their businesses. Yet, no significant relationship was observed between the quality of the franchise relationship and the financial performance of the surveyed restaurants. These findings contradict the prevailing opinion that there is always a direct impact between relationship quality and a firm's financial performance (Becerra *et al.*, 2013; Combs *et al.,* 2004; Sun and Lee, 2019). The lack of influence can be explained by the fact that the quality of the relationships between the franchisors and the franchisees has primarily a direct impact on the operational performance of restaurants but does not have the same effect on customers. The quality of the relationships is inadequate to render competitive value to customers and correspondingly has no direct impact on the financial performance of the restaurants.

Congruent with prior research, our findings revealed a direct relationship between relationship quality and operational performance. Previous studies emphasized that the franchising system may result in many new developments in employment practices and in-house processes, such as operational cost decreases due to the effective use of available resources (Perramon *et al.,* 2014). Relationship quality can strengthen restaurants' operational performance through important mediators, such as standardized operating procedures, a more favorable work environment, more effective external relationships with suppliers, economies of scale, more productive operational efficiency, and more effective customer and employee engagement (O'Neill *et al.,* 2006; Prieto and Revilla, 2006).

Relatively, the findings of the current study showed a direct relationship between relationship quality and restaurants' competitiveness. This finding substantiates previous results and presents a new indication for the restaurant sector. Thus, franchisee-franchisor relationship quality can improve restaurants' competitiveness (Sun and Lee, 2019). Franchising enables restaurants to create brand images that competitors are unable to produce. Franchisors also transfer technical knowledge and practical experience that enables franchisees to develop strategies that conform to the local markets and produce innovative products/services that contribute to gaining a competitive advantage. The results also revealed that a statistically significant relationship between the nationality of the franchisor (local or international) and perceptions of restaurants' competitiveness. The competitive advantages of international franchise restaurants over local franchises may derive from brand name recognition, technical knowledge, and professional expertise. Consequently, international restaurants can be more competitive in the market than their local counterparts. From a competitiveness perspective, the support services provided by the franchisor have an important role in enhancing the franchisees' overall competitiveness.

Considering the relationship between quality relationships, mediated by operational performance, and restaurant performance, the fifth hypothesis was supported by the statistical analysis. A significant relationship was found between operational performance due to high-quality relationships and overall restaurant financial performance. Lastly, findings revealed an indirect positive relationship between quality relationships, mediated by competitiveness, and restaurant performance. The sixth hypothesis was supported by statistical analysis. The impact of relationship quality on restaurants' financial performance is delimited by the impact on customer and employee engagement and the improvement in sales due to developments in customers' behavioral intention and the restaurant’s perceived image. Although the direct influence of quality relationships on competitiveness was strongly validated, prior studies were inconclusive regarding the relationship between quality relationships and firm performance. Nevertheless, these findings present an explicit indication that quality relationships between franchisors and franchisees allow restaurants to increase market share.

**Conclusion and implications**

The franchisor-franchise relationship quality is governed by the breadth of the fulfillment of responsibilities which ascertains the success or failure of any franchise business. There must be a high level of mutual understanding between the franchisor and franchisee otherwise the relationship deteriorates into disputes and legal actions for settlements. Presumably overall relationship quality and satisfaction of the franchisees with the franchisors is liable to positively benefit both, the franchisees and the entire franchise structure. The resulting high likelihood of improvement and endeavor to build and sustain a quality association of the franchisees with the franchisors’ stream of income and economy of scale. This study is singularly one of the few studies that researched the franchise system in Egypt. Consequently, this study deepens the franchise literature in general and provides initial support for a positive relationship model between the franchise parties. The results acquired from this study are expected to offer both theoretical and practical contributions to augment business-format franchising in Egypt. Also, this study is expected to reveal insights to assist stakeholders (i.e. industrialists, current and potential franchisees, franchisors, and governing bodies) to develop strategies to reduce disputes and conflicts and thus improve the competitive position of franchising outlets in Egypt. Theoretically, the present study provided remarkable contributions to the industry. The study also built empirical support for theoretical conclusions that reciprocal franchisee-franchisor relationships can assist restaurants to achieve competitive advantages and improve the operational environment (efficiency and differentiation). Also, the study provided a model to disclose the specific factors that can enhance these relationships. This study deepens the understanding of how good franchise relationships elevate the financial performance of restaurants either directly or indirectly through improving operational performance and increasing competitiveness. By understanding the results, scholars can improve theories about how franchising affects financial performance and how to create competitive advantages in restaurants. In practice, this study provides the franchisors with important evidence that can contribute to formulating an effective strategy to strengthen relationships with the franchisees and prevent or reduce turnover in the Egyptian restaurant industry. The integrated model can also elevate current and future relationships considering the factors that lead to franchisee satisfaction and more productive overall performance.

**Research limitations and future research**

The current study has some limitations, including concerns regarding the nature of the research design. First, perhaps the most concerning limitation is that all the constructs were based on data from a single geographical region in Egypt (i.e. Greater Cairo). Consequently, this may affect the measurement of attitudes in other regions that differ in economic, social, and demographical characteristics. Second, the sample size was a major limitation of this study. Third, a single respondent in each restaurant was contacted, and probably responded in isolation (i.e. outlet manager), and thus the responses may not reflect the restaurants' perspectives accurately. Fourth, due to the lack of a recent and integrated list of all franchise businesses in Egypt, the study was based on the Egyptian Franchise Directory issued by the Egyptian Franchise Authority in 2018.

Future studies could also focus on studying the franchisors' perspectives since the strategic alliance between these two parties guarantees franchise success. Finally, another issue that can be approached in future studies is the inclusion of the actual turnover rate as the outcome of the relationship engagement. This suggests additional issues regarding the relevant timeframe for consideration and the use of one dichotomous indicator in an otherwise completely latent model.

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# جودة العلاقة بين طرفي الامتياز وتأثيرها على الأداء التشغيلي والمالي للمطاعم: تطبيق نظرية التبادل بين القائد والعضو

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معلومات المقالة

**الكلمات المفتاحية**
الامتياز التجاري؛ جودة العلاقة؛ نظرية التبادل بين القائد والعضو؛ الأداء التشغيلي والمالي؛ مصر.

**(JAAUTH)**
**المجلد 20، العدد 4، (2021)، ص 293-316.**

**الملخص**

تطور الامتياز كواحد من أسرع استراتيجيات الأعمال نموًا في العالم. يعتمد نجاح هذه الإستراتيجية على العلاقات الديناميكية والمرونة لاستيعاب وجهات نظر ومصالح مختلف الأطراف المتعاقدة، أي مانح الامتياز ومتلقي الامتياز. تعتبر علاقة الامتياز فريدة وأكثر تعقيدًا من علاقات العمل التقليدية لأنها ليست علاقة تعاقدية فحسب، بل هي أيضًا مشاركة منهجية. وبالتالي، من الضروري تحديد العوامل التي تشكل هذه العلاقة وتؤثر عليها. بالاعتماد على نظرية التبادل بين القائد والعضو (LMX)، استخدمت هذه الدراسة نهجًا متكاملًا لتحديد العوامل الرئيسية التي تؤثر على جودة العلاقة بين مانح الامتياز ومتلقي الامتياز ومدى تأثيرها على الأداء التشغيلي والمالي لمطاعم الامتياز في مصر. تم فحص النموذج المتكامل بناءً على بيانات من (50) مطعم امتياز محلي ودولي في مصر. أشارت النتائج إلى أن الثقة المتبادلة والالتزام ودعم مانح الامتياز هي محددات أساسية لجودة العلاقة بين مانح الامتياز ومتلقي الامتياز. على الرغم من أن الأبعاد الثلاثة كانت لها درجات متفاوتة من التأثير، إلا أن الثقة والدعم كان لهما التأثير الأقوى. علاوة على ذلك، أشارت النتائج إلى أن جودة العلاقة لها تأثير إيجابي مباشر على الأداء التشغيلي والتنافسي مع تأثير غير مباشر على الأداء العام للمطاعم.