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Examining and Identifying the Determinants of Franchise Operation Success in Chain Café–Restaurants

1. Mohammad Ali. Ajorloo : Department of Business Administration, Ki.C., Islamic Azad University, Kish, Iran
2. Darioush. Jamshidi *: Department of Business Administration, Shi.C., Islamic Azad University, Fars, Iran
3. Shahriar. Ansari Chaharsoqi : Department of Business Administration, CT.C., Islamic Azad University, Tehran, Iran
4. Morteza. Ghorbani : Department of Mathematics, ShQ.C., Islamic Azad University, Tehran, Iran

*corresponding author's email: Dar.Jam@iau.ir

ABSTRACT

The present study investigates and identifies the factors influencing the success of franchise operations in chain café–restaurants. This research is applied in purpose, exploratory–explanatory in approach, and qualitative in methodology. The statistical population consists of owners and managers of chain café–restaurants across the country, from whom eight participants were selected through purposive snowball sampling. To analyze the qualitative data obtained from the interviews, content analysis was conducted and grounded theory was implemented based on the Strauss and Corbin approach. According to the findings, 27 components categorized into 10 main dimensions were identified as determinants of franchise operation success in chain café–restaurants, including franchisor conditions, franchisee conditions, mutual satisfaction, process standardization, interaction and communication management, marketing strategies, macro (external) factors, organizational factors, social responsibility, and franchise operation success. The results indicate that franchisor conditions and franchisee conditions lead to mutual satisfaction between the franchise parties; this satisfaction, in turn, facilitates process standardization and the management of interaction and communication. In this framework, marketing strategies and macro or external factors function as contextual conditions, while organizational factors and social responsibilities serve as intervening variables influencing the strategies of process standardization and interaction and communication management, ultimately resulting in franchise operation success, manifested through the growth of operational performance and financial performance. Overall, the findings demonstrate that the success of franchise operations in the chain café–restaurant industry requires strategic planning, precise operational execution, and the creation of sustainable value for customers and franchise stakeholders.

Keywords: Franchise, Satisfaction, Standardization, Marketing, Social Responsibility, Chain Café–Restaurants.

Introduction

Franchising has become one of the most dominant organizational forms in the contemporary service economy, particularly within the restaurant and hospitality sectors, where it functions as a strategic growth mechanism enabling rapid market expansion, resource leveraging, and brand diffusion across geographically dispersed markets (1, 2). Through the replication of standardized business models and brand systems, franchising allows firms to scale efficiently while mitigating capital constraints and managerial limitations traditionally associated with wholly owned expansion strategies (3, 4). In the global restaurant industry, franchising has evolved from a simple

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contractual arrangement into a complex interorganizational system involving multi-level governance, relational coordination, and continuous capability development (5, 6). As competition intensifies and consumer expectations escalate, the success of franchise operations increasingly depends on a sophisticated alignment of strategic, organizational, relational, and environmental factors rather than on brand replication alone (7, 8).

Despite its widespread adoption, franchise failure rates in the restaurant industry remain nontrivial, particularly in emerging and volatile markets where environmental uncertainty, regulatory complexity, and shifting consumer preferences create substantial operational challenges (2, 9). The COVID-19 pandemic further exposed the fragility of franchise systems, revealing how resilience, adaptive capabilities, and franchisor support structures critically influence survival and post-crisis recovery (9, 10). These disruptions have intensified scholarly and managerial interest in identifying the determinants of franchise operation success beyond traditional financial performance metrics, encompassing relational stability, organizational learning, and sustainable competitive positioning (6, 11).

The franchise relationship itself represents a unique hybrid governance structure combining elements of market transactions, hierarchical control, and relational contracting (3, 7). The long-term viability of this arrangement hinges on mutual satisfaction, trust, capability alignment, and continuous value co-creation between franchisors and franchisees (7, 11). Research increasingly conceptualizes franchising as a dynamic socio-economic system in which strategic success emerges from complex interactions among organizational capabilities, institutional conditions, and stakeholder engagement processes (5, 6). Consequently, understanding franchise operation success requires a multidimensional framework integrating strategic management, organizational behavior, marketing, and institutional theory perspectives.

In restaurant franchising specifically, operational success is shaped by both internal system design and external market forces. Competitive dynamics in the restaurant industry are heavily influenced by pricing practices, brand positioning, menu innovation, service quality consistency, and customer relationship management, all of which are moderated by franchising structures (1, 3). Franchise systems that fail to maintain operational alignment and brand coherence across outlets experience erosion of customer trust and market competitiveness, ultimately undermining financial performance (10, 12). At the same time, excessive franchisor control can generate relational conflict, suppress franchisee motivation, and weaken system adaptability (3, 8).

From the franchisee perspective, the decision to enter a franchise system is shaped by perceived risk reduction, brand reputation, financial expectations, and managerial support mechanisms (13, 14). Franchisees seek systems that provide not only a proven business model but also continuous learning, operational guidance, and strategic support necessary to navigate volatile market conditions (10, 15). Empirical evidence demonstrates that franchisee financial capability, site selection quality, and absorptive capacity significantly affect operational outcomes and growth trajectories (14, 15). These findings underscore the importance of franchisee conditions as foundational inputs in franchise success models.

On the franchisor side, strategic capability development plays a decisive role in sustaining system-wide performance. Franchise capabilities—including knowledge transfer mechanisms, governance structures, brand management systems, and relational coordination routines—serve as critical performance drivers (5, 15). Franchisors that invest in structured training systems, quality management processes, and financial architecture design create stronger platform conditions for franchisee success and system scalability (5, 14). Furthermore, franchisors' soft skills, including communication, leadership, conflict management, and emotional intelligence, substantially influence implementation effectiveness across multi-unit networks (6). These relational and behavioral competencies often determine whether formal strategies translate into operational realities.

Recent scholarship emphasizes the growing importance of social responsibility and sustainability in franchise systems, particularly within hospitality and food services. Corporate social responsibility (CSR) initiatives, environmental sustainability practices, and health-oriented menu strategies increasingly shape brand legitimacy, stakeholder trust, and long-term financial performance (10, 11). Actor engagement theory suggests that franchise systems that actively involve franchisors, franchisees, employees, and customers in CSR processes generate superior relational capital and competitive advantage (11). These developments reflect broader institutional shifts in which franchise success is no longer defined solely by profit growth but also by social impact, ethical conduct, and environmental stewardship.

Simultaneously, technological transformation is reshaping franchise operations. Digitalization—including online ordering systems, customer data analytics, artificial intelligence applications, and digital payment platforms—has become a central operational capability influencing efficiency, service quality, and customer experience (1, 8). Digital infrastructure enhances franchisor monitoring capabilities, supports performance evaluation, and enables real-time strategic adjustments across franchise networks (6, 15). However, technology adoption also introduces new coordination challenges and capability gaps that require careful governance design and continuous learning investment.

External environmental forces further complicate franchise management. Macroeconomic volatility, inflationary pressures, currency fluctuations, regulatory changes, and political instability significantly affect franchise cost structures, pricing strategies, and expansion decisions (2, 4). The restaurant sector is particularly sensitive to these macro-level disruptions, as cost structures are heavily dependent on raw material prices, labor regulations, and local compliance requirements (9, 16). Successful franchise systems must therefore develop adaptive strategic architectures that integrate internal capability building with environmental scanning and risk management mechanisms.

Despite the breadth of existing scholarship, the literature remains fragmented. Many studies examine isolated determinants of franchise performance—such as pricing conflicts (3), franchisee switching intentions (8), CSR engagement (11), or resilience during crises (10)—without offering an integrative model that captures the systemic interactions among organizational, relational, strategic, and environmental factors. Moreover, much of the existing evidence is derived from Western markets, while emerging economies and culturally distinct contexts remain underexplored (2, 14). This gap limits the generalizability of current theoretical frameworks and constrains their practical applicability in diverse institutional environments.

Furthermore, franchise success has often been operationalized narrowly through financial metrics, overlooking broader performance dimensions such as operational growth, brand sustainability, relational stability, and stakeholder satisfaction (7, 12). Contemporary franchising increasingly requires a holistic performance perspective that integrates economic outcomes with organizational health, customer loyalty, and system resilience (6, 11). Without such comprehensive frameworks, managers risk implementing fragmented strategies that address symptoms rather than structural causes of franchise performance challenges.

The present study addresses these gaps by developing an integrated, empirically grounded model of franchise operation success in the context of chain café–restaurants. By employing a grounded theory approach, the study captures the lived experiences of franchisors and franchisees, uncovering how causal conditions, contextual factors, intervening mechanisms, strategic actions, and performance outcomes interact within real franchise systems (5, 15). This approach enables the construction of a comprehensive conceptual framework that reflects the complexity of modern franchising and provides actionable insights for both scholars and practitioners.

The aim of this study is to identify and model the key determinants of franchise operation success in chain café–restaurants through the development of an integrated conceptual framework grounded in empirical evidence.

Methods and Materials

In the present study, the factors influencing the success of franchise performance in chain café–restaurants were identified and analyzed. Given the purpose of the study, this research is classified as applied research and, in terms of approach, follows an exploratory–explanatory design implemented through a qualitative methodology. The study population consisted of owners and managers of active chain café–restaurants in the country. Considering the qualitative nature of the research, in the first stage, a wide range of documentary sources was consulted; accordingly, both domestic and international databases, along with relevant human sources, were utilized to identify and collect the research literature. In the next stage, the required data were collected through qualitative interviews.

To select participants, purposive sampling using the snowball technique was employed, such that interviews initially began with individuals possessing sufficient knowledge and experience related to the research topic, and subsequently, these participants were asked to introduce other qualified individuals to continue the process. To initiate the interviews, several owners and managers of chain café–restaurants in the city of Tehran were selected as the initial sample. The interviews were conducted in a semi-structured format, and during the discussions, the interview process was purposefully guided by open-ended questions. Data collection continued until theoretical saturation was achieved. Ultimately, in the qualitative phase of the study, eight participants were selected as the final sample, whose characteristics are presented in Table 1.

Table 1. Characteristics of Interview Participants

Code	Interviewee Name	Brand Name	Number of Branches	Position	Work Experience (Years)
A	Arin Khachatourian	Haik Coffee	10	Founder – CEO	7
B	Bonyan Salahi	Ranshe & Warf	5	Owner – Manager	14
C	Hamed Taj	Bon Café	4	Owner – Manager	23
D	Mohammad Ali Ajorlou	Khaneh Football	2	Owner – Manager	8
E	Kaveh Shahrakhi	Dobaar	4	Owner	4
F	Hossein Emami	Café Espressolab	5	Owner – Manager	5
G	Khan Mohammadi	Nan-e Sahar	30	Owner	53
H	Mehran and Mahyar Namdar	Pizzaro	24	CEO, Executive Deputy	2

The data obtained from the interviews were analyzed using content analysis and grounded theory based on the Strauss and Corbin approach. In this process, the data were examined through theoretical coding procedures. Initially, open coding was performed by assigning concepts to different segments of the data. Subsequently, by examining the various dimensions of the extracted concepts and identifying the relationships among them, axial coding was carried out. Throughout this process, the researcher employed theoretical sampling, guided by the concepts emerging from the data, to collect additional information about individuals, events, and situations in order to achieve a deeper and more comprehensive understanding of the phenomenon under investigation. Finally, through selective coding, the categories were refined and the theoretical framework of the study was developed. Thereafter, after determining the dimensions and components and analyzing the relationships among them, one dimension was selected as the core category, and the remaining dimensions were organized within the final research model as causal conditions, contextual conditions, intervening conditions, strategies, and consequences.

Findings and Results

In the present study, the stages of grounded theory were carried out in four main steps: reviewing and collecting primary data; conducting semi-structured interviews with owners and managers of chain café–restaurants in the city of Tehran; coding the data to identify concepts, components, and dimensions; and finally, identifying new components and establishing relationships among components and dimensions. Accordingly, the coding process was conducted in three stages: open coding, axial coding, and selective coding. During the open coding stage, 360 concepts comprising approximately 2,150 words were extracted from the data.

Subsequently, in the axial coding stage, the categories (components) were identified and classified. As a result of this process, 27 components were determined within 10 main dimensions. These components included: brand strategy, human resource training and development, quality management, optimal financial structure, efficient supply chain, financial capability, appropriate location selection, franchisor satisfaction, franchisee satisfaction, operational integration, flexibility, empowerment, strong franchisee relationships, customer relationship management, menu and services, costs, advertising (promotion), processes, economic factors, legal factors, competitive market factors, performance monitoring and evaluation, digitalization (use of technology), environmental sustainability, health promotion and healthy nutrition, operational performance growth, and financial performance growth.

After extracting the components, during the selective coding stage, the components were categorized into core themes (dimensions). Accordingly, the identified components were classified into 10 dimensions (themes) entitled: franchisor conditions, franchisee conditions, mutual satisfaction, process standardization, interaction and communication management, marketing strategies, macro (external) factors, organizational factors, social responsibility, and franchise operation success. Table 2 presents the identified components and dimensions along with their corresponding codes. Furthermore, Table 3 illustrates the theoretical saturation of the data regarding the research topic. Theoretical saturation refers to the point at which newly collected data no longer differ from the data previously obtained.

Table 2. Extraction of Dimensions from Components

Row	Dimensions	Components	Corresponding Codes
1	Franchisor Conditions	Brand Strategy	B1, H1, C1, A1, D1, G1, F1, B2, E1, C2, A2, D2, F2, B3, E2, C3, F3, A3, E3
		Human Resource Training and Development	H2, C4, B4, A4, D3, B5, E4, A5, F4, G2, B6, C5, A6, D4, B7, E5, C6, A7, B8, E6, B9
		Quality Management	A8, H3, C7, D5, A9, G3, B10, E7, A10, C8
		Optimal Financial Structure	D6, F5, B11, E8, A11, C9, E9, B12, C10, A12, D7, C11, E10, A13, F6, B13, C12
		Efficient Supply Chain	A14, D8, G4, B14, E11, A15, C13, D9, A16, B15, F7, H4, A17
2	Franchisee Conditions	Financial Capability	C14, B16, D10, A18
		Appropriate Location Selection	C15, E12, G5, A19, B17, D11, C16, A20, E13, D12, B18, A21, F8, C17
3	Mutual Satisfaction	Franchisor Satisfaction	F9, A22, C18, B19, H5, A23, G6
		Franchisee Satisfaction	B20, C19, A24, E14, D13, A25, B21
4	Process Standardization	Operational Integration	C20, A26, D14, B22, A27, C21, B23, A28, H6, D15, B24, G7, A29, C22, D16, F10, A30, D17, E15, B25, A31, C23
		Flexibility	A32, D18, B26, C24, A33, G8
		Empowerment	B27, A34, D19, C25, B28, A35, D20, H7, E16, F11

5	Interaction and Communication Management	Strong Franchisee Relationships	A36, C26, A37, B29, D21, C27, A38
		Customer Relationship Management	D22, B30, A39, G9, B31, C28, E17, A40
6	Marketing Strategies	Menu and Services	D23, B32, C29, A41, E18, B33, C30, A42, H8, B34, C31, G10, A43, C32, D24, B35, A44, D25, E19, C33, F12, A45, F13, B36, D26, A46
		Costs	C34, A47, B37, E20, D27, A48, F14
		Advertising (Promotion)	C35, H9, B38, A49, B39, G11, A50, D28, C36, B40, E21, A51
		Processes	D29, C37, A52, G12, B41, A53, C38
7	Macro (External) Factors	Economic Factors	B42, D30, E22, H10, A54, G13, B43, C39, A55, D31
		Legal Factors	A56, B44, F15, A57, C40, D32, B45, E23, F16, C41
8	Organizational Factors	Competitive Market Factors	G14, A58, B46, D33, C42, E24, A59, F17, B47, C43
		Performance Monitoring and Evaluation	D34, E25, G15, A60, B48, C44, A61, D35, B49, E26, C45, B50, A62, A63, C46, B51, G16, H11, A64
		Digitalization (Use of Technology)	D36, B52, E27, C47, F18, A65, F19, D37, B53, F20, A66, G17, C48, E28, B54, D38, A67, C49, F21, A68
9	Social Responsibility	Environmental Sustainability	B55, C50, A69, D39, B56, E29, A70, C51, B57, D40, A71, C52
		Health Promotion and Healthy Nutrition	B58, E30, G18, A72, C53, B59, D41, A73
10	Franchise Operation Success	Operational Performance Growth	E31, B60, C54, E32, A74, F22, C55, D42, E33, B61, D43, F23, C56, D44, G19, A75, E34, B62, F24, E35, B63, C57, A76, D45, E36, B64, D46, C58, A77, E37, B65, D47, C59, E37
		Financial Performance Growth	D48, A78, C60, B66, E38, D49, F25, C61, A79, E39, B67, D50, C62, E40, D51, A80, B68, C63

Table 3. Theoretical Saturation of Research Data

Component (Category)	A	B	C	D	E	F	G	H	Number of Occurrences
Brand Strategy	*	*	*	*		*	*	*	8
Human Resource Training and Development	*	*	*	*	*	*	*		7
Quality Management	*		*	*	*	*	*	*	7
Optimal Financial Structure		*	*	*	*			*	5
Efficient Supply Chain	*		*	*		*	*	*	6
Financial Capability	*	*	*	*	*	*	*		7
Appropriate Location Selection		*	*	*	*	*	*		6
Franchisor Satisfaction	*		*		*		*	*	5
Franchisee Satisfaction	*	*	*			*	*		5
Operational Integration	*	*	*	*	*	*	*	*	8
Flexibility		*		*		*	*	*	5
Empowerment			*			*	*		3
Strong Franchisee Relationships		*		*	*	*	*	*	6
Customer Relationship Management	*	*		*	*	*	*	*	7
Menu and Services	*	*	*	*	*	*	*	*	8
Costs	*		*	*	*	*	*	*	7
Advertising (Promotion)	*	*	*	*	*	*	*	*	8
Processes		*		*	*	*			4
Economic Factors	*	*			*	*		*	5
Legal Factors		*	*	*	*	*	*		6
Competitive Market Factors	*			*	*				3
Performance Monitoring and Evaluation		*	*		*	*	*	*	6
Digitalization (Use of Technology)	*	*		*	*	*		*	6
Environmental Sustainability	*			*	*		*		4
Health Promotion and Healthy Nutrition		*	*	*	*	*	*	*	7
Operational Performance Growth	*	*	*	*	*	*		*	7
Financial Performance Growth	*	*	*	*	*	*	*	*	8

The concepts and components related to each dimension are described below.

Franchisor conditions: This dimension comprises five components: brand strategy, human resource training and development, quality management, optimal financial structure, and an efficient supply chain.

Brand strategy: In this study, the brand strategy component includes the following concepts: designing a sustainable model for delivering differentiated value, brand strategy, defining brand identity, core values and market positioning, branding and a distinctive identity, articulating brand values, visual identity, a unique customer experience, articulating brand values, a distinctive brand mission, brand attractiveness, developing a strong brand, creating a visual identity, building emotional connections with customers, promoting brand values, brand expansion, brand positioning, an integrated and participatory brand culture, and promoting brand values among employees and franchisees.

Human resource training and development: In this study, the human resource training and development component includes the following concepts: designing and implementing efficient operational processes at the branch level, recruiting and retaining skilled and efficient personnel across all levels, developing human resource strategies, monitoring the implementation of human resource policies, employee training and development, continuous training programs to enhance service quality, building a strong organizational culture, standardized training systems for employees at all levels, ongoing support, opportunities for individual development for employees, training and empowering employees, providing standardized training systems for employees at all levels, providing continuous support systems for employees, regular employee training, consulting and training for branches, comprehensive training programs for employees, time management and communication skills training programs, enhancing employees' technical knowledge and skills, operations management and service delivery training programs for employees, motivational programs to increase employee motivation and productivity, and rigorous screening of applicants alongside continuous training.

Quality management: In this study, the quality management component includes the following concepts: quality control to ensure a positive customer experience, regular assessment of service quality across all branches, quality management, rigorous quality control processes, emphasis on high quality standards across all processes including service delivery and customer experience, regular evaluation of service quality, defining quality standards across all production and service processes, quality control systems for continuous monitoring of service quality and customer experience, brand quality and standards, and defining consistent quality standards.

Optimal financial structure: In this study, the optimal financial structure component includes the following concepts: a clearly defined revenue model, transparent costs and sustainable profitability, regular assessment of financial performance, rigorous monitoring of costs and profitability in each branch, precise financial planning for the development and expansion of the franchise network, a clearly specified cost and revenue structure, establishing a transparent revenue model for franchisees, cost optimization, managing operating costs and controlling waste, analyzing financial performance and developing growth strategies, formulating financial and revenue plans for franchisees, financial management and profitability, cost transparency, optimal pricing and return on investment analysis, establishing franchisor financial support programs, financial support and investment, and providing financial facilities.

Efficient supply chain: In this study, the efficient supply chain component includes the following concepts: providing high-quality and safe materials and products, an efficient supply chain, sourcing high-quality raw materials, logistics management, reducing transportation costs, a supply chain and reliable suppliers, ensuring access to high-quality raw materials, building sustainable relationships with suppliers, collaborating with trusted suppliers, inventory management, smart supply chain management, developing strategic partnerships and collaborating with local suppliers to reduce costs and enhance quality, and providing the necessary resources and tools to implement best practices in franchise branches.

Franchisee conditions: This dimension includes two components: financial capability and appropriate location selection.

Financial capability: In this study, the financial capability component includes the following concepts: the franchisee’s financial capability, an adequate financial position, securing sufficient resources to establish and maintain new branches, and securing sufficient resources to implement standardized processes.

Appropriate location selection: In this study, the appropriate location selection component includes the following concepts: selecting suitable areas, examining target customers’ behavior, scientific and precise site selection, optimal site selection, assessing strategic locations based on customer behavior analysis, studying and understanding customer behavior and preferences, recognizing and monitoring shifts in customers’ tastes and preferences, attending to emerging customer needs such as fast service, healthy food options, and digital experiences, examining changes in lifestyle and customer behavior, understanding the level of demand for healthy foods, identifying customer-friendly environments, identifying online environments and services, and understanding customer culture and preferences.

Mutual satisfaction: This dimension comprises two components: franchisor satisfaction and franchisee satisfaction.

Franchisor satisfaction: In this study, the franchisor satisfaction component includes the following concepts: providing effective support to the franchisee, ensuring fairness in fees and contract terms, fairness in royalty fees, advertising, and other financial obligations, efforts to reduce risk through the brand, providing a proven business model to the franchisee, and the franchisor’s expressed and genuine satisfaction.

Franchisee satisfaction: In this study, the franchisee satisfaction component includes the following concepts: adherence to brand standards, expressed and genuine satisfaction, timely payment of royalties and fees to the brand owner, maintaining brand credibility, safeguarding the brand’s credibility and positioning through professional performance, sustainable growth and expansion, and increasing the number of branches and expanding the market without reducing the franchisee’s quality.

Process standardization: This dimension includes three components: operational integration, flexibility, and empowerment.

Operational integration: In this study, the operational integration component includes the following concepts: brand consistency across all franchise branches, integrated brand activities across all franchise branches, developing clear service guidelines, specific guidelines for service preparation and cleaning, establishing clear procedures for service quality and the restaurant environment, proper resource management, process standardization, standardization across all elements of the franchise system to ensure a uniform customer experience across branches, creating an integrated and sustainable system for franchise management to ensure alignment between the brand and branches, a strong organizational culture and brand alignment, an integrated organizational culture, building a strong and aligned organizational culture that guides all branches under shared values and standards, a shared organizational culture, standardizing processes to ensure consistency and quality across all branches, aligning branches with brand strategies, standardization and operations management, developing standardized guidelines for all branches to ensure alignment and maintain uniform quality across all branches, enhancing high service standards, designing specific protocols for food quality, service, and the café–

restaurant environment, compliance with quality standards, improving and standardizing the customer experience across all branches, and operational guidelines and brand standards to maintain consistency in quality and customer experience, as well as standardized operational processes and franchisor support.

Flexibility: In this study, the flexibility component includes the following concepts: flexibility in response to market changes, flexibility among franchise parties toward one another, monitoring competitors and readiness to adapt to new conditions, fostering a collaborative mindset and commitment to brand standards among employees, strengthening teamwork, and adapting to market needs through a diverse menu and innovative marketing strategies.

Empowerment: In this study, the empowerment component includes the following concepts: empowering franchisees, empowering employees to enhance customer experience, technological capabilities, empowering managers and employees, environmental empowerment, information technology capability, access to guidelines and standards, management systems capability, access to management software, and financial capability.

Interaction and communication management: This dimension comprises two components: strong franchisee relationships and customer relationship management.

Strong franchisee relationships: In this study, the strong franchisee relationships component includes the following concepts: building strong relationships among franchise parties, strong communication between franchisee and franchisor, employees' emotional connection with the brand, strong working relationships among employees, franchisor–franchisee relationship management, relationship management with franchisees, and continuous support for franchisee performance by the franchisor.

Customer relationship management: In this study, the customer relationship management component includes the following concepts: building long-term relationships with customers through personalized services, building long-term customer relationships by delivering a unique experience, using customer feedback to improve services and innovate the menu, monitoring and evaluating customer satisfaction with services and food quality, customer interaction and communication, communications management, developing communication skills, and brand expansion through strategic collaborations and sustainable growth models.

Marketing strategies: This dimension includes four components: menu and services, costs, advertising (promotion), and processes.

Menu and services: In this study, the menu and services component includes the following concepts: innovation in the menu and services, updating the menu and introducing new services to attract more customers, attention to emerging food trends and customer preferences, up-to-date menus and services to attract and retain customers, new and distinctive services, developing unique features such as a proprietary menu, differentiated ambience, or new technologies, innovative menus aligned with current market trends and customer needs, aligning café–restaurant services with customer needs, continuous innovation in services and the menu, applying innovation in menu design, combining new products and offering specialized services, a product and service innovation strategy, updating the menu, creating new experiences such as events, collaborations with other brands, or distinctive services, designing and developing diverse new menus aligned with customer needs, menu variety, special menu offers, designing seasonal and appealing products, customization and enhancement of customer experience, seasonal menus, menus and services tailored to local customer needs, introducing innovative services such as online delivery, customized services, and special experiences (e.g., seasonal foods), and continuous improvement of services and products based on customer feedback and market changes.

Costs: In this study, the costs component includes the following concepts: the cost of goods sold for menu items and services, pricing strategies, operating costs, controlling and optimizing operating costs, menu and service costs relative to competitors, and costs in relation to menu and services.

Advertising (promotion): In this study, the advertising (promotion) component includes the following concepts: effective advertising, promotional strategies to attract customers, using social media and other digital tools for advertising and brand awareness, digital media advertising (social networks, online advertising, and applications), designing targeted promotional campaigns aligned with customers' specific needs, influencer marketing and customer loyalty programs, effective advertising, targeted advertising, collaborating with influencers to attract new customers and retain existing customers, targeted marketing such as offering discounts and vouchers, advertising on social media, and special sales campaigns.

Processes: In this study, the processes component includes the following concepts: franchisor support and guidance, ongoing consulting by the franchisor, operational support, managerial support provided by the franchisor, marketing, training and consulting, continuous financial consulting and site selection support for branches by the franchisor, operational support and consulting, and investment models and solutions to reduce initial costs for franchisees.

Macro (External) Factors: This dimension consists of two components: economic factors and legal factors.

Economic factors: In this study, the economic factors component includes the following concepts: changes in economic conditions such as inflation rates, changes in prices and incomes, fluctuations in raw material prices, inflation and the country's economic conditions, political and economic crises, inflationary changes, exchange rate volatility, fluctuations in raw material prices and their impact on operating costs, economic developments and inflation, and political developments and inflation.

Legal factors: In this study, the legal factors component includes the following concepts: laws and regulations such as health standards, safety standards, local regulations and laws, tax and labor regulations, compliance with local laws, health, tax, and trade/industry standards, governmental laws and regulations, franchise regulations, and intellectual property rights.

Organizational Factors: This dimension comprises three components: competitive market factors, performance monitoring and evaluation, and digitalization (use of technology).

Competitive market factors: In this study, the competitive market factors component includes the following concepts: the competitive environment in the café–restaurant market, competitors' influence on innovations, competitors' influence on pricing, competitors' influence on customer needs, intense market competition, the presence of domestic and international brands, changes in customer tastes and emerging trends in the food industry, market dynamics, changes in customer culture and lifestyle, and shifts in individuals' lifestyles and their increased tendency to dine out.

Performance monitoring and evaluation: In this study, the performance monitoring and evaluation component includes the following concepts: using key performance indicators to evaluate branches, implementing assessment tools and monitoring operations, direct performance monitoring and evaluation, rigorous franchisor monitoring of branch performance, regular monitoring and evaluation of branch performance to ensure compliance with standards, continuous assessment and monitoring of branch performance to ensure alignment with the organization's objectives and standards, applying digital tools to monitor performance and improve decision-making, using advanced technologies to monitor quality, inventory, and service timing, branch performance monitoring and quality control systems, managerial and supervisory infrastructure, establishing monitoring mechanisms to ensure service and product quality, monitoring service quality across all branches, regular evaluation of services and products, rigorous analysis of empirical data and performance feedback, assessment of branches' financial performance, identifying strengths and weaknesses, performance evaluation and data analysis, collecting and analyzing branch performance data (e.g., sales, customer satisfaction levels, food serving time, etc.), and examining the degree of deviation from strategic objectives.

Digitalization (use of technology): In this study, the digitalization component includes the following concepts: technology and digitalization, using digital tools and advanced technologies for order management, using digital technology for branch management, technology and online ordering, digital marketing and inventory management, use of mobile applications, use of digital payment systems, use of online ordering systems, restaurant management software, using mobile applications to facilitate processes and provide customers with a digital experience, implementing order management software, online ordering systems, customer clubs, accounting software and customer clubs, use of customer loyalty applications, smart management systems, customer data analytics systems, artificial intelligence technology, big data technology, and digitalization and optimal resource management.

Social Responsibilities: This dimension consists of two components: environmental sustainability and health promotion and healthy nutrition.

Environmental sustainability: In this study, the environmental sustainability component includes the following concepts: using environmentally friendly packaging, reducing food waste through optimal inventory management and donations to charities, reducing energy and water consumption through optimized equipment and the use of renewable resources, supporting the local community, using locally sourced raw materials to support domestic farmers and producers, providing employment opportunities for local individuals and disadvantaged groups, supporting cultural and social events or contributing to charities and non-governmental organizations, creating an equitable work environment and supporting employees' rights, ensuring appropriate working conditions with fair wages, conducting training programs and individual development initiatives for employees, combating discrimination and promoting diversity and inclusion in the workplace, and adhering to ethical principles and fairness at work.

Health promotion and healthy nutrition: In this study, the health promotion and healthy nutrition component includes the following concepts: offering healthy and organic food options to customers, reducing sugar consumption, reducing the use of unhealthy fats and harmful additives in the menu, informing and raising customer awareness about healthy eating habits, providing transparent information about raw material sources, providing transparent information about production and sourcing processes, maintaining continuous communication with customers through surveys and feedback collection, and adherence to health and food safety standards.

Franchise Operation Success: This dimension includes two components: operational performance growth and financial performance growth.

Operational performance growth: In this study, the operational performance growth component includes the following concepts: maintaining quality standards over time, establishing performance standards across different branches, facilitating franchise expansion, customer loyalty, sustaining competitive advantage, positive customer experience, differentiation from competitors, expanding the franchise network, increasing the number of successful branches, accelerating franchise network expansion across different markets, customer satisfaction and loyalty, customers' positive service experience, increasing customer loyalty and repeat patronage, customer loyalty and repeat patronage, maintaining competitive advantage, expanding the franchise network, enabling faster franchise network expansion, strengthening brand loyalty, reducing the risk of franchise failure and increasing market longevity, sustainable profitability for franchisees, stabilizing and increasing market share, reducing franchise failures, improving long-term operational performance, creating opportunities to expand franchises into new cities and markets, ensuring the positive performance of chain café–restaurants, improving café–restaurant quality and performance, increasing productivity, maintaining competitiveness, attracting new customers and retaining existing customers, improving customer experience, sustaining the brand, attracting socially responsible investors, business sustainability, and customer and employee satisfaction.

Financial performance growth: In this study, the financial performance growth component includes the following concepts: improving financial performance, revenue growth and profitability, increasing sales and profit due to high-quality services and products, reducing costs, improving franchisees' financial performance, financial success and the economic health of the business, total revenue, average transaction value, reducing operating costs, reducing overhead costs such as marketing and technology costs, profitability and returns, gross profit, gross profit margin, operating profit, return on investment, cash flow and financial capability, liquidity ratio, accounts receivable collection period, and related indicators.

At this stage, after identifying the dimensions and components as well as the relationships among the identified components and dimensions, the study employed the modeling framework prescribed by grounded theory. In this approach, it is stated that after coding, one dimension is selected as the core category, and the remaining dimensions and categories are positioned in the model as causal conditions, the contextual conditions governing the phenomenon under study, intervening conditions, strategies, and consequences. Accordingly, the proposed conceptual model of the study—at the level of dimensions and components, comprising 27 components and 10 dimensions—was presented as Figure 1.

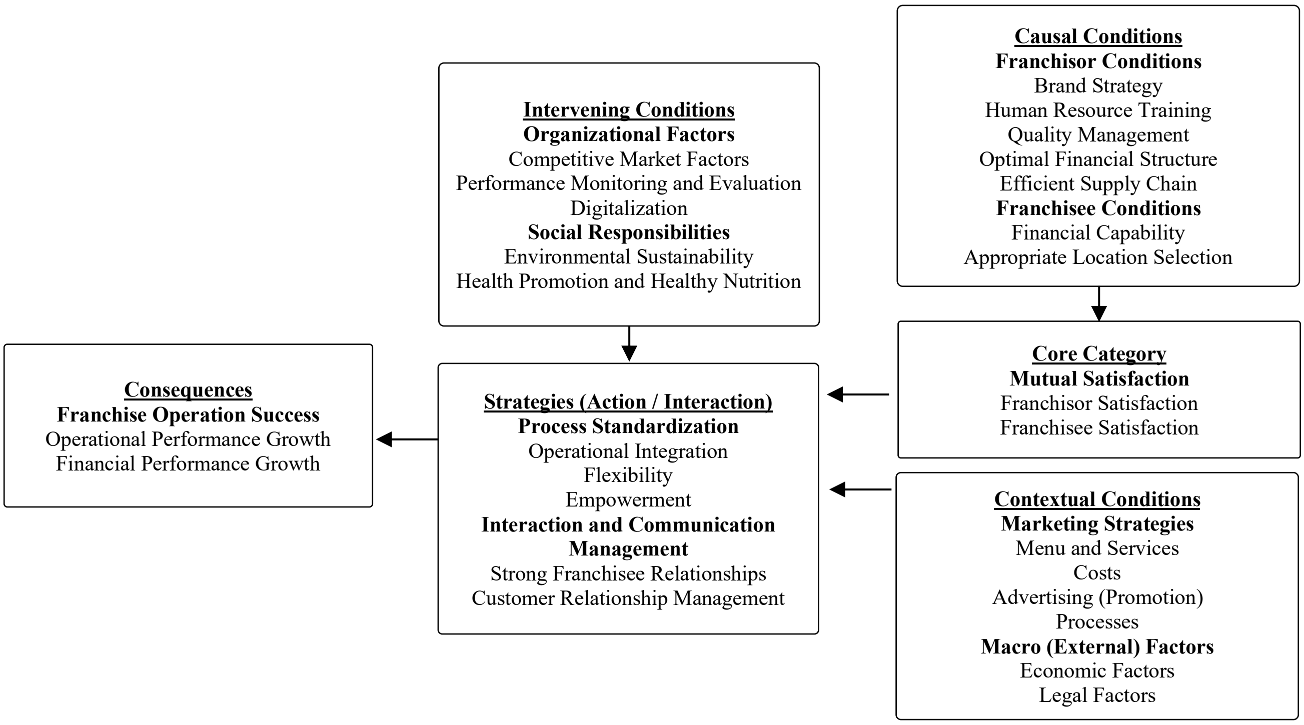

Figure 1. Proposed Conceptual Model of the Study Based on the Grounded Theory Framework

Discussion and Conclusion

The findings of the present study provide a comprehensive and integrative explanation of franchise operation success in chain café–restaurants by demonstrating how causal conditions, contextual factors, intervening conditions, strategic actions, and outcomes interact within a unified system. The results reveal that franchisor conditions and franchisee conditions form the foundational drivers of franchise performance, primarily through their influence on mutual satisfaction, which emerged as the core category of the model. This central role of mutual satisfaction confirms prior theoretical propositions that view franchise systems as relational contracts in which performance is contingent upon sustained relational quality, trust, and perceived fairness (7, 11). The prominence of mutual satisfaction in the model further supports social exchange theory perspectives, which posit that cooperative behavior and long-term performance are stabilized when both parties perceive reciprocal value and equitable outcomes (6, 11).

The results indicate that franchisor conditions—comprising brand strategy, human resource development, quality management, financial structure, and supply chain efficiency—exert a decisive influence on franchise system stability and performance. This finding aligns with prior research emphasizing the centrality of franchise capabilities and system design in shaping performance outcomes (5, 15). The strong effect of brand strategy identified in this study reinforces the argument that coherent brand identity and value proposition remain the primary competitive mechanisms in restaurant franchising (1, 12). Moreover, the empirical evidence that human resource training and development significantly contribute to operational integration and service consistency corroborates earlier studies highlighting the importance of absorptive capacity and managerial capability in franchise success (6, 14).

On the franchisee side, financial capability and appropriate location selection were identified as critical success conditions. These results substantiate prior findings that franchisee resource adequacy and site selection quality significantly determine outlet survival, growth potential, and profitability (13, 14). The strong association between franchisee conditions and mutual satisfaction further confirms that franchise systems operate most effectively when franchisees are both financially prepared and strategically positioned within suitable market environments (2, 8). This reinforces the notion that franchise expansion strategies must balance growth ambitions with careful franchisee screening and market analysis.

The study's findings also demonstrate that mutual satisfaction functions as a structural mediator linking foundational conditions to strategic actions. This supports the sustainable franchisor–franchisee relationship model proposed by Jang and Park, which emphasizes that win–win outcomes are achieved through relational governance mechanisms rather than contractual enforcement alone (7). The data further show that satisfaction enhances commitment to process standardization and interaction management, facilitating the alignment of operational practices across franchise units. This outcome is consistent with prior research demonstrating that relational quality directly influences compliance with standards and willingness to engage in cooperative behaviors (3, 6).

Strategic actions—specifically process standardization and interaction and communication management—emerged as the primary conduits through which foundational conditions translated into performance outcomes. The strong role of operational integration within process standardization reflects existing scholarship emphasizing that consistency in service delivery and operational protocols is essential for protecting brand equity and sustaining customer trust (1, 12). Flexibility and empowerment further strengthened the adaptive capacity of franchise systems, enabling them to respond effectively to market volatility, competitive pressures, and consumer preference shifts.

These findings align with crisis management studies that demonstrate how adaptive governance and franchisor support increase franchise resilience during periods of disruption (9, 10).

Interaction and communication management—through strong franchise relationships and customer relationship management—proved to be equally vital. These results reinforce the growing recognition that franchising success depends not only on structural governance but also on relational coordination and stakeholder engagement (6, 11). Effective communication strengthens trust, facilitates knowledge transfer, and enhances implementation effectiveness, supporting the argument that soft skills and relational capabilities represent critical performance assets in multi-unit franchise networks (6). Moreover, customer relationship management directly contributed to loyalty, repeat patronage, and brand differentiation, confirming prior findings on the role of customer utility and exchange value in driving franchise performance (12).

Contextual factors, including marketing strategies and macro (external) conditions, were shown to shape the effectiveness of strategic actions. The influence of marketing strategies—particularly menu innovation, pricing, promotion, and service processes—echoes existing research highlighting the competitive importance of continuous innovation and value differentiation in the restaurant sector (1, 3). Meanwhile, macroeconomic volatility, regulatory pressures, and political uncertainty moderated operational outcomes, reinforcing earlier findings on the sensitivity of franchise systems to institutional and economic environments (2, 4). These results illustrate that franchise success is contingent upon both internal capability development and external environmental alignment.

Intervening conditions—organizational factors and social responsibilities—further shaped performance trajectories. The study's identification of performance monitoring systems and digitalization as critical organizational enablers is consistent with prior research demonstrating how technological infrastructure enhances managerial control, service quality, and strategic responsiveness (8, 15). The integration of social responsibility and sustainability into the model reflects emerging scholarship linking CSR engagement with relational capital, brand legitimacy, and long-term financial performance (10, 11). The findings thus confirm that contemporary franchise systems must integrate economic objectives with social and environmental commitments to sustain competitive advantage.

Finally, the study demonstrates that franchise operation success manifests through both operational performance growth and financial performance growth. This dual-outcome structure supports the growing consensus that franchise performance must be evaluated using multidimensional metrics encompassing efficiency, growth, resilience, customer loyalty, and financial sustainability (7, 12). By revealing how these outcomes are produced through interconnected structural, relational, and strategic mechanisms, the study advances theoretical understanding of franchising as a complex adaptive system rather than a linear contractual arrangement.

This study is subject to several limitations. First, the qualitative design and limited sample size, while appropriate for theory development, restrict the generalizability of the findings to broader populations and alternative industry contexts. Second, the research focused on chain café–restaurants within a specific institutional environment, which may constrain the applicability of the model to other franchise sectors or geographic regions. Third, the reliance on self-reported data introduces the possibility of respondent bias, despite efforts to ensure methodological rigor. Finally, the cross-sectional nature of the data collection limits the ability to capture dynamic changes in franchise relationships and performance over time.

Future research should quantitatively test the proposed conceptual model across larger and more diverse samples to enhance generalizability and statistical robustness. Longitudinal studies could examine how franchise relationships, strategic actions, and performance outcomes evolve over time, particularly under conditions of economic uncertainty or technological disruption. Comparative studies across different countries and franchise sectors would further illuminate the role of institutional and cultural factors in shaping franchise success. Additionally, future studies may explore the moderating effects of leadership styles, organizational culture, and digital maturity on the relationships identified in this model.

Managers and policymakers should prioritize the development of integrated franchise systems that align strategic design, relational governance, and operational execution. Franchisors should invest in robust training infrastructures, digital platforms, and performance monitoring systems while fostering trust-based relationships with franchisees. Franchisee selection processes must emphasize both financial readiness and strategic fit. Marketing strategies should remain adaptive and customer-centered, supported by continuous innovation and data-driven decision-making. Finally, embedding social responsibility and sustainability within franchise governance can strengthen brand legitimacy, enhance stakeholder loyalty, and support long-term organizational resilience.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adheried in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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