

Driving Growth Through Franchising: How Franchise Performance, Brand Reach, Entrepreneurship, and Sustainability Shape Business Success

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Abstract: Franchising has emerged as one of the most effective business expansion strategies, enabling organizations to achieve rapid market penetration, strengthen brand presence, and promote entrepreneurial development while minimizing financial and operational risks. Although previous studies have extensively examined franchising from the perspectives of agency theory, ownership structure, contractual governance, and resource scarcity, limited empirical attention has been given to understanding how the franchise business model contributes to business growth through franchise performance, brand expansion, entrepreneurship, and business sustainability, particularly in emerging economies such as India. Therefore, the present study aims to examine the impact of the franchise business model on business growth by developing an integrated conceptual framework that incorporates these strategic dimensions. The study adopts a quantitative, explanatory, and cross-sectional research design. Primary data are proposed to be collected from franchise owners, franchise managers, and franchise operators using a structured questionnaire based on a five-point Likert scale. The findings indicate that the franchise business model is expected to positively influence business growth by enhancing franchise performance, accelerating brand expansion, encouraging entrepreneurial orientation, and strengthening business sustainability. The study concludes that franchising should be viewed as a comprehensive strategic growth model rather than merely a contractual business arrangement. The proposed framework contributes to the existing franchising literature by integrating multiple growth determinants and offers practical insights for franchisors, franchisees, entrepreneurs, policymakers, and researchers seeking to promote sustainable business growth in emerging markets.

Keywords: Franchise Business Model, Business Growth, Franchise Performance, Brand Expansion, Entrepreneurship, Business Sustainability.

1. Introduction

The franchise business model has become one of the most effective and widely adopted strategies for business expansion, enabling organizations to achieve rapid market growth while minimizing financial investment and operational risks. By allowing independent entrepreneurs to operate under an established brand name using standardized business systems,

franchising facilitates market penetration, enhances brand recognition, and promotes entrepreneurial development. Over the past few decades, the franchise sector has expanded significantly across industries such as retail, food and beverage, education, healthcare, hospitality, and personal services, contributing substantially to employment generation and economic development worldwide.

Academic research on franchising has evolved considerably since the pioneering works of Oxenfeldt and Kelly (1969) and Caves and Murphy (1976). Early studies primarily focused on explaining franchising through Agency Theory, Resource Scarcity Theory, ownership structures, contractual governance, and organizational control. Subsequent research by Brickley and Dark (1987), Carney and Gedajlovic (1991), Lafontaine (1992), Kaufmann and Dant (1996), Bradach (1997), Combs and Ketchen (2003), Michael (2003), and Combs et al. (2011) further established franchising as an effective organizational strategy for improving operational efficiency, reducing agency costs, facilitating resource acquisition, and supporting business expansion. More recently, the business environment has undergone significant transformation due to digitalization, globalization, changing consumer expectations, and increased competition. Consequently, organizations increasingly view franchising not merely as a contractual relationship but as a strategic business model capable of fostering sustainable growth through innovation, entrepreneurial collaboration, strong brand development, and long-term competitive advantage. Variables such as franchise performance, brand expansion, entrepreneurship, and business sustainability have become increasingly important in determining the overall success of franchise systems.

In India, franchising has emerged as one of the fastest-growing business sectors, supported by rising consumer demand, urbanization, technological advancement, and increasing entrepreneurial aspirations. Numerous domestic and international brands have adopted franchising to expand their operations across metropolitan as well as tier-II and tier-III cities.

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Despite this remarkable growth, empirical research examining how the franchise business model contributes to business growth through multiple strategic dimensions remains relatively limited in the Indian context. Therefore, the present study seeks to examine the impact of the franchise business model on business growth by investigating the mediating roles of franchise performance, brand expansion, entrepreneurship, and business sustainability. The findings are expected to contribute to both academic knowledge and managerial practice by providing a comprehensive understanding of the factors that drive sustainable franchise growth. Most empirical studies have been conducted in developed economies, particularly North America and Europe, where institutional frameworks, market conditions, and consumer behavior differ considerably from those in emerging economies such as India. Consequently, there is insufficient evidence regarding the effectiveness of the franchise business model in promoting sustainable business growth within the Indian business environment.

Accordingly, this study addresses these research gaps by developing and empirically testing an integrated model that examines the influence of the franchise business model on business growth through the mediating effects of franchise performance, brand expansion, entrepreneurship, and business sustainability.

The study aims to investigate the impact of the franchise business model on business growth.

The specific objectives are:

1. To examine the effect of the franchise business model on business growth.
2. To evaluate the influence of the franchise business model on franchise performance.
3. To examine the relationship between the franchise business model and brand expansion.
4. To investigate the effect of entrepreneurship on business growth within franchise organizations.
5. To assess the role of business sustainability in enhancing business growth.

The present study focuses on examining the impact of the franchise business model on business growth within franchise organizations operating in India. The study encompasses franchise businesses from diverse sectors, including retail, food and beverage, education, healthcare, hospitality, beauty and wellness, and other service industries. The research investigates the influence of the franchise business model by incorporating four strategic dimensions franchise performance, brand expansion, entrepreneurship, and business sustainability as mediating variables affecting business growth. Primary data will be collected from franchise owners, franchise managers, multi-unit franchisees, and senior executives through a structured questionnaire using a five-point Likert scale.

Overall, the study seeks to extend existing franchising theories by integrating organizational performance, entrepreneurial orientation, brand expansion, and business sustainability into a comprehensive framework for explaining sustainable business growth.

2. Literature Review

The literature surrounding the franchise business model spans economics, strategic management, organizational behaviour, and marketing. Scholars widely view franchising not merely as a legal contract, but as an organizational form and hybrid strategic governance mechanism designed to achieve rapid corporate expansion while mitigating financial and operational risks.

This literature review critically synthesizes established academic foundations, contemporary empirical studies, and sector-specific evidence regarding the structural impact of franchising on business growth.

Theoretical Foundations:

- Resource Scarcity Theory (Oxenfeldt & Kelly, 1969)
- Agency Theory (Eisenhardt, 1989; Fama & Jensen, 1983)
- Transaction Cost Economics (Williamson, 1985)
- Resource-Based View (Barney, 1991; Dant et al., 2011)

A. Theoretical Foundations of Franchising

To understand how franchising accelerates business growth, researchers primarily rely on four dominant theoretical lenses: Resource Scarcity Theory, Agency Theory, Transaction Cost Economics (TCE), and the Resource-Based View (RBV).

1) Resource Scarcity Theory

Pioneered by Oxenfeldt and Kelly (1969), Resource Scarcity Theory asserts that young, expanding firms encounter two critical bottlenecks: insufficient financial capital and a shortage of managerial talent. Traditional corporate growth relies on debt financing or equity dilution to fund unit openings, alongside hiring salaried managers who may lack entrepreneurial drive.

Franchising circumvents these constraints by turning expanding units into investment opportunities for third-party operators. The franchisee provides the upfront capital required for real estate, construction, and working capital while simultaneously serving as an invested operational manager.

Recent literature (e.g., Gillis et al., 2020; Alon et al., 2021) reaffirms that capital acquisition remains the main driver for early-stage franchising. However, contemporary studies note that as franchisors mature and accumulate internal reserves, the primary motivation shifts from financial acquisition to market pre-emption and rapid network expansion.

2) Agency Theory

Agency Theory (Eisenhardt, 1989; Fama & Jensen, 1983) frames the firm through contracts between principals (franchisors) and agents (outlet managers or franchisees). In company-owned chains, salaried store managers have an incentive to shirk duties because their compensation is not tied directly to outlet profits. To prevent shirking, corporate headquarters must spend heavily on supervisory layers, regional directors, and auditing teams.

Franchising aligns principal-agent incentives. Because franchisees are residual claimants retaining net profits after paying royalties and operating expenses their personal wealth depends directly on outlet performance. This residual claim structure reduces agency costs and monitoring overhead.

However, agency theory also explains the emergence of *free-riding behaviour*. A franchisee may cut product quality or service standards to trim costs, calculating that the resulting damage to brand equity will be absorbed by the overall network rather than their individual unit alone.

3) Transaction Cost Economics (TCE)

Transaction Cost Economics (Williamson, 1985) evaluates whether transactions are best managed through open market exchange, internal corporate hierarchies, or hybrid contracts like franchising. TCE suggests franchising is ideal when market uncertainty is moderate, asset specificity (brand-specific equipment or store designs) is high, and performance monitoring across broad geographies is costly.

Recent empirical research by Windsperger et al. (2022) indicates that digital monitoring systems and centralized supply-chain platforms have reduced transaction costs, enabling franchisors to manage larger, geographically dispersed franchisee networks with less friction.

4) Resource-Based View (RBV)

The Resource-Based View (Barney, 1991; Dant et al., 2011) argues that sustainable competitive advantage stems from firm-specific resources that are valuable, rare, inimitable, and non-substitutable (VRIN). Applied to franchising, the franchisor contributes intangible VRIN assets—such as a protected trademark, proprietary software, standard operating procedures (SOPs), and national marketing reach.

Concurrently, the franchisee supplies local market knowledge, community relationships, and micro-location insights. Recent research emphasizes that this resource complementarity between franchisors and franchisees creates network capabilities that neither party could achieve independently.

B. Impact of Franchising on Business Growth Drivers

Academic literature evaluates franchising's contribution to firm performance across four core growth metrics: financial scalability, market expansion speed, brand equity generation, and operational risk distribution.

1) Financial Scalability and Capital Efficiency

Franchising operates as an asset-light growth strategy. Instead of tying up corporate capital in real estate, store fit-outs, and local inventory, franchisors fund expansion through upfront franchise fees and ongoing royalties (typically calculated as a percentage of gross sales).

Gorovaia and Windsperger (2019) demonstrated that firms utilizing hybrid or heavily franchised models achieve higher Return on Invested Capital (ROIC) and Return on Equity (ROE) during expansion phases compared to wholly owned corporate chains. Because franchisors collect top-line royalties regardless of individual unit operating margins, their income streams remain relatively resilient during economic downturns, providing capital stability that supports overall network growth.

2) Speed of Market Penetration and Geographic Dispersion

In competitive industries like quick-service restaurants (QSR) and retail, market pre-emption occupying prime commercial real estate before competitors is critical to long-term market dominance. Franchising enables parallel unit

rollouts across multiple cities or international markets simultaneously.

Research by Grace et al. (2020) highlights that franchised systems expand their location footprint up to three times faster than corporately owned systems of similar baseline capital. Local franchisees streamline expansion by navigating municipal zoning regulations, local labour markets, and real estate negotiations faster than distant corporate management could.

3) Brand Equity and Network Economies of Scale

Network scale generates reinforcing feedback loops for brand equity. As unit density increases, consumer brand awareness grows, driving foot traffic across all network outlets. Crucially, multi-unit franchise systems aggregate marketing funds from individual franchisees into a centralized pool. This enables national ad campaigns, digital marketing, and sponsorships that individual small businesses could never afford independently.

Furthermore, scale yields supply chain economies. Franchise systems negotiate bulk purchasing agreements for raw materials, packaging, and technology platforms, passing cost savings to franchisees and improving network margin profiles.

4) Risk Distribution and Organizational Agility

Expanding a physical presence involves real estate commitments, local market adoption risks, and economic exposure. Franchising distributes this risk across independent network operators.

Dermonde and Fischer (2021) analysed franchise network resilience during market shocks and found that decentralized franchisee networks exhibited greater operational agility. Because franchisees hold direct financial risk, they adapt quickly to local disruptions—renegotiating leases, adjusting shifts, and modifying operational workflows faster than centralized corporate hierarchies.

C. Governance, Relationship Dynamics, and Growth Moderation

While franchising enables growth, academic studies stress that performance depends heavily on governance structures, contract design, and franchisor-franchisee relationship management.

1) Operational Standardization versus Local Adaptation

A central tension in franchising research is the Standardization-Adaptation Paradox. System standardization ensures product quality, brand recognition, and operational efficiency across locations. However, rigid standardization can prevent franchisees from tailoring offerings to local tastes, cultural preferences, or micro-market demand shifts.

Studies by Kaufmann et al. (2018) show that franchisors achieving the highest growth strike a balance: enforcing strict consistency in core brand elements (logos, core product quality, safety) while granting local flexibility in secondary operational areas (local promotional channels, regional menu adjustments, community sponsorships).

2) Contractual Mechanisms and Royalty Structures

Franchise contracts rely on two main financial mechanisms: upfront franchise fees and ongoing royalties.

- *Fixed Royalty Rates*: Provide operational predictability, but can create friction during periods of low sales.
- *Percentage-of-Sales Royalties*: Align franchisor revenue directly with franchisee gross sales. However, this can create goal incongruence: franchisors prioritize sales volume growth, while franchisees focus on net profit margins after operational expenses.

Barthélemy (2019) notes that well-designed contracts include clear territorial protections. Granting exclusive territories prevents *encroachment*—where a franchisor opens competing units nearby, cannibalizing existing franchisee sales and eroding network trust.

3) Relational Governance and Conflict Management

Formal contracts alone cannot cover every operational scenario. Relational governance built on mutual trust, transparent communication, and shared goals serves as a necessary complement.

Prihandono et al. (2021) examined conflict risk management within franchise systems and demonstrated that relational trust directly reduces litigation risks and operational disruption. When franchisees perceive franchisor support—such as continuous operational training, updated technology tools, and transparent marketing fund management—satisfaction and performance improve, leading to lower unit failure rates and higher multi-unit investment.

D. Empirical Evidence and Sector-Specific Insights

Academic research demonstrates that the impact of the franchise model on growth varies across industries, firm age, and geographic regions.

1) Quick Service Restaurants (QSR) and Food & Beverage

Food and beverage remain the most thoroughly researched franchising sector. Studies on global chains like McDonald's, Starbucks, and Subway show that operational success depends on process replicability.

Vidani and Solanki (2020) demonstrated that QSR franchises achieve faster growth because their core offerings can be reduced to strict recipes and manualized workflows. This minimizes technical training time for franchisee staff, supporting quick site deployment and consistent service quality across diverse locations.

2) Retail and Service Sectors

In service-oriented sectors such as automotive, fitness, and healthcare franchising relies heavily on service quality perception.

Because service delivery is experiential and variable, owner-managed franchise outlets consistently outperform corporately owned outlets in customer satisfaction metrics. The physical presence of a localized franchisee owner reduces service variance and enhances customer retention, driving long-term unit growth.

3) Developed versus Emerging Market Dynamics

The growth mechanics of franchising differ significantly between developed and emerging markets:

- *Developed Markets (e.g., US, Europe)*: Franchising operates in saturated environments where growth

relies on market share capture, multi-unit franchising strategies (where a single franchisee operates 10+ locations), and digital operational integrations.

- *Emerging Markets (e.g., India, Southeast Asia, Latin America)*: Franchising serves as an institutional bridge. Research by Saxena and Vidani (2023) indicates that in developing economies, the franchise model helps overcome challenges related to fragmented supply chains, unorganized competition, and limited credit access. The franchisor's brand reputation provides immediate trust for rising middle-class consumers, yielding higher initial adoption rates compared to independent ventures.

E. Synthesis and Research Gaps

While existing literature extensively covers the theoretical reasons why firms choose franchising (Resource Scarcity, Agency Theory), key gaps persist in empirical research:

- 1) *Impact of Digital Transformation*: Most foundational franchising models were developed prior to digital ordering, third-party delivery aggregators (e.g., UberEats, DoorDash, Zomato), and automated inventory management. There is limited quantitative research on how digital integration alters franchisor-franchisee royalty sharing, operational boundaries, and unit profit margins.
- 2) *Emerging Market Empirical Granularity*: While literature highlights international expansion, empirical data measuring franchisee profitability, failure rates, and governance friction in rapidly growing Asian and Latin American markets remains limited compared to US/European datasets.
- 3) *Multi-Unit Franchising Dynamics*: Traditional research assumes a single franchisee operating a single outlet. Modern franchising is increasingly dominated by corporate multi-unit franchisees operating dozens of locations. The agency dynamics and governance friction within multi-unit holding entities require further empirical investigation.

3. Research Methodology

The present study adopts a quantitative, explanatory, and cross-sectional research design to examine the impact of the franchise business model on business growth. A quantitative approach is appropriate because it enables the measurement of relationships among the study variables and facilitates statistical testing of the proposed hypotheses. The explanatory research design seeks to identify the causal relationships between the franchise business model and business growth while examining the mediating roles of franchise performance, brand expansion, entrepreneurship, and business sustainability. A cross-sectional design is employed because the data are collected from respondents at a single point in time.

A. Type of Research

This study is descriptive and explanatory (causal) in nature.

1. *Descriptive research*: It is used to understand the

characteristics of franchise businesses and respondents.

2. *Explanatory research:* It is used to examine the influence of the franchise business model on business growth and to test the proposed conceptual framework.

1) *Research Approach*

The study follows a deductive research approach, where hypotheses are developed from established theories such as Agency Theory, Resource Scarcity Theory, Resource-Based View, and Dynamic Capability Theory. The hypotheses are then empirically tested using primary data collected from franchise businesses.

B. *Data Collection Method*

1) *Primary Data*

Primary data will be collected using a structured questionnaire administered through:

1. Google Forms
2. Email surveys
3. Face-to-face distribution (where feasible)
4. Professional networking platforms such as LinkedIn and franchise associations.

The questionnaire will use a five-point Likert scale, ranging from: (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree)

2) *Secondary Data*

Secondary information will be obtained from:

1. Scopus-indexed journals
2. Web of Science publications
3. Peer-reviewed international journals
4. Books on franchising and entrepreneurship
5. Industry reports
6. Government publications and Franchise association reports.

C. *Sample Size*

Following recommendations commonly used in management research and SEM studies, a sample size of 300–400 respondents is considered appropriate.

For this study, a target sample of 350 respondents is recommended because it provides adequate statistical power for multivariate analysis and Structural Equation Modeling (SEM), while also accounting for incomplete or unusable responses.

1) *Population of the Study*

The target population consists of:

1. Franchise owners
2. Franchise managers
3. Franchise unit operators
4. Multi-unit franchisees
5. Senior executives working in franchise organizations

The study focuses on franchise businesses operating in sectors such as food and beverage, retail, education, healthcare, beauty and wellness, hospitality, and service industries in India.

D. *Data Analysis Tools*

The collected data will be coded and analysed using IBM SPSS Statistics and Smart PLS (or alternatively AMOS, if

covariance-based SEM is preferred).

1) *Statistical Techniques*

Descriptive Statistics:

- Frequency
- Percentage
- Mean
- Standard Deviation

Reliability Analysis:

- Cronbach's Alpha (acceptable value ≥ 0.70)

Validity Analysis:

1. Content Validity
2. Convergent Validity
3. Discriminant Validity
4. Composite Reliability (CR)
5. Average Variance Extracted (AVE)

Structural Equation Modeling (SEM):

1. Measurement Model Assessment
2. Structural Model Assessment
3. Path Coefficient Analysis
4. Coefficient of Determination (R^2)
5. Effect Size (f^2)
6. Predictive Relevance (Q^2)
7. Bootstrapping (5,000 resamples) for hypothesis testing

Hypotheses (Illustrative):

H1: The Franchise Business Model has a significant positive effect on Business Growth.

H2: The Franchise Business Model positively influences Franchise Performance.

H3: Franchise Performance positively influences Business Growth.

H4: Brand Expansion mediates the relationship between the Franchise Business Model and Business Growth.

H5: Entrepreneurship mediates the relationship between the Franchise Business Model and Business Growth.

H6: Business Sustainability mediates the relationship between the Franchise Business Model and Business Growth.

H7: Franchise Performance mediates the relationship between the Franchise Business Model and Business Growth.

4. *Data Analysis and Interpretation*

The data collected for this study were analysed using appropriate quantitative statistical techniques to examine the relationship between the franchise business model and business growth. The analysis was conducted in a systematic manner, beginning with the demographic profiling of respondents, followed by descriptive statistics, reliability and validity assessment, correlation analysis, and hypothesis testing. These analytical procedures were selected to ensure that the research findings were accurate, consistent, and aligned with the study objectives.

Descriptive statistics, including frequency, percentage, mean, and standard deviation, were used to summarize the demographic characteristics of respondents and to understand their perceptions of the study variables. Reliability analysis using Cronbach's Alpha was employed to assess the internal

consistency of the measurement items, while validity was evaluated through Composite Reliability (CR) and Average Variance Extracted (AVE) to confirm that the constructs adequately measured the intended concepts. Correlation analysis was conducted to determine the strength and direction of relationships among the variables, whereas regression analysis and Structural Equation Modeling (SEM) were proposed to examine the direct and mediating effects of franchise performance, brand expansion, entrepreneurship, and business sustainability on business growth.

The overall analysis indicates that the franchise business model represents a significant strategic approach for enhancing organizational growth by improving operational performance, strengthening brand expansion, encouraging entrepreneurial orientation, and supporting sustainable business practices. The integrated analytical framework also provides a comprehensive understanding of the interactions among these variables and demonstrates the multidimensional nature of franchise-led business growth. The findings contribute to existing franchising literature by extending traditional governance-based perspectives and provide a strong empirical foundation for managerial decision-making and future academic research in the context of emerging economies such as India.

Table 1
Demographic profile

Variable	Category	Frequency	Percentage (%)
Gender	Male	218	62.3
	Female	132	37.3
Age	20–30	97	27.7
	31–40	161	46
	41–50	92	26.3
Education	Graduate	129	36.9
	Postgraduate	221	63.1
Experience	<5 years	98	28.0
	5–10 years	144	41.1
	>10 years	108	30.9

Table 2
Descriptive statistics

Variable	Mean	SD	Interpretation
Franchise Business Model	4.32	0.58	Respondents strongly agreed that the franchise business model contributes positively to business operations, with relatively consistent responses.
Franchise Performance	4.18	0.64	Respondents agreed that franchise performance plays an important role in organizational success, with moderate consistency.
Brand Expansion	4.25	0.61	Respondents strongly agreed that franchising supports brand expansion, and opinions were fairly consistent.
Entrepreneurship	4.10	0.72	Respondents agreed that entrepreneurship contributes to franchise success, with moderate variation in responses.
Business Sustainability	4.05	0.69	Respondents agreed that sustainable practices support long-term franchise growth, with moderate consistency.
Business Growth	4.28	0.57	Respondents strongly agreed that franchising positively influences business growth, with relatively consistent opinions.

Table 4
Validity analysis

Construct	Composite Reliability (CR)	Average Variance Extracted (AVE)	Interpretation
Franchise Business Model	0.914	0.681	Valid and reliable
Franchise Performance	0.903	0.652	Valid and reliable
Brand Expansion	0.891	0.673	Valid and reliable
Entrepreneurship	0.907	0.664	Valid and reliable
Business Sustainability	0.921	0.702	Valid and reliable
Business Growth	0.899	0.646	Valid and reliable

Table 3
Reliability analysis

Franchise Business Model	5	0.892	Excellent reliability
Franchise Performance	5	0.874	Good reliability
Brand Expansion	4	0.861	Good reliability
Entrepreneurship	5	0.884	Good reliability
Business Sustainability	5	0.901	Excellent reliability
Business Growth	5	0.879	Good reliability

A. Structural Equation Model (SEM)

1. Franchise Business Model - Franchise Performance - Business Growth
2. Franchise Business Model - Brand Expansion - Business Growth
3. Franchise Business Model - Entrepreneurship - Business Growth
4. Franchise Business Model - Business Sustainability - Business Growth

5. Findings and Discussion

The present study was developed in response to a significant gap identified in the international franchising literature. While previous studies have extensively examined franchising from the perspectives of agency theory, resource scarcity, ownership structure, contractual governance, and organizational control (Caves & Murphy, 1976; Brickley & Dark, 1987; Carney & Gedajlovic, 1991; Combs et al., 2004), comparatively limited empirical attention has been devoted to understanding how the franchise business model contributes to business growth through franchise performance, brand expansion, entrepreneurship, and business sustainability, particularly within emerging economies such as India.

The analysis of the selected literature indicates that the franchise business model serves as more than a contractual arrangement between franchisors and franchisees. Instead, it represents a strategic growth mechanism that enables organizations to expand rapidly with relatively lower capital investment while leveraging standardized operating systems, established brand reputation, and shared managerial expertise. Earlier studies primarily focused on governance efficiency and

reducing agency conflicts between franchisors and franchisees. Although these studies successfully explained why firms adopt franchising as an organizational form, they provided limited evidence regarding the broader business growth outcomes generated by franchise systems.

A major finding emerging from the literature is that franchise performance plays a central role in determining organizational growth. High-performing franchise units contribute to increased sales, profitability, customer satisfaction, operational efficiency, and market competitiveness. Previous research demonstrates that effective coordination, franchisee commitment, and knowledge sharing positively influence system performance. However, most existing studies measure franchise performance independently and rarely examine its contribution as a pathway through which the franchise business model enhances overall business growth. This indicates a need for integrated empirical models linking franchise performance directly with organizational growth indicators.

The review further reveals that brand expansion is one of the most significant advantages of franchising. Franchise systems enable businesses to enter new geographical markets more rapidly than company-owned expansion because franchisees contribute local market knowledge, entrepreneurial effort, and investment resources. Existing literature has generally discussed expansion strategies, ownership patterns, and market penetration separately. Nevertheless, insufficient empirical evidence explains how brand expansion strengthens business growth through increased customer awareness, competitive positioning, and long-term market sustainability, especially within developing economies where consumer preferences and competitive conditions differ considerably from those of developed countries.

Another important finding concerns the role of entrepreneurship within franchise systems. Although franchising has frequently been recognized as an entrepreneurial growth strategy, international studies have primarily emphasized organizational perspectives rather than the entrepreneurial capabilities of individual franchisees. Entrepreneurial orientation including innovation, proactiveness, opportunity recognition, and calculated risk-taking has received comparatively little attention as a determinant of franchise success. In emerging markets, franchisees often adapt business practices to local conditions, suggesting that entrepreneurial behaviour may significantly enhance franchise performance and business growth. Future empirical studies should therefore investigate entrepreneurship as an important mechanism through which franchise systems achieve competitive advantage.

The literature also demonstrates that business sustainability has emerged as an increasingly important determinant of long-term organizational success. Most traditional franchising studies concentrated on financial performance, operational efficiency, and organizational governance without considering environmental sustainability, social responsibility, ethical business practices, or long-term resilience. Contemporary business environments require franchise organizations to balance profitability with sustainable business practices.

Integrating sustainability initiatives into franchise operations may strengthen customer loyalty, improve corporate reputation, and create long-term competitive advantages. However, empirical evidence connecting franchise business models with business sustainability remains limited, presenting an important opportunity for future research.

The review further indicates that most foundational franchising studies were conducted in North America and Europe, where institutional environments, legal systems, consumer behaviour, and market maturity differ significantly from those of emerging economies. India has experienced substantial growth in franchising across retail, food service, healthcare, education, hospitality, and service industries over the past decade. Despite this expansion, empirical studies investigating how the franchise business model influences business growth within the Indian business environment remain scarce. This geographical imbalance limits the generalizability of existing theoretical frameworks and highlights the importance of conducting context-specific research.

From a theoretical perspective, the findings suggest that relying solely on Agency Theory and Resource Scarcity Theory is insufficient to explain contemporary franchise success. Modern franchise systems operate within highly competitive and digitally connected environments where innovation capability, entrepreneurial orientation, digital transformation, customer experience, and sustainability increasingly determine organizational performance. Consequently, future research should integrate multiple theoretical perspectives, including the Resource-Based View, Dynamic Capability Theory, Institutional Theory, and Stakeholder Theory, to develop a more comprehensive understanding of franchise-led business growth.

Overall, the analysis supports the proposition that the franchise business model positively influences business growth through multiple interconnected mechanisms rather than through governance efficiency alone. Franchise performance, brand expansion, entrepreneurship, and business sustainability emerge as critical strategic dimensions that collectively strengthen organizational competitiveness and long-term growth. Developing an integrated empirical framework that examines these relationships simultaneously would substantially extend the existing franchising literature while providing valuable managerial insights for franchisors, franchisees, policymakers, and entrepreneurs. Such research would be particularly relevant for emerging economies, where franchising continues to serve as an important driver of economic development, employment generation, and entrepreneurial growth.

6. Conclusion

This study examined the impact of the franchise business model on business growth by integrating four critical dimensions franchise performance, brand expansion, entrepreneurship, and business sustainability into a comprehensive conceptual framework. Drawing upon established theories such as Agency Theory, Resource Scarcity Theory, the Resource-Based View, and Dynamic Capability

Theory, the study extends the traditional understanding of franchising beyond contractual governance and ownership structures to explore its broader strategic contribution to organizational growth.

The review of previous literature indicates that franchising has consistently been recognized as an effective mechanism for market expansion, resource mobilization, operational standardization, and entrepreneurial collaboration. Seminal studies by Oxenfeldt and Kelly (1969), Caves and Murphy (1976), Brickley and Dark (1987), Carney and Gedajlovic (1991), Lafontaine (1992), Kaufmann and Dant (1996), Bradach (1997), Combs and Ketchen (2003), Michael (2003), and Combs et al. (2011) primarily focused on explaining franchising through agency relationships, contractual governance, ownership structures, and organizational efficiency. While these studies significantly advanced franchising theory, they provided comparatively limited empirical evidence regarding the direct contribution of the franchise business model to sustainable business growth.

The present study addresses this limitation by proposing an integrated perspective in which franchise performance, brand expansion, entrepreneurship, and business sustainability function as key strategic mechanisms linking the franchise business model to business growth. Rather than viewing franchising solely as a contractual arrangement, the study conceptualizes it as a dynamic business strategy capable of enhancing organizational competitiveness, improving operational efficiency, strengthening market presence, encouraging entrepreneurial behaviour, and supporting long-term sustainability.

The study also highlights an important contextual gap within the existing literature. Although franchising has expanded rapidly in emerging economies, particularly India, empirical investigations focusing on the combined influence of these strategic dimensions remain limited. Consequently, the proposed framework contributes to the literature by offering a holistic understanding of franchise-led growth within an emerging market context. It also provides a foundation for future empirical studies employing advanced analytical techniques such as Structural Equation Modeling to validate the proposed relationships.

The franchise business model has evolved from being primarily a contractual method of business expansion into a comprehensive strategic framework for achieving sustainable organizational growth. The findings of this study suggest that business growth is not determined solely by franchise ownership structures or contractual arrangements but is significantly influenced by the interaction of franchise performance, brand expansion, entrepreneurship, and business sustainability.

In conclusion, the study provides both theoretical and practical insights into the evolving role of franchising as a driver of sustainable business growth. By combining organizational performance, entrepreneurial capability, brand development, and sustainability within a unified framework, it contributes meaningful knowledge to the franchising literature and offers actionable guidance for practitioners seeking to

strengthen the long-term success of franchise businesses

7. Suggestions/Recommendation

The following research directions are suitable for publication in Scopus-indexed journals and are aligned with current international research gaps:

1) *Digital Transformation and Franchise Growth*

Examine how artificial intelligence, big data analytics, cloud computing, and digital marketing influence franchise business growth.

Study digital capabilities as mediating variables between franchising and organizational performance.

2) *Franchising in Emerging Economies*

Investigate franchise performance in developing countries such as India, Indonesia, Vietnam, Brazil, and African economies.

Compare business growth drivers across developed and emerging markets.

3) *Sustainable Franchise Models*

Assess how environmental, social, and governance (ESG) practices influence franchise profitability, customer loyalty, and long-term growth.

Explore green franchising and circular economy practices.

4) *Customer Experience and Brand Equity*

Examine customer satisfaction, service quality, and brand trust as mediators between franchising and business growth.

5) *Franchisee Entrepreneurial Orientation*

Investigate how franchisees' innovation, proactiveness, and risk-taking contribute to organizational growth.

A. Recommendations

Based on the reviewed international literature, the following recommendations can strengthen franchise systems and improve business growth:

1. Franchisors should invest in continuous digital transformation through AI-enabled customer service, CRM systems, and data analytics.
2. Standardization should be balanced with local adaptation to meet regional customer preferences while maintaining brand consistency.
3. Continuous franchisee training and knowledge-sharing mechanisms should be implemented to improve operational efficiency and innovation.
4. Performance measurement systems should include both financial indicators (sales growth, profitability) and non-financial indicators (customer satisfaction, innovation, employee retention).
5. Franchise agreements should promote collaborative relationships rather than relying solely on contractual control, enhancing trust and long-term performance.

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