

Franchising Agreement and Business Performance of Franchise Holders in Zambales

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ABSTRACT: The franchising agreement is essential because it shapes how franchisees understand their responsibilities, manage their operations, and sustain business performance. This study was conducted to examine how the franchising agreement relates to the business performance of franchise holders in the province of Zambales. There remains limited local evidence on how franchisees perceive key agreement provisions and how these perceptions are associated with actual business performance. The study used a descriptive-correlational design and purposively gathered data from 100 franchise holders in Zambales to assess their business performance, and perceptions of the franchising agreement in terms of fees and financial obligations, territory rights and competition, training and ongoing support, operational standards, advertising and marketing, termination clauses, and profit sharing. Results showed that franchisees generally had a positive perception of the franchising agreement and assessed their business performance favorably, with significant differences when grouped according to age and years of franchise operation with more favorable assessment coming from older franchisees, and those with longer years of operations. The findings also revealed a high correlation between franchising agreement and franchise business performance, suggesting that clearer, fairer, and more supportive franchise arrangements may contribute to better business performance outcomes.

KEYWORDS : *Franchising Agreement, Franchising Business Performance, Franchising Fees, Franchising Profit Sharing, Franchising Termination*

I. INTRODUCTION

The Business concept in franchising has become one of the centers of attention that can provide breakthroughs in the diversity of the economic market. Franchising can be a means to assist business development for business owners to become more and more competitive in a sustainable way (Rachman & Hendrawan, 2021). A franchise agreement is a contract entered into between the franchisor and the franchisee as the owner of the intellectual property rights. In this agreement, there is a right to enforce the franchisor's business method and the franchisee enters the franchise network and agrees to use the franchisor's method of negotiation and pay royalty fee payments instead (Mehdipour & Bagheri, 2021). This compels pre-contract disclosures intended to promote a prospective franchisee's understanding of the franchisor, its network, and the proposed franchise arrangement (Emerson, 2021). Franchisee performance on the other hand is critical for the franchise system's success because of the franchisors' intangible resources, the franchisees' resources, external environmental factors, and relational variables (Bui et al., 2022).

It is imperative to understand that franchisee's financial success or failure as it can have implications not only on the former business interest but equally to franchisors. It is then for this reason that as much as possible the two parties must find a common ground by which both may be financially benefited (Bragas & Bragas, 2020). There are limited studies examining the entrepreneurial realities of provincial franchisors in emerging economies like the province of Zambales. This gap highlights the need for deeper insights into their unique challenges and experiences.

Addressing this gap, the study explores how local franchisors perceive the franchising agreement. It specifically investigates the connection between these perceptions and their overall business performance. Understanding this correlation is crucial for developing tailored franchise strategies that will enhance sustainability and growth for both the franchisors and the franchisees.

The study aimed to correlate the perception of Franchisees on the various inclusions of the Business Franchise Agreement and the Business Performance of the Franchisees. Specifically, it aims to present the profile of franchisees in terms of gender, age, and years of business franchise operation; determine the perception of the franchisee on the franchising agreement in terms of fees and financial obligations, territory rights and competition, training and ongoing support, operational standards, advertising and marketing,

termination clauses, and profit sharing; and determine the assessment of the franchisees on the franchise business performance.

This research also tests the significant differences on both the perception of the franchisee on the franchising agreement and the assessment of the franchisee on the franchise business performance when grouped according to their profile variables; Ultimately, the aim of this research is to test the significant relationship between the perception of the franchisees on the franchising agreement and their assessment of the franchise business performance.

II. LITERATURE REVIEW AND FRAMEWORK OF THE STUDY

Franchising has become a machinery of small business mechanism paving way for small scale business investors and entrepreneurs an opportunity to conduct business which are stable with highly structured marketing strategies. (Parcasio, 2022). The franchising system has been growing steadily as both a commercial and social organization model. Its economic and social impacts include outputs and job creation, economic modernization, the development of entrepreneurship, and the alleviation of social problems (Naatu & Alon, 2019).

The Philippine franchise industry is a developing one, owing its growth and development to the proliferation of well-known local and foreign brands in a diverse range of industries. The effective penetration of the said well-known brands to the Philippine market can be attributed to the fact, among others, that Filipinos in general have the propensity to patronize brands that are considered household names or those that have established its business repute for decades. Hence, potentially, franchising can be beneficial not only for the franchisor and franchisee but also to Filipinos in general as it will give them a wider and better range of product and service choices (Sicat & Taiti, 2019).

Franchising is a business model where the franchisor extends business know-how, intellectual rights and the right to operate in the name of a brand for consideration (usually in the form of fees and royalties) to the franchisee (Alon et al., 2021). Franchising is one of the most preferred businesses nowadays due to some reasons. Foremost of these is the issue of profitability and low level of risk on the part of the franchisee. (Bragas & Bragas, 2020). Franchising is a popular way to start a business because it offers greater business security. Franchisees become part of a large organization with all the benefits that go with it (Cvetanov, 2019).

The development in the business sector has a very high level of competition, to make it easier for someone in their efforts to maintain their business to innovate through franchise activities. Franchise activities are an agreement involving two or more individuals in which it forms an agreement involving the law as the legal basis, franchise activities provide significant benefits because this activity emphasizes a cooperation and is mutually binding on each other, this business concept involves the franchisor to the franchisee then becomes a legal institution that regulates the franchise agreement (Burhanuddin, 2021).

Scholars have conducted franchisee performance research for decades; however, understanding the antecedents and outcomes of franchisee performance is still limited. Franchise partnerships are multi-dimensional and involve a critical evaluation of the relationship between franchisor and franchisee to formulate a compatible and mutual partnership that benefits both parties equally by deploying resources to develop the business. There are many factors that affect franchisee performance. Franchisor-related factors, franchise related factors, relationship factors, external environments, franchisor resources and franchisee entrepreneurial orientation are among the most critical variables to enhance franchisee performance (Bui et al., 2022).

Franchise as a business model continues to demonstrate economic scalability and market expansion advantages across various industries. As globalization encourages the replication of standardized operational practices, franchising becomes a strategic channel for disseminating brand identity and managerial consistency. In this setting, the relationship between franchisor and franchisee is inherently symbiotic, characterized by contractual frameworks and performance expectations that require not only legal compliance but ethical alignment (Putra et al., 2022).

Franchising is about the franchisor's relationship with its franchisees. It is about the franchise agreement comprising a suite of contracts with implications regarding the nature of this interaction known as franchising (Abdul Ghani et al., 2022). The affinity and agreement between franchisees and their franchisor represent a captive channel relationship, requiring a mutually well-managed partnership for long-term success and sustained performance. The franchisee performance can be enhanced through greater strategic agreement and operational cooperation with their franchisor (Matthes et al., 2021).

The franchising contract agreement as much as possible must incorporate both the interest of the franchisors and the franchisees. It is a means by which the relationship between the two should be clearly defined and such should be a product of negotiation and bargaining. Although hard positions are taken by the franchisors and that is highly understandable because of their desire to protect the market value of their brand (Bragas & Bragas, 2020). The success factors of a successful franchise also depend on the commitment of the franchisee to the business, with relevance to the management competency and belief in the product, and purpose and advocacy of the franchisor (Fernandez & Meñez, 2020).

In terms of franchise business performance, as franchisees may improve their own performance, they should accept initiatives by franchisors. Any action taken by the franchisor to boost the sense of franchise improvement is a step in the right direction because it can promote, through a greater sense of involvement, initiative-taking and innovative solutions, which in turn can boost franchise performance and, consequently, network performance (Colla et al., 2018).

The most straightforward strategy for estimating the effect of franchising on performance would be to assess the profitability of the business franchise and other financial valuations (Ackermann, 2019). Examining franchisee performance is taking into account the franchisees' financial performance like sales figures and profitability. Given that most franchisees receive ongoing business advice and support from their franchisor as part of the franchise contract agreement, and have the opportunity to participate in regular franchise network, franchise performance is necessary to measure for both the franchisor and the franchisee (Parker et al., 2019).

The Agency theory, Resource-Based View theory, and Social Exchange Theory are the most popular theories researchers used in franchising literature. Agency theory shows a partnership between stakeholders in franchise business occurs—franchisors and franchisees (Bui et al., 2022). Using agency theory, franchisors can better understand the challenges they may face when dealing with franchisees, and they can develop strategies and mechanisms to mitigate potential conflicts of interest and promote successful long-term relationships within their franchise systems. The Resource-based view theory on the other hand should be integrated to describe franchise survival capabilities in terms of internal and external resources, as well as the ability to integrate, create, and reconfigure internal capacity (Othman et al., 2023).

Finally, The Social exchange theory (SET) is one of the most influential theories in social sciences, which has implications across various fields. This theory focuses on informal control mechanisms in which control is utilized when the requirement is for a low level of franchisor control. This occurs when franchisors have developed effective relationships with franchisees, with an established set of common beliefs and shared values. Exchange relations are easily created and maintained when each party views transactions as beneficial (Parcasio, 2022).

III. METHODOLOGY

A descriptive correlational and quantitative method were employed, involving survey questionnaires with franchisees from various sectors and locations within the province of Zambales. The respondents of this study are 100 franchisees in the province of Zambales chosen purposively who have at least one year of franchise experience in the research locale.

The researcher used a self-made survey questionnaire as its data gathering instrument. The questionnaire has three parts. Part 1 presents the profile of the franchisees in terms of their gender, age, and years of franchise operation. Part 2 is the franchising agreement variables, and Part 3 is the assessment of the franchise business performance. The questionnaire has been validated thru marketing experts/instructors who checked the instruments and made their necessary comments for improvement; after which the researcher performed a test of consistency reliability coefficient (Cronbach Alpha test) shown in Table 1 from the pilot survey of 15 respondents to check the reliability of the self-made research instruments.

Table 1. Cronbach's Alpha Reliability Results

Variables	Cronbach's Alpha	Number of Items	Interpretation
Fees and Financial Obligations	.941	5	Excellent
Territory Rights and Competition	.849	5	Good
Training and Ongoing Support	.749	5	Acceptable
Operational Standards	.835	5	Good
Advertising and Marketing	.887	5	Good
Termination Clauses	.806	5	Good
Profit Sharing	.886	5	Good
Franchise Business Performance	.954	10	Excellent

After the questionnaire was subjected to content validity and test of reliability, the researcher asked permission from franchisees to do the survey. The questionnaire was distributed for one month. The researcher was able to retrieve survey responses from 100 franchisees representing 100% of the target research respondents. The researcher applied for research ethics review clearance from the President Ramon Magsaysay State University- Research Ethics Review Unit to maintain research integrity before the conduct of the study and data gathering; and guarantee the scientific and ethical soundness of the research. The researcher also submitted the accomplished research detailed project proposal, survey instrument; and research workplan together with the duly signed application for ethics review form.

The data gathered was encoded, tallied and computed using SPSS version 27.0 and interpreted using the following statistical tools such as frequency counts and percentage, weighted mean; analysis of variance; and Pearson r correlation. The following are the Scale used for interpretation: 3.25 – 4.00 = Strongly Agree; 2.50 - 3.24 = Agree; 1.75 – 2.49 = Disagree; and 1.00 – 1.74 = Strongly Disagree. To ensure a high-quality product, diagrams and lettering MUST be either computer-drafted or drawn using India ink.

IV. RESULTS AND DISCUSSIONS

The following tables and discussions present the gathered, analyzed, and interpreted data.

1. Profile of the Respondents

Table 2 shows the frequency and percentage of the respondents' profile variables as to gender, age of the franchisee and years of operation of the business franchise.

Table 2. Profile of the Respondents

Variables	Category	Frequency	Percentage
Gender	Male	42	42.0
	Female	51	51.0
	LGBTQIA	7	7.0
Total		100	100%
Age of Franchisee	50-57	8	8.0
	42-49	18	18.0
	34-41	20	20.0
	26-33	35	35.0
	18-25	19	19.0
Total		100	100%
Years of Franchise Operation	13-15 years	7	7.0
	10-12 years	8	8.0
	7-9 years	13	13.0
	4-6 years	32	32.0
	1-3 years	40	40.0
Total		100	100%

Majority of the respondents are female with 51%, followed by male with 42%, and 7% are part of the LGBTQIA+ Community. Majority of the franchisees were 26-33 years old during the survey; 20% were 34-41 years old; 19% were 18-25 years old; 18% were 42-49 years old; and 8% were 50-57 years old. 40% of the franchisees are operating their business franchise for only 1-3 years; 32% are franchise holders for 4-6 years; 13% runs the franchise for 7-9 years; 8% operates for 10-12 years; and 7% of the franchisees are in the franchise business for 13-15 years.

The sample is predominantly female, indicating women are the majority among surveyed franchisees. According to White et al. (2021), franchising plays a vital role in supporting inclusion for women in the economic mainstream, through employment and self-employment opportunities. Women use franchising to enter hard-to-access business sectors, of which they may have otherwise been excluded.

Most respondents are in the 26–33 age range, suggesting a younger franchisee demographic. Compared to other types of business, a franchise would be less risky than launching an independent business and this affords younger franchisees success as they precisely follow the guidance of the franchisor (Abdul Ghani et al., 2022). Majority of the franchisees have short franchise tenure (1–3 years), implying the group is largely new to franchising. These results mirrored the study of Cuevas and Reyroso (2026) where it revealed that most franchise businesses are relatively young, with less than six years of operation.

2. Perception of the Franchisees on the Franchising Agreement

Table 3 shows the franchisees' perception of the different parts of the franchising agreement as to fees and financial obligations, territory rights and competition, training and ongoing support, operational standards, advertising and marketing, termination clauses, and profit sharing.

Table 3. Franchising Agreement Perceptions

Category	Overall Weighted Mean	Descriptive Equivalent
Fees and Financial Obligations	3.55	Strongly Agree
Territory Rights and Competition	3.49	Strongly Agree
Training and Ongoing Support	3.51	Strongly Agree
Operational Standards	3.49	Strongly Agree
Advertising and Marketing	3.45	Strongly Agree
Termination Clauses	3.56	Strongly Agree
Profit Sharing	3.34	Strongly Agree
Grand Mean	3.48	Strongly Agree

The franchisees strongly agreed on their positive perception about the franchising agreement in terms of Termination Clauses (3.56) which ranked first; Fees and Financial Obligations (3.55) which ranked second; Training and Ongoing Support (3.51) which ranked third; Territory Rights and Competition (3.49), and Operational Standards (3.49) both ranked fourth; Advertising and Marketing (3.45) ranked sixth; and Profit Sharing (3.34) ranked seventh. Overall, Franchising Agreement received an overall grand mean of 3.48 with a descriptive equivalent of strongly agree. This denotes that the respondents strongly agreed of the need and importance of the abovementioned parts of the franchising agreement.

The franchisees strongly agreed on Fees and Financial Obligations as part of the franchising agreement because ensuring the effectiveness of the franchise system relies on establishing an optimal contractual relationship between the franchisor and the franchisee, which can be achieved through an optimal franchise fee structure. Bang et al. (2023) also found out that because of this franchise fee, franchisors actively offer operational and financial support to the franchisee. This provides a competitive edge to attract potential franchisees.

When it comes to territory rights and competition, the franchisees strongly agreed of its importance because this clause is necessary for the success of the franchise activity as it enables the franchisees to guarantee the customers of the exploited - usually well known- brand, and therefore, parts them from competition, which results in achieving a high turnover (Badlis & Hassaine, 2024).

The franchisees also strongly agreed on the importance of Training and Ongoing Support. The results of Domínguez-Falcón et al. (2021) revealed that relevant training provides a positive and significant effect on training transfer, which does directly affect franchisor-franchisee relationship satisfaction and at least also impacts indirectly on performance. In order to ensure the success of the franchise system, all franchise parties should take a proactive role in the configuration of the training programs.

In terms of operational standards, the franchisees also strongly agreed on its relevance in the franchising agreement. The study of Dahan et al. (2021) pointed out that the application of operational quality standards has an effective role on the sustainability of the franchise contract. It is important to recognize the importance of standards as a strategic weapon to gain a competitive feature and maximizes performance.

The franchisees also strongly agreed that Advertising and Marketing is a valuable part of the franchising agreement mainly because advertising and promotion expenditure has a positive impact on the performances of both franchisors and franchisees. Marketing decisions can be utilized as a means of achieving balanced profitability that would benefit the sustainability in franchising between franchisors and franchisees (Lee et al., 2021).

When it comes to termination clauses, the franchisees also strongly agreed on its importance in the franchising agreement. Without an appropriately prescribed provision on the termination of the contract, the latter may be terminated in unclear circumstances. It is not necessary to indicate the types of violations as a result of which the contract can be terminated. This protects both the franchisor and the franchisee to secure franchise operation (Dmytrychenko-Kuleba et al., 2021).

Finally, when it comes to profit sharing, the respondents also strongly agreed on its importance although it received the lowest perception from the franchisees among the parts of the franchising agreement. Franchising is one of the most preferred businesses nowadays mainly due to profitability. Profit sharing must be agreed upon to balance the franchisor's financial goals and to realize the appropriate level of returns for the franchisees. The reason why profit sharing received the lowest perception is because profitability can be compromised due to some issues like franchising fees, and payment of royalties. These factors may have contributed a lot to low profitability on the use of the franchisees. It is then for this reason that as much as possible the two parties must find a common ground by which both may be financially benefited (Bragas & Bragas, 2020).

3. Assessment of the Franchisees on the Franchise Business Performance

Table 4 shows the franchisees' assessment of the franchise business performance.

Table 4. Franchise Business Performance Assessment

	Overall Weighted Mean	Descriptive Equivalent
Franchise Business Performance	3.39	Strongly Agree

The most straightforward strategy for estimating the effect of franchising on performance would be to assess the profitability of the business franchise and other financial valuations (Ackermann, 2019). In this study, the franchise business performance was measured by the assessment of the franchisees based on their agreement that the gross revenue is consistently increasing over the past year; satisfactory net profit margin; enough revenue generated to cover all operational costs while making a profit; meeting or exceeding the return on investment (ROI); maintaining a healthy balance between debt and equity; sufficient cash flow to support day-to-day business operations; managed Cost of goods sold (COGS); positive same-store sales growth; financial support and resources provided by the franchisor contributing positively to the franchise's profitability; and the capacity to sustain financial growth in the near future. The franchisees strongly agreed on all of these franchise business performance indicators.

The findings of Abou Kamar and Alsetoohy (2021) also indicated that franchisor support is an essential determinant of the franchisee-franchisor relationship quality. Moreover, the results implied that the mutual relationship between franchisors and franchisees has a direct positive impact on the operational and competitive business franchise performance while having an indirect influence on the overall performance of the franchise. Franchisor's support and guidance would benefit both parties to grow the Brand. Moreover, robust franchise systems assist franchisees in reducing operating expenses. Franchise performance growth is becoming more widespread in response to changing competitive environment circumstances. Franchisors need to care about their franchisees' performance, since it reflects their productivity and brand name. Understanding cash flow and profit is crucial to judging a franchise success (Abdul Ghani et al., 2022).

Franchisees need to understand contributory variables to influence business success. The ideal franchisee's characteristics combined with the business characteristics make major contributions to the success of their firms and their franchise systems. From the respondents' perception in the study of Fernandez and Meñez (2020), the highly important factors include the profitability of the business franchise. Profitability is crucial for franchisees because it ensures sustainable cash flow to cover operating costs, repay investments, support growth, and deliver returns that justify the risks of franchising.

The franchise businesses demonstrate resilience in performance (Cuevas & Reyroso, 2026). There are critical success factors to franchisee performance such as the franchisor's capability, interconnection with franchisees, and constant innovation. Various elements demonstrated that there are significant opportunities for good performance and expansion. Therefore, anyone considering joining a franchise should know it is an option (Hizam et al., 2022). Chiu et al. (2025) also emphasized the importance of choosing a well-established franchise, and ensuring sufficient capital before launching their operations to assure good business performance.

4. Test of Difference on Franchising Agreement when grouped according to Profile Variables

Table 5 shows the test of difference on the perception on franchising agreement when grouped according to the franchisees' profile variables.

Table 5. Test of Difference on Franchising Agreement

Category	Significance
Gender	No Significant Difference
Age of Franchisee	Significant Difference
Years of Franchise Operation	Significant Difference

There is no significant difference on the variables of franchising agreement when grouped according to Gender manifested on the computed significance value of 0.329 for Fees and Financial Obligations; 0.088 for Territory Rights and Competition; 0.283 for Training and Ongoing Support; 0.324 for Operational Standards; 0.261 for Advertising and Marketing; 0.212 for Termination Clauses; and 0.291 for Profit Sharing. There is no significant difference by gender because franchisees likely evaluate the franchising agreement based on the same business responsibilities and operational realities, leading to similar perceptions across all variables regardless of gender. The participants in the study of Thaichon (2020) also revealed that they did not believe

that any gender-based discrimination existed in franchising or any particular industry.

There is a significant difference on the variables of franchising agreement when grouped according to the Age of the franchisee manifested on the computed significance value of 0.000 for Fees and Financial Obligations; 0.000 for Territory Rights and Competition; 0.000 for Training and Ongoing Support; 0.000 for Operational Standards; 0.000 for Advertising and Marketing; 0.000 for Termination Clauses; and 0.000 for Profit Sharing.

Older franchisees tend to show higher agreement because they have more experience with business operations, have already learned how the franchise system works, and are more likely to appreciate the value of the agreement's terms. Younger franchisees may still rate all variables as strongly agree, but their slightly lower scores can reflect limited exposure, less familiarity, and a growing need for guidance as they adjust to franchise responsibilities.

According to McDermott and Butler (2023), some franchise models require a certain level of experience for some industries., and experience is often a byproduct of age. The essential resources for successful entrepreneurship are access to financial and human capital and the experience and know-how acquired by an entrepreneur.

Other reasons why the franchising agreement is better understood by older franchisees is because franchising can be a sound solution for continuing their work. Franchising can allow them to create a new career and have bigger control over the future. As an older franchisee, one can find many benefits for adopting franchising from starting a business to having an asset that they can later sell for financing retirement (Erceg, 2020).

There is a significant difference on the variables of franchising agreement when grouped according to the Years of Franchise Operations manifested on the computed significance value of 0.002 for Fees and Financial Obligations; 0.007 for Territory Rights and Competition; 0.000 for Training and Ongoing Support; 0.009 for Operational Standards; 0.005 for Advertising and Marketing; 0.001 for Termination Clauses; and 0.010 for Profit Sharing.

Franchisees with longer years of operation tend to show higher agreement because they have had more time to understand the franchise agreement, adapt to the system, and see how the terms support business success. Those with shorter years of operation may still be adjusting to the franchise setup, so their agreement is lower even though they may already view the terms positively.

Franchisor's system knowledge acquired throughout the years of operation is considered one of the most important resources for achieving competitive advantage in franchise networks (Gorovaia et al., 2023). Iddy and Alon (2019) also found out that the exploration of knowledge management in franchising is associated with performance outcome; and franchise network growth over the years. This is because effective knowledge transfer helps the system expand more efficiently and scale best practices across the network over time.

5. Test of Difference on Franchise Business Performance when grouped according to Profile Variables

Table 6 shows the test of difference on the assessment of franchise business performance when grouped according to the gender, age of franchisee, and years of franchise operation.

Table 6. Test of Difference on Franchise Business Performance

Category	Sig. Value	Significance
Gender	0.099	No Significant Difference
Age of Franchisee	0.000	Significant Difference
Years of Franchise Operation	0.002	Significant Difference

There is no significant difference on franchise business performance when grouped according to the Gender of the Franchisee manifested on the computed significance value of 0.099. There is a significant difference on franchise business performance when grouped according to the Age of the Franchisee manifested on the computed significance value of 0.000; and the years of franchise operation with computed significance value of 0.002.

There is no significant difference in franchise business performance when grouped according to gender, which suggests that franchisees perform similarly because business outcomes are more likely influenced by management practices and operational conditions regardless of gender. However, there is a significant difference when grouped according to age and years of franchise operation, indicating that older and more experienced franchisees tend to perform better because they have greater business familiarity, decision-making skills, and adaptability. This implies that experience and tenure play a more important role in franchise success than gender.

Kang et al. (2018) also revealed that age and proportion of outlets franchised have the strongest

relationships with outlet performance growth rate. Young franchisees should focus initially on gaining maturity, developing their business concept, building an attractive track record and improving their brand reputation. Beyond a strong brand and well-developed business concept, franchisors can attract potential franchisees by reassuring them and making them feel secure about their investment.

The study of McDermott and Butler (2020) on entrepreneurs including franchisees have found mixed evidence on the impact of age on successful entrepreneurship. Improving the financial requirements of younger entrepreneurs and warranting access to outside financing is among the key suggestions noted in the research. The study also implied that franchising is more targeted to an older entrepreneur.

An analysis of 14,069 stores in the McDonald's chain over three years also showed that an owner's years of experience improve performance (Gill & Kim, 2021). Gorovaia et al., (2023) also found that information-rich knowledge is being transferred over the years on mechanisms and it increased performance by facilitating the transfer of tacit and explicit system knowledge. Further, franchisees' willingness to acquire knowledge over the years have a positive effect on their performance. Because continual willingness to learn helps franchisees absorb franchisor guidance, improve operations, and adapt over time, which raises their performance (Moon et al., 2021).

6. Test of Relationship between Franchising Agreement and Franchise Business Performance

Table 7 shows the test of relationship between the perception of franchising agreement, and assessment of the franchise business performance.

Table 7. Test of Relationship between Franchising Agreement and Performance

		Franchising Agreement	Franchise Business Performance
Franchising Agreement	Pearson Correlation	1	.822**
	Sig. (2-tailed)		.000
	N	100	100
Franchise Business Performance	Pearson Correlation	.822**	1
	Sig. (2-tailed)	.000	
	N	100	100

The computed value of $r=0.822$ denotes a high positive relationship/correlation between the perception of the respondents on franchising agreement and franchise business performance. The computed P-value of 0.000 is less than ($<$) 0.01 level of significance, therefore there is a significant relationship between the perception of respondents on franchising agreement and franchise business performance.

The franchising agreement details the level of support the franchisees receive from the franchisors. The franchisor's supports build up trust to have a better presentation of their business franchise. Most of the respondents in the study of Parcasio (2022) agreed that this support will make their performance better because the nature of franchise business is based on cooperation between franchisor and franchisee, and this positively affected the franchise business performance. Ackermann (2019) also found out that good performance results are due to a positive effect of franchising on store revenues

The study of Adebayo (2025) also concluded that effectively adapting the franchising agreements tend to achieve superior financial and operational performance, and significantly boosts franchisee confidence and commitment. The study recommends the development of a flexible framework and the establishment of a transparent conflict resolution mechanism in a clear and well-defined process for dispute resolution, which should be a core component of every franchise agreement.

The results from structural equation modeling of Matthes (2021) also indicated that the agreement and operational cooperation positively affect franchisee satisfaction. that directly mediates benefits to franchise business performance. In line with transaction cost theory predictions in the study of Hajdini, and Windsperger (2019), the aggregated approach shows that contractual restraints which are stipulated in the franchising agreement increase franchise system performance in both profitability and efficiency.

Balanced contract terms in the franchising agreement also emerged as central to sustainable business performance and stakeholder retention in the study of Putra et al. (2022). The study of Bragas and Bragas (2020) also established the relationship between the elements of the franchising contract agreement and some other market performance variables with enormous implications on the profitability of franchising which is one of the main indications of good franchise performance.

The literature review of Bui et al. (2022) also found that franchisor resources stipulated in the agreement is among the most critical variables to enhance franchisee performance. In general, franchisors want their franchisees to succeed, and most work hard to give them the tools and guidance they require based on the stipulations in the franchising agreement. Franchisees, on the other hand ultimately define the success or failure

of their business by incorporating several business decisions for good franchise performance (Abdul Ghani et al., 2022).

V. CONCLUSIONS AND RECOMMENDATIONS

Majority of the respondents are female, 26-33 years old; and operating a business franchise in just 1-3 years. They strongly agreed on the importance of franchise agreement in terms of fees and financial obligations, territory rights and competition, training and ongoing support, operational standards, advertising and marketing, termination clauses, and profit sharing. They also strongly agreed on a positive business franchise performance.

There is a significant difference on all of the franchising agreement variables and business franchise performance when grouped according to age of the franchisee and years of franchise operation. The older the franchisee, and the longer the years of the franchise operation, the higher the appreciation of the franchising agreement, and the better the business franchise performance. On the other hand, there is no significant difference when grouped according to gender.

Ultimately, there is a very high positive correlation between the perception of franchising agreement, and the assessment of franchise business performance. As the agreement on the importance of the franchising agreement increases, the business franchise performance also increases. This indicates the importance of franchising agreement to the business performance of the franchise.

The franchising agreement may be further improved especially the profit-sharing terms which received the lowest agreement among the franchising agreement variables. This can be achieved by making the profit sharing terms clearer, fairer, and more transparent so franchisees can better understand how earnings are computed and distributed. This will help build trust and encourage stronger performance because franchisees are more likely to stay motivated when they feel the sharing arrangement is reasonable and equitable.

The franchisor may also provide a stronger onboarding and mentoring program for new and younger franchisees, including step-by-step guidance on the agreement, operations, and expected business practices. It may also offer more frequent coaching and practical support in the early years so they can better understand the franchise terms and gradually improve their business performance. This recommendation is based on the significant difference findings that younger franchisees and shorter years of operation have lower perception on the franchising agreement and business performance.

Both the franchisor and franchisee should strictly fulfill their respective obligations under the franchise agreement to ensure smooth operations and consistent business performance. Clear compliance and cooperation between both parties can strengthen trust, reduce conflicts, and support the franchise's success. Optimizing franchising agreements can directly drive better business performance by aligning expectations and ensuring stronger partner commitment. Consequently, franchisors should treat these contracts as strategic tools for mutual success rather than purely restrictive legal documents.

Further studies may also expand on this research by exploring other franchise agreement inclusions and specific franchise business performance variables in different locales or specific franchising industry. Several papers focused on multi-industries stated that data analysis on multiple industries could generalize the results. This high percentage of research focus on multi-industries demonstrates that there is a gap in industry studies.

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