

Linking Satisfaction, Commitment, and Compliance in Franchise Relationships: Empirical Evidence from Malaysia

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Abstract

Franchising is a key driver of economic activity. This study explores compliance issues between franchisees and franchisors from the franchisee's point of view. It aims to provide a framework to understand how economic and non-economic satisfaction, along with commitment, influence compliance in a franchise partnership of various sectors in Malaysia. The research highlights the importance of both economic and non-economic satisfaction for franchisees, as these factors encourage compliance and can lead to a more successful business. Based on an analysis of 193 responses, the findings show that economic satisfaction and commitment are strong predictors of compliance. The study also reveals that the link between commitment and compliance is stronger when there is low environmental uncertainty.

Keywords: Economic, Non- Economic, Commitment, Compliance, Franchise

Introduction

Franchising is a business expansion strategy where an organization grants a franchisee the right to use its intellectual property, brand name, and products for a set period. This legal and economic partnership is defined by a franchise agreement, which outlines the rules the franchisee must follow. The relationship can become more complex in an international setting due to intercultural differences. Despite its popularity as a business expansion option, franchising is often challenged by conflicts and compliance issues between the franchisor and the franchisee. This study specifically aims to investigate these compliance-related issues, focusing on how the franchisor-franchisee relationship impacts the franchisee's compliance with the franchisor's rules.

Literature Review

Economic Satisfaction

Economic satisfaction is defined as a “channel member’s evaluation” that focused on the economic outcomes flow from the sales volume, margins, and discounts (Geyskens & Steenkamp, 2006). In fact, economic satisfaction is a kind of satisfaction that is involved with incentives and benefits including financial performance and sales (Ferro et. al, 2016). According to Soto et. al (2024), economic satisfaction functions as a critical antecedent in the development and consolidation of durable exchange relationships. Hence, a successful business performance comes from an economic satisfaction that can help both parties to generate revenue and help the franchisor in securing greater profits in the long run (Rauyruen, Miller, & Barrett, 2007). By generating bigger profit, the franchisor and franchisee develop a good relationship that can be long lasting and adding value to their business (Walter, Muller, Helfert & Ritter, 2003). Hence, economic satisfaction is important to boost franchisees’ behaviour and motivation especially in their relationship with their principal.

Non-Economic Satisfaction

Non-economic satisfaction is synonymous with social economics and is associated with intangible attributes of business relationship between two parties (Geyskens & Steenkamp, 2000). This type of satisfaction is a positive and affective response towards psychological aspects including happiness and enjoyment that might be experienced by the one or both parties in their relationship (Sanzo, Santos, Vazquez, & Alvarez, 2003). For instance, a review of the literature show that most studies measure satisfaction by looking at the social economic aspects of franchise business relationship (Goaill et al., 2017). According to Rutherford (2012), the result of non-economic satisfaction will provide a different perspective compared to economic satisfaction because the cultural factors have a way of influencing the dynamics of business relationships including relationship-related factors that may be more valued than others. Furthermore, non-economic satisfaction is a robust predictor of continuity intentions, cooperation and relationship commitment (Soto, Suárez & Bayón, 2024). Conversely, economic satisfaction is easier to reflect the franchising partnership because it only depends on revenue and profit orientation (Christine & Douglas, 1991).

Commitment

Commitment between franchisor and franchisee is a foundational element influencing the long-term success and sustainability of franchise systems. In the context of franchising, commitment refers to the mutual willingness of both parties to invest in and maintain the relationship over time, beyond contractual obligations (Gilliland & Bello, 2002). This relational commitment fosters cooperation, reduces opportunistic behaviors, and enhances system-wide performance (Mendoza-Abarca & Gras, 2020). The franchisor's commitment is often demonstrated through continuous support, training, and brand development, whereas the franchisee reciprocates by adhering to system standards and promoting brand integrity (Dant, Weaven, & Baker, 2011). Studies have shown that perceived fairness, trust, and open communication significantly strengthen this commitment (Nyadzayo, Matanda, & Ewing, 2015). Furthermore, relationship-specific investments—such as localized marketing and operational adaptations—indicate a deeper level of commitment that contributes to mutual dependency and reduces the likelihood of defection (Heide & John, 1988). A high level of bilateral commitment not only stabilizes the franchise network but also serves as a buffer

against environmental uncertainties and market fluctuations. Therefore, understanding and managing commitment dynamics is critical for franchisors aiming to build resilient franchise relationships and achieve strategic objectives.

Compliance

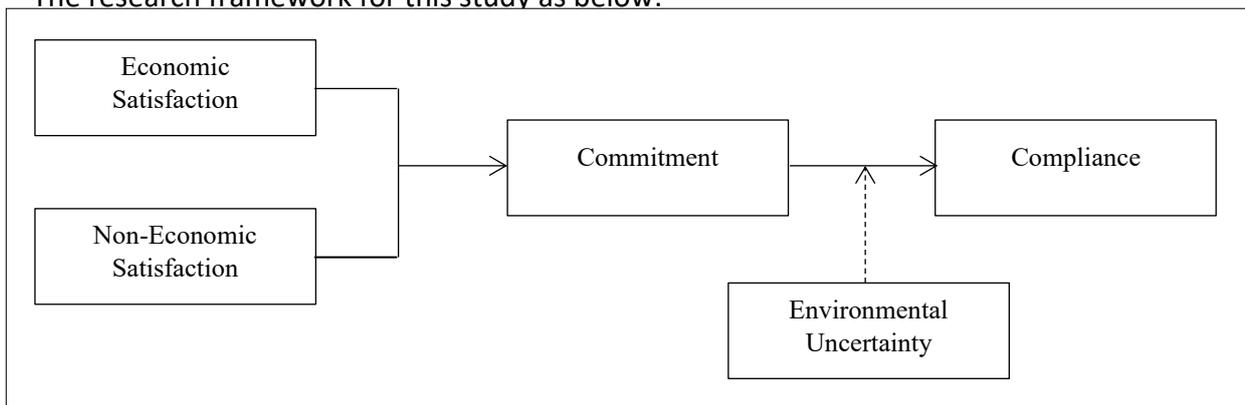
In franchising today, the challenge for franchisor is to build a stronger foundation for the franchise system to gain compliance from the franchisee (Wang & Yang, 2013). Through franchisee's compliance, franchisors can achieve a base level of performance and satisfy customer's needs and expectations (Davies et al., 2011). Due to this, franchisee's compliance is an important factor to gain competitive advantage in the franchise industry because it is the degree to which a franchisee adheres to franchisor directives, policies, and procedures, regardless of the reason for uniformity and conformity (McDonnell et al., 2009). Compliance refers to the concept of cooperation among individuals that occur when two or more parties establish a relationship between them. According to McFarland, Challagalla and Shervani (2005), compliance is one party's adoption of the behaviours desired by another party. In order to establish compliance, both parties need a specific agreement between them that can help to strengthen the relationship (Davies et al, 2011). Furthermore, the success of a franchise system requires uniform product and service standards from both franchisor and franchisee to make it profitable (Kaufmann & Eroglu, 1999).

Environmental Uncertainty

Environmental uncertainty in business refers to the unpredictability of external conditions that influence organizational decision-making and performance. It encompasses fluctuations in market dynamics, regulatory changes, technological advancements, and socio-political instability (Milliken, 1987). High levels of environmental uncertainty challenge firms by limiting their ability to accurately forecast future trends, thereby increasing the complexity of strategic planning (Duncan, 1972). According to Lawrence and Lorsch (1967), organizations operating in highly uncertain environments must adopt more flexible structures and adaptive strategies to maintain competitiveness. Moreover, uncertainty intensifies the need for robust information processing capabilities and dynamic capabilities that allow firms to sense and respond rapidly to environmental shifts (Teece, Pisano, & Shuen, 1997). Failure to effectively manage environmental uncertainty can result in strategic misalignment, resource misallocation, and reduced organizational performance. Consequently, understanding and mitigating environmental uncertainty is essential for sustaining long-term business resilience and adaptability in volatile market conditions.

Research Framework

The research framework for this study as below:



Franchisee's commitment has received considerable attention in previous research due to the significant influences of economic satisfaction and has been defined differently by different scholars depending on the type of franchise's industry involved (Yousef, 1999). In economic satisfaction, if the franchisee is unable to generate profit, it will result in dissatisfaction between the parties involved (Ferro et al., 2016). Furthermore, this economic satisfaction can influence the commitment within franchisor and franchisee relationship that will influence the stability in the franchise relationship (Niazi & Hassan, 2016).

Conceptually, commitment is related to a continuing relationship which is built on the foundation of economic satisfaction, with the objective to strengthen the franchise relationship (Mpinganjira et al., 2017). According to Wright and Grace (2011), the decision to commit to a relationship is influenced by the economic efficiency of past interaction because a partner's ability to deliver superior benefits will be highly valued. Several recent studies in franchise contexts find that economic satisfaction significantly predicts commitment-related outcomes Ferro-Soto et al. (2024). In franchise research, measures of franchisee satisfaction that capture economic outcomes (profitability, margin, pricing support) are positively associated with franchisees' willingness to remain and identify with the franchisor (i.e., commitment). Thus, past study found that economic satisfaction does have a positive effect on commitment in business relationship. In line with these findings, it is hypothesized that:

Hypothesis 1: There is a significant and positive relationship between economic satisfaction and commitment in the franchise relationship.

Non-economic Satisfaction and Commitment

Non-economic satisfaction is known as a social outcome in terms of sense of appreciation in a business relationship, which excludes monetary transaction (Geyskens et al., 1999). For instance, non-economic aspects exhibit how both parties are happy or enjoy working together as a team (Ferro et al., 2016). Additionally, Rutherford, Anaza, and Phillips (2012), found that non-economic satisfaction are significant precursors of commitment, while Nyaga et al. (2010) found that commitment is influenced by both economic and non-economic satisfaction. Ferro-Soto et al. (2024) highlight that non-economic satisfaction is interlocked with commitment by encouraging cooperation and continuity intentions. In franchise contexts, Lee (2023) finds that franchisor social support enhances franchisees' relational satisfaction, which in turn strengthens their psychological attachment and behavioral intentions to remain loyal. These results underscore the importance of relational

satisfaction in sustaining long-term commitment beyond purely financial benefits. Thus, it would be the best if both franchisor and franchisee try to gain non-economic satisfaction in their relationship other than just focusing on economic satisfaction.

Hypothesis 2: There is a significant and positive relationship between non-economic satisfaction and commitment in the franchise relationship.

Commitment and Compliance

Franchisee's compliance is the level to which a franchisee adheres to franchisor's directives, policies, and procedures (Dickey et al., 2008). According to Davies et al. (2011), franchisee's compliance is a consequence of the franchisee's motivation and commitment to comply with their franchisor's requirements. Related to this, franchisee's compliance is also the consequence of franchisee's commitment towards their franchisor (Lee, 2017). Therefore, absence of commitment in franchising relationship will affect compliance in a franchise relationship (Davies et al., 2011). The role of commitment in a franchise system is very important as the lack of commitment especially as it was found to increase non-compliance (Dickey et al., 2008). Compliance means the franchisee does not opportunistically try to "go around" franchisor's directives and it could be compulsory through an explicit contract, or it could be managed through commitment and cooperation (Rajiv, 2009). Studies of franchising find that greater franchisee commitment/attachment leads to more cooperative, brand-protecting behaviours — which are conceptually very close to compliance (Nyadzayo, Matanda & Ewing, 2015 and Suttidharm, 2024). Thus, obtaining compliance in franchise relationship is the most important goal in the franchise business strategy (Davies et al., 2011).

Hypothesis 3: There is a significant and positive relationship between commitment and compliance in the franchise relationship.

Commitment as a Mediator

Commitment has been assessed as a mediator in previous studies (Lee, 2017). However, little attention has been paid to the mediating role of commitment between economic and non-economic satisfaction and compliance in the franchise industry in Malaysia. Researchers have hypothesized that commitment may function as a mediator between economic and non-economic satisfaction and compliance for specific reasons. Kaur and Soch (2018) states that it allows for attaining a wider perspective regarding the influence of relational quality and commitment on franchisee's compliance towards their franchisor.

In the field of relationship quality, compliance has been frequently studied and is a common phenomenon (Cheng, 2014). A study conducted by Lee and Lee (2017), states that there is a positive mediating relationship of commitment between knowledge sharing and compliance. It is supported by Hackel (2014) which supports the mediating role of commitment impacts on compliance. Studies in franchise and channel relationships show mediation chains where satisfaction increases trust and commitment, which then drive cooperation/behavioral outcomes (Makartiningrum, Pramudita & Yudi, 2022). Thus, commitment as a mediator between satisfaction (economic and non-economic) and compliance is supported in the recent literature. In other words, commitment will mediate the relationship between relationship quality and compliance in franchisee-franchisor relationship. Thus, based on the argument above, this study predicts that the mediating role of commitment between economic and non-economic satisfaction and compliance, as shown below.

Hypothesis 4: Commitment will mediate the relationship between economic satisfaction and compliance.

Hypothesis 5: Commitment will mediate the relationship between non-economic satisfaction and compliance.

Environmental Uncertainty as a Moderator between Commitment and Compliance

The moderating impact of environmental uncertainty on business relationship have received little attention in previous research despite the importance of this variable given its effect on the franchise relationship (Elbanna & Gherib, 2012). Franchisee may not comply with their franchisors due to environmental uncertainty causing franchisee resorting to use substitute raw material due to religious issues, and economic crisis (Fynes et al., 2004). Thus, the context of this moderator will strengthen or weaken the relationship between commitment and compliance between both parties.

It should be made clear that the reason for testing the moderating effect in relationship between commitment and compliance in particular is based on the fact that, although franchisee can comply with their franchisor in their business relationship but when changes in franchise business environment occurs, it will either strengthen or weaken the relationship (Zhang & Lv, 2015). Tong (2021) also highlights that environmental uncertainty changes how commitment translate into compliance behaviours. According to Wang et al. (2013), when there is high level of environmental uncertainty, the organization faces rapid change and complex challenges. Therefore, it is essential to look at the impact of the moderator in the business relationship.

Hypothesis 6: The impact of commitment on compliance is higher with lower levels of environmental uncertainty than with higher levels of environmental uncertainty.

Methods

Sample Profile

This research is designed as a quantitative approach that utilizes a quantitative research method to examine the relationship between dependent and independent variables . This study is a correlational study which has two or more variables from the same group of participants and determines relationship between variables. This current study adopted a cross-sectional survey research and the data is collected at just one-point of a period of time. Thus, self-administered questionnaire survey is used as a technique for data collection which the sample or respondent have to answer the questions.

This study used non-probability sampling where the elements do not have an acknowledged or predetermined chance of being selected as subjects. Purposive sampling is used in this study because the franchisee is the only ones who can respond to the survey, or they can conform to the criteria set by the researcher. The sample for this study is individual franchisee in Malaysia who registers under the Registrar of Franchise, Ministry of Domestic Trade and Consumer Affairs (MDTCA) of Malaysia. Then, the unit of analysis in this study is the individual which refers to the franchisee as an individual unit. For instance, this study used G*Power to determine the minimum sample size. Thus, the results indicated that a minimum sample size of 98 respondents for this study which considered large enough for organizational study. Hence, the minimum sample size required for this study is 98 respondents. The current study uses PLS-SEM to obtain the statistical results.

Measures

This section discusses the items and scales of measurement in detail. The items in the questionnaires sought to assess the economic satisfaction, non-economic satisfaction, commitment, compliance and environmental uncertainty. The independent variable for this study consists of economic satisfaction and non-economic while the dependent variable consists of compliance. Next, the proposed mediating variable in this study is commitment while environmental uncertainty is proposed as moderator variable in this study. All the variables are measured by the 5 Likert-type scales (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree). Table 3.1 summarized the measurements items used in this study.

Table 1.1

Summary of Measurements for the Study

No	Variable	Source of scale	Reliability
1	Economic Satisfaction	Santos et al. (2003) Geyskens et al. (1999)	0.870
2	Non-economic Satisfaction	Andaleed (1995) Dwyer and Oh (1987)	0.710 0.779
7	Commitment	Dant et al. (2013)	0.989
8	Compliance	Davies et al. (2011) Dickey et al. (2008)	0.750 0.789
9	Environmental Uncertainty	Duncan (1972) and Bourgeois et al. (1978)	0.880

Results

The target respondents in this study were the franchisees (outlet owners) who are actively and vigorously involved in the daily management of franchise outlets in Malaysia. A total of 193 usable questionnaires were returned which accounted for the 48.2 per cent response rate. According to Hayes (2000), 20 per cent to 30 per cent is reasonable and, in this case, the response rate of 48.2 per cent is acceptable and sufficient for data analysis because it is more than 30 per cent response rate. Furthermore, the sample size from 30 up to 500 is sufficient for most research for multivariate study such as multiple regression analysis. Hence, the samples of 193 are considered sufficient.

Demography of the Sample

The descriptive analysis demonstrates the franchisee's profile with 1 screening question and 11 demographic categories on the questionnaires. The first question was a screening question which only included franchisee's status as a respondent for this study. The majority of the samples are male with 62.7 per cent and followed by female with 37.3 per cent. Next, there are 96 respondents (49.7%) are from Malay ethnicity, followed by 62 respondents (32.1%) from Chinese ethnicity, 32 respondents (16.6%) from Indian ethnicity and 3 respondents (1.6%) from other ethnicity. In term of academic qualification, most of the

respondents hold a SPM (high school) certificate (31.6%), followed by Diploma certificate (31.1%), bachelor's degree (25.9%), master's degree (8.3%) and STPM (A-level) (3.1%).

Next, out of 193 total responses, 133 respondents (68.9%) are from private limited companies, 21 respondents (10.9%) are sole proprietors, 20 respondents (10.4%) are in partnership firms while 19 respondents (9.8%) are registered as business cooperatives. The majority of respondents are in single unit agreement with franchisor with a percentage of 72 per cent (139 respondents), followed by multi-unit agreement with percentage of 19.2 per cent (37 respondents) and 8.8 per cent (17 respondents) are in other types of agreement with their franchisor. In term of which agency, they are registered with, there are 83 respondents (43%) registered under Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC), 51 respondents (26.4%) registered under Malaysian Franchise Association (MFA), 44 respondents (22.8%) are registered under other agencies and 15 respondents (7.8%) are registered under both MDTCC and MFA in the same time.

There are various sectors involved in franchise industry and majority of respondents are involved in food and beverage sector with 45.6 per cent (88 respondents), followed by nursery and education sector with 17.1 per cent (33 respondents), 13 per cent (25 respondents) were from clothing and accessories sector, 11.9 per cent (23 respondents) from services and maintenance sector, 8.8 per cent (17 respondents) from convenience shop, 2.1 per cent (4 respondents) from others sector, 1.6 per cent (3 respondents) from information technology, telecommunication and electrical sector and lastly there were no respondent from health and beauty sector. Based on the demographic profile, 61.7 per cent of respondents had more than 1 year and less than 5 years operating their business in franchise industry, followed by 21.8 per cent respondents with more than 5 years and less than 10 years business operation, 16.6 per cent less than 1-year operation and none of the respondent has operated their business more than 10 years.

In term of outlets number, there are 144 respondents (74.6%) having outlet in range between of 1 to 5 outlets, followed by 31 respondents (16.1%) having outlet in range between of 6 to 10 outlets, then 12 respondents (6.2%) having outlet in range between 11 to 15 outlets, and there are 3 respondents (1.6%) having outlet in range between 16 to 20 outlets. Besides that, there are 95 respondents employing between 1 to 5 employees per outlet and similarly, another 95 respondents employed 6 to 10 employees per outlets and followed by 3 respondents stating that they employ 11 to 15 employees in their outlets. Next, there was several average initial investments of the franchise outlet such as 158 respondents (81.9%) invested below RM 100,000 and followed by 35 respondents (18.1%) who invested in range of more than RM 100,000 and less than RM 300,000.

Table 1.2

Demographic profile of the franchisees

Franchisee's Profile	Categories	Frequency	Percent	
Are you the owner (franchisee) to the franchise outlet?	Yes	193	100.0	
	No	0	0.000	
Type of business registration	Cooperatives	19	9.8	
	Partnership	20	10.4	
	Sole Proprietor	21	10.9	
	Private Limited	133	68.9	
Company				
Type of agreement with the franchisor	Single Unit	139	72.0	
	Multi-Unit	37	19.2	
	Others	17	8.8	
Membership	Malaysian Franchise Association (MFA)	51	26.4	
	Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC)	83	43.0	
	Others	44	22.8	
	MFA & MDTCC	15	7.8	
Sectors	Health & Beauty	0	0	
	Food & Beverage	88	45.6	
	Nursery & Education	33	17.1	
	Clothing & Accessories	25	13.0	
	Services & Maintenance	23	11.9	
	Convenience Shop	17	8.8	
	Information technology, Telecommunication & Electrical	3	1.6	
	Others	4	2.1	
Length of business operation	Less than 1 year	32	16.6	
	More than 1 year and less than 5 years	119	61.7	
	More than 5 years and less than 10 years	42	21.8	
	More than 10 years	0	0	
Number of outlets	1-5 outlets	144	74.6	
	6-10 outlets	31	16.1	
	11-15 outlets	12	6.2	
	16-20 outlets	3	1.6	
	More than 20 outlets	3	1.6	
Numbers of staff	1-5 persons	95	49.2	
	6-10 persons	95	49.2	
	11-15 persons	3	1.6	

	16-20 persons	0	0
	More than 20 persons	0	0
Average initial investment	Below RM 100,000	158	81.9
	RM 100,000 – RM 299,999	35	18.1
	RM 300,000 – RM 499,999	0	0
	RM 500,000 – RM 699,999	0	0
	More than RM 700,000	0	0
Gender	Male	121	62.7
	Female	72	37.3
Ethnicity	Malay	96	49.7
	Chinese	32	16.6
	Indian	62	32.1
	Others	3	1.6
Education	PhD	0	0
	Master	16	8.3
	Degree	50	25.9
	Diploma	60	31.1
	STPM / Foundation	6	3.1
	SPM	61	31.6

Descriptive Analysis

The descriptive analysis consists of mean, standard deviation and normality tests. Respondents in this research were asked to indicate their perceptions regarding each statement in the questionnaire by using a 5-point Likert scale (1= strongly disagree to 5= strongly agree). As shown in Table 1.3 the mean scores for all variables involved ranges from 3.744 to 4.541, these scores are above the mid-point of 2.50. Hence, in the context of franchise industry in Malaysia, these scores indicate that the respondents generally held positive perceptions regarding the respective variables that are being tested in this study. In addition, Table 1.3 also indicated the scores of standard deviations for the respective variables are in the range between 0.410 and 0.641.

In this study, normality is assessed by using skewness and kurtosis values for each variable. As shown in Table 1.3, the skewness and kurtosis are between +4 and -4, which demonstrates the datasets are within the acceptable range as mentioned by Tabachnick and Fidell (2007). Thus, the findings indicated that the normality assumptions data of this study were not violated. Hence, the use of PLS-SEM as the statistical analysis method for further data analysis was supported. Thus, the findings indicated that the data of this study are acceptable.

Table 1.3
Descriptive Statistics for the Variables

Variable	Mean	Standard Deviation	Skewness	Kurtosis
Economic Satisfaction	4.442	0.636	-1.276	2.071
Non-economic Satisfaction	4.541	0.410	-1.059	0.583
Commitment	4.435	0.571	-0.707	-0.172
Environmental Uncertainty	3.744	0.641	-0.819	0.320
Compliance	4.320	0.608	-0.595	-0.472

Data Analysis and Result

This study utilized the Partial Least Squares (PLS) analysis using the SmartPLS 3.0 software). This is second-generation multivariate technique which permits to assess both the measurement and structural models. For instance, the measurement model is used to measure the reliability and validity, while the structural model is used to test the hypotheses relationship. Hence, to test the significance of the path coefficients and the loadings of a bootstrapping method (5000 resamples) was used. Thus, the next section will explain on both measurement and structural model.

Structural Model

The structural model represents the relationship between latent variables hypothesized in the research model. In this study, path co-efficients of the structural model was measured and bootstrap analysis was carried out to assess the statistical significance of the path coefficients. The economic satisfaction ($\beta = 0.191$, $p < 0.01$) was found to have a positive and significant relationships with commitment, while the non-economic satisfaction ($\beta = 0.062$, $p > 0.10$) was not found to be significantly related to commitment. Hence, H1 was supported while H2 was not supported. The structural path of commitment ($\beta = 0.227$, $p < 0.01$) was found to have a positive significant relationship with compliance. Hence, H3 was supported in this study.

Next, for hypothesis H4, the bootstrapping analysis showed that the indirect effect $\beta = 0.043$ was significant with a t-value of 2.045 ($p < 0.05$) (two-tailed). Besides the indirect effect of 0.043, 95% Boot CI: [LL= 0.061, UL= 0.315] did not straddle a zero value in between, indicating that a mediating effect of commitment on the relationship between economic satisfaction and compliance existed and supported.

In terms of non-economic satisfaction's hypothesis H5, the bootstrapping analysis showed that the indirect effect $\beta = 0.014$ was not significant with a t-value of 0.629 ($p > 0.10$) (two-tailed). Besides, the indirect effect of 0.014, 95% Boot CI; [LL=-0.133, UL= 0.233] did straddle a zero value in between, indicating that a mediating effect of commitment on the relationship of non-economic satisfaction and compliance was not supported.

Lastly, hypothesis H6 tested the moderating effects in the framework. Table 1.4 shows the path coefficients, standard errors, and the results of the hypothesis testing between the commitment and compliance through the environmental uncertainty. This interaction term

was found significant ($\beta = -0.100$, $t = 1.677$). To explain the nature of this interaction, the effect of commitment on the compliance at high or low levels of environmental uncertainty was plotted (See figure 2). This figure elucidated that the positive relationship between commitment and compliance was found to be weaker at low level of environmental uncertainty. However, H6 actual hypothesis was investigated that the high level of environmental uncertainty weakens the positive relationship between commitment and compliance. Hence, based on the statistical results H6 was not supported.

Table 1.4
Hypothesis Testing for Moderating Effects

H	Relation ship	Pat h Coefficient s (Be ta)	Std . Error	t- value	P- value	Eff ect Size (f^2)
H 6	CMT*EU -> COMP	- 0.100	0.0 60	1.6 77	0.0 47	0.1 31 (small effect)

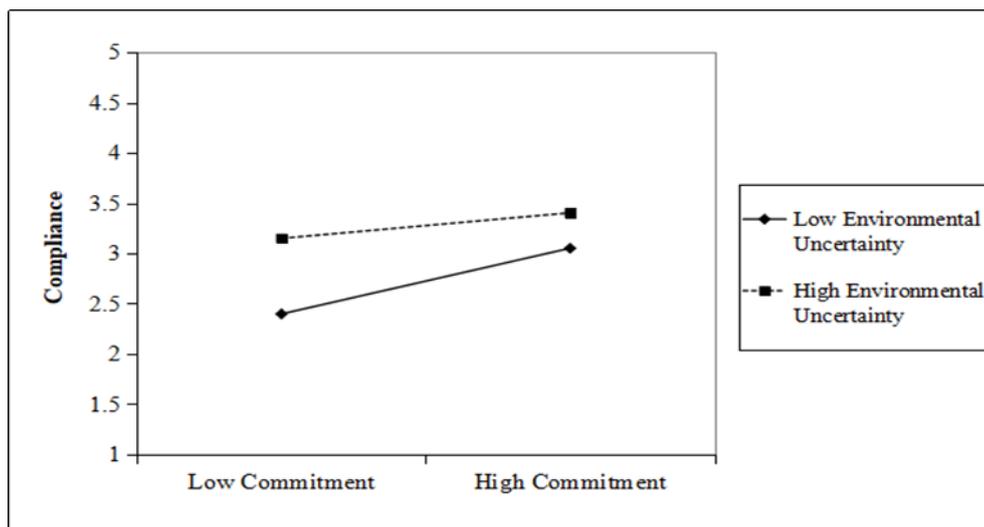


Figure 2: Interaction of Variables

Discussions and Contributions

The outcome of the analysis indicated that economic satisfaction has a positive and significant relationship with commitment ($\beta = 0.191$, $p < 0.01$). This implies that the economic satisfaction as an important concept and providing evidence that the franchisee can be committed to their franchisor based on economic satisfaction. Moreover, the finding is similar with the results discovered by Mpinganjira et al. (2017), proving that economic satisfaction can boost franchisee’s motivation to be committed the franchisor. Furthermore, economic satisfaction is also critical for franchisee as franchisee has to pay royalty to the franchisor as stated in the franchise agreement (Goaill et al., 2017). Thus, economic satisfaction becomes an important criterion to achieve commitment between franchisor and franchisee in the franchise relationship.

In the current study, the result showed that non-economic satisfaction did not have a significant relationship with commitment. The current result is the opposite of the results from an earlier study by Kalargyrou et al. (2018) which found that non-economic satisfaction is a form of social interaction between the principal and the agent. The reason for the non-significant relationship in the present study is possibly due to low social interaction in franchise industry as it is considered not important to establish commitment between franchisor and franchisee as parties are more concerned with the outcome of their investment rather than fraternising with each other. However, the franchisee probably has difficulties to achieve non-economic satisfaction due to time constrain, thus disregarding social needs that they have to accomplish compared to the more objective profit orientation and thus, non-economic satisfaction is not a necessity in the franchise's-franchisor's relationship.

The result of the findings suggests that commitment from the franchisee can lead to a better compliance with the franchisor. Franchisee will be fully committed to the franchisor in order to gain positive perception from the franchisor. Furthermore, this indicates that franchisees are willing to contribute to a long-term relationship with the franchisors' business model. For instance, when a franchisee is fully committed to the relationship with the franchisor, they are more than willing to comply with the franchisor's terms and conditions. It is because commitment is the key for a long-lasting relationship between two parties. They believe that their contribution in the long-term relationship can provide a more positive outcome for the business environment.

The result of this study discovered that commitment significantly and positively mediated the relationship between economic satisfaction and compliance ($\beta = 0.043$, $p < 0.05$). The franchisee recognizes commitment as mediator that bridges the relationship between economic satisfaction and compliance. Understandably this indicates that, when a franchisee gains more profit (economic satisfaction), they are more committed to the franchisor (Harif, Azhar, Hoe & Zainal Abidin, 2011). This implies that achieving profit will encourage franchisee to be more commitment and this leads to compliance with the franchisor (Sanzo et al., 2003).

The indirect relationship between non-economic satisfaction and compliance has been found to be non-significant. Therefore, commitment did not mediate the relationship between non-economic satisfaction and compliance in franchise partnership. This implies that despite non-economic satisfaction of franchisee toward franchisor, the level of compliance does not increase. Consequently, this can be related with the current demographic result where most of the respondents are just starting their business. It is 61.7 per cent of respondents who run their franchise business with more than 1 year and less than 5 years' experience. Thus, in the early stage of business operation, the franchisees would be focused on the economic satisfaction rather than non-economic satisfaction. This is supported by Mpinganjira and Mysen (2014), which the position of economic satisfaction and non-economic satisfaction should be separated due to different necessity. In addition, the position of economic satisfaction is earlier than non-economic satisfaction in the nomological network (Shaikh, 2018).

The finding of this study revealed that the effect of environmental uncertainty on the relationship between commitment and compliance was significant, but the hypothesis H14

was not supported due to the direction of the relationship was positive; opposite of what had been hypothesized. The proposed hypotheses stated that the relationship between commitment and compliance will be stronger when then the environmental uncertainty become weak but the result from this study indicated vice versa from the proposed hypotheses. Thus, the hypothesis was not supported even though the relationship was significant. As conclusion, to enhance the compliance between franchisee and franchisor, franchisee must be committed to the franchisor especially during the uncertainty in their franchise business. Furthermore, result from this study also indicated that the relationship between commitment and compliance would be better in the occurrence of environmental uncertainty. Therefore, the franchisee does not have to worry in the event of uncertainty in the business environment because their will get support from the franchisor due to the compliance to business model agreed between both parties.

From this research, there are several contributions in terms of theory could be drawn for the benefit of those in the academic and research field. The research provides invaluable insight and improved understanding on the management of talent resources in the context of Malaysian franchise business industry. In fact, this study integrates economic satisfaction and non-economic satisfaction with mediating role of commitment in examining the compliance from franchisee's perception towards their franchisor. Hence, the research intends to discover new findings and contributions in different areas of economic and non-economic satisfaction by having commitment as the mediator. Furthermore, it also integrated environmental uncertainty as moderating roles to strength the relationship between commitment and compliance. Thus, franchisee should be ready to face any issues arise in their partnership with the franchisor because the quality that have naturally have by the franchisor cannot be control by the franchisee.

Aside from theoretical contributions, the findings from this research have provided valuable suggestions to practitioners in Malaysia's franchise industry. Specifically, it provides better appreciation on the importance of economic and non-economic satisfaction in attracting, developing and retaining the good relationship between franchisee and franchisor in their franchise relationship. Based on the result, the franchisor can take note on the non-significant relationship in direct relationship by as indicated by non-economic satisfaction and commitment. Ultimately, franchisee will comply and stay with the business if there is a good profit generated from their business relationship. The economic satisfaction is the main concern in the franchise relationship because without profit to be gained, the probability of compliance between the franchisee and franchisor would be low.

This study provided a clearer picture on the nature of the relationship between franchisee and franchisor and as indicated the results, economic satisfaction is the mainstay of the business relationship in the franchise business model. Thus, the profit come first in generating a good relationship and then will follow with other criteria based on the situation for each of the franchisee. As such, the franchisor shall give high priority to franchisee relationship management apart from other contract management and other operation related issues. Hence, the franchisee always looks on the economic satisfaction first rather than non-economic satisfaction because the main objective for a business is profit generation.

Conclusion

The proposed research framework was able to provide several imperative findings based on the analysis of the responses obtained from the survey instrument distributed among franchisees in Malaysia's franchise business sector. The analysis was carried out by using both SPSS and PLS methods for descriptive statistic and to test the direct and indirect effects between the variables. Thus, the results from PLS modelling are used to validate the proposed hypotheses. Furthermore, the results provided evidence for commitment to be significant as a mediator between economic satisfaction and compliance. Whereas, commitment was not significant as a mediator in the relationship between non-economic performance and compliance. Based on the proposed hypotheses on the relationship between commitment and compliance, it was hypothesised to be stronger in the presence of a weak environmental uncertainty. However, the outcome signifies that, environmental uncertainty did not moderate the relationship between commitment and compliance even though the direct relationship between commitment and compliance was significant. Thus, the hypotheses were not supported as the direction was negative and contradictory to the proposed hypothesis. As a conclusion, the current study highlighted the significance of economic satisfaction in predicting commitment as it leads to compliance from the franchisee to the franchisor.

As a direction for future research, other mediating variables such as trust, communication quality, or relational norms, and moderators like franchisee experience, contract length, or power asymmetry could be examined as it may influence the strength of the relationships identified. A comparative study across different countries could also reveal how cultural moderate the satisfaction, commitment and compliance relationships

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