



Franchising Agreements and Organizational Performance of Multinational Corporations: A Synthesis of Theory, Evidence, and Strategic Implications

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Abstract

Franchising agreements in multinational corporations often lead to challenges in maintaining consistent brand standards and operational control across diverse markets. These issues can negatively impact organizational performance by diluting brand equity and creating operational inefficiencies due to the franchisor's limited direct oversight. This study investigated the impact of franchising agreement on organisational performance of multinational corporation with special emphasis on Nigerian bottling company, Ilorin, Kwara state. The study employed cross-sectional survey research design. The study further utilized questionnaires to collect primary data from ninety-three employees of Nigerian bottling company, Ilorin, Kwara state. A total of 93 copies of questionnaires were distributed and retrieved for data analysis. Standard multiple regression was employed to analyze the data. The findings indicated that cultural adaptation showed a significant relationship with organisation performance ($\beta = .453$, $t = 5.279$, $p < 0.05$), and territory right and marketing protection also exhibited a positive and significant relationship with customer relationships ($\beta .687$, $t = 7.680$, $p = 0.000$). The study concluded that MNCs that effectively adapt their franchising agreements to the local culture of the host country tend to achieve superior financial and operational performance and clear and unambiguous delineation of territorial rights and robust marketing protection within the agreement significantly boosts franchisee confidence and commitment. The study recommends that MNCs should develop a flexible framework that allows for country-specific modifications and the establishment of a transparent conflict resolution mechanism in a clear and well-defined process for dispute resolution, which should be a core component of every franchise agreement.

Keywords: Cultural Adaption, Franchising, Marketing Protection, Multinational Corporation, Organisational Performance, Territory Right

Introduction

In today's global marketplace, franchising is a technique of operating and building a firm. A franchise is a license that allows a franchisee to use the franchisor's brand name to sell goods and services by accessing the franchisor's secret business techniques, procedures, and branding (Boulay & Stan 2013). The franchisee

characteristically pays the franchisor an opening start-up cost and annual licensing fees in exchange for gaining a franchise. The agreement involving franchisors and franchisees discusses how they will split the earnings from the franchising business (Lee et al. 2021). Since a franchisor has already refined normal operations through experimenting, new franchisees can avoid

many of the drawbacks that start-up businesses commonly make. The franchisor also shows franchisees exactly who their competitors are and how they can set themselves apart. Moreover, when purchasing goods, services, conducting advertising campaigns, and negotiating locations and leasing terms, the franchisees will benefit from economies of scale (Hizam-Hanafiah et al., 2022).

In Nigeria today, there are different multinational corporations that have adopted franchising strategy across conglomerates, eateries, chain stores, departmental stores etc. In fact, franchising is studied by business students and also entrepreneurs are aware of the term. Franchising has emerged as a cornerstone strategy for multinational corporations (MNCs) seeking to expand their reach beyond domestic markets. It represents a crucial and increasingly popular method for firms to tap into new customer bases with a lower financial risk and a faster pace of market entry compared to other modes of expansion like direct foreign investment. The significance of this business model is underscored by its positive impact on economic growth in both developed and emerging countries (Lanchimba & Medina, 2018; Kotler & Armstrong, 2001). This is particularly evident in the rapid increase in international franchising activity, as demonstrated by the robust global market for new franchise development and the growing number of business organizations, such as food companies and retailers, that are opting for this approach (Dant et al., 2011; El Akremi et al., 2015; Ghantous & Das, 2018).

At its core, a franchise is a contractual relationship that establishes a long-term business bond between two distinct entities: a franchisor and a franchisee (Gillis et al., 2018). The franchisor, who is the owner of a successful business model and the intellectual property (IP) associated with it, grants the franchisee a license to operate under its brand name in exchange for fees

and royalties (Kouzina Food Tech, 2024). However, the dynamics of this relationship become significantly more complex when it crosses international borders. An international franchise agreement is a legally binding contract that must navigate a web of cross-border rules, currency exchange issues, local regulations, and cultural nuances. This agreement serves as the foundational legal and strategic instrument that guides both parties in maintaining brand standards, protecting valuable IP, and managing financial arrangements.

Statement of the Problem

While international franchising presents a compelling low-cost/low-risk alternative for global expansion, the relationship between the formal franchising agreement and the organizational performance of the multinational corporation is not straightforward. The success of the entire franchise network is deeply and intrinsically linked to the performance of its individual franchisees. This creates a fundamental tension: the franchisor's imperative to protect its intellectual property and ensure brand consistency across all markets is often at odds with the franchisee's need for operational autonomy and local market adaptation (Hajdini, 2024; Semrau & Biemann, 2022). Research consistently shows that a degree of franchisee autonomy is positively related to both the financial and non-financial performance of the franchisor and the franchisee, as it enables them to better respond to local market demands and drive innovation (Bui et al., 2022; Watson et al., 2020).

The franchising agreement, therefore, is not merely a legal formality; it is the primary strategic tool used to operationalize and manage the core challenges of this relationship across international borders. The central problem lies in the fact that errors in the formation of this contractual relationship can lead to a host of negative

outcomes, including disputes, a loss of confidence, reduced brand reputation, and limited development (Perrigot et al., 2021). The agreement must be meticulously crafted to mitigate these inherent risks, such as information asymmetry and moral hazard, which can manifest as a franchisee hiding important information or giving a false impression about the local market. This is a key focus of agency theory in franchising literature, which explores how to align the interests of the franchisor (principal) and the franchisee (agent) to improve network performance (Alon et al., 2020; Pizanti & Lerner, 2003). Consequently, understanding how the structure and content of this agreement can be optimized to drive and measure performance is a critical area of inquiry for modern international business (Gorovaia, 2019; Hajdini, 2024).

Moreover, the existence of cultural factors via belief, language, norms, values, mores and pattern of life in different countries has made franchising strategy difficult in its implementation. Political reasons are no exception in making franchising pretty difficult to devise in different countries. Also, the need to implant franchising as a strategy for sustainable business performance vis -a-vis increase in market share, profitability, customer satisfaction as a result of quick responsiveness to changing customer needs and maximization of wealth for the existing and potential shareholders is growing among multinational firms in Nigeria (Aila et al., 2021). Yet, the factors impeding its application for overall business performance shows that there is need to examine the effect that franchising has on performance of multinational corporations in Nigeria.

Objectives of the study

The purpose of this study is to provide a comprehensive, multi-perspectival analysis of how the design and implementation of international franchising agreements

influence the organizational performance of multinational corporations. This analysis aims to go beyond a simple description of the relationship by synthesizing and applying core theoretical framework to provide a holistic understanding. The specific objectives are to;

- i. assess the effect of cultural adaption on organizational performance of multinational corporations.
- ii. investigate the role of territory right and marketing protection on organizational performance of multinational corporations.

Literature Review

Franchise and Franchising

As a result of globalization, today's business environment is undergoing fundamental business transformation. Franchising as a format for market penetration has become an accepted strategy for business growth, job creation and economic development (Kotler & Armstrong, 2018). However, franchising as a business concept is fully established in USA which dates back to the late 1850s when Isaac Singer wanted to increase the distribution of his sewing machines.

According to Zahra (2021), franchising is a system of business that has grown steadily in the last 50 years and is estimated to account for more than one-third of the world's retail sales. There are few business entities in the world today that are not touched by the results of franchising. Franchises range from the ubiquitous McDonalds to lawn mowing services such as Mr. Green, valet services, medical and dental services, to book keeping services and even to services helping us to prepare our tax forms. Franchising is not restricted just too fast-food outlets and gardening contractors. Abuaf (2015) defines franchising as a method of business expansion characterized by a trademark license, payment of fees, and significant assistance and control. There are two main types of franchises according to Biza et al.,

(2015) namely: product distribution franchises, and business format franchises. Product Distribution Franchises, this simply sells the franchisor's products and is supplier-dealer relationships. In product distribution franchising, the franchisor licenses its trademark and logo to the franchisees but typically does not provide them with an entire system for running their business (Jhingan, 2022). The industries where one most often find this type of franchising are soft drink distributors, automobile dealers and gas stations. Some familiar product distribution franchises include: Pepsi, Exxon, and Ford Motor company. Although product distribution franchising represents the largest percentage of total retail sales, most franchises available today are business format opportunities (Matoka & Chaampita, 2022). Business format franchises not only uses a franchisor's product, service and trademark, but also the complete method to conduct the business itself, such as the marketing plan and operations manuals. Business format franchises are the most common type of franchise.

Franchise Agreement

This is the legal, written contract between the franchisor and franchisee which tells each party what each is supposed to do. There are different types of franchise arrangements. Because so many franchisors, industries and range of investments are possible, there are different types of franchise arrangements available to a business owner. Two types of franchising arrangements: single-unit (direct-unit) franchise and multi-unit franchise (Area development and Master franchise (sub-franchising). A single-unit (direct-unit) franchise is an agreement where the franchisor grants a franchisee the rights to open and operate one franchise unit (Matoka & Chaampita, 2022). This is the simplest and most common type of franchise. It is possible, however, for a franchisee to purchase additional single-

unit franchises once the original franchise unit begins to prosper. This is then considered a multiple, single-unit relationship (Wu & Zhou, 2018).

A multi-unit franchise is an agreement where the franchisor grants a franchisee the rights to open and operate more than one unit (Zahoor & Lew, 2021). There are two ways a multi-unit franchise can be achieved: an area development franchise or a master franchise. Under an area development franchise, a franchisee has the right to open more than one unit during a specific time, within a specified area.

Cultural Adaption

Cultural adaptations of prevention and treatment interventions appear to be coming of age. In fact, cultural adaptations may represent an emerging area or intervention research in a society increasingly characterized by racial, ethnic, and linguistic diversity. Adaptations to culture and context are part of a relatively new area of inquiry—multiculturalism—described by some as the Forth Force in Psychology (Zafari et al., 2020). Cultural adaptation in franchising involves tailoring a franchise's products, operations, marketing, and services to align with local cultural norms, tastes, and practices—while preserving core brand identity. Cultural adaptation in franchising refers to the process by which international franchises modify their products, services, operations, and marketing strategies to suit the cultural, social, and consumer preferences of host markets while maintaining core brand identity. It bridges the tension between global standardization and local responsiveness (Alon & Welsh, 2021).

Cultural differences significantly influence how brands approach franchising in foreign markets. According to Hofstede's cultural dimensions theory, understanding cultural differences in consumer behavior is crucial for successful brand adaptation. Brands that fail to consider cultural differences often face rejection by local consumers, who may

perceive the brand as culturally irrelevant or insensitive.

Territory Right and Marketing Protection

Territory rights refer to the exclusive legal or contractual rights granted to an individual, organization, or business entity to operate, distribute, or sell products within a defined geographical area (Ngugi & Muturi, 2021). These rights are commonly used in franchising, distribution agreements, and sales territories to prevent market overlap and ensure fair competition. Firms use territory rights to optimize market reach, enhance brand presence, and maintain strategic control over sales channels (Ng'wandu, 2021). The concept of territory rights is often linked to market segmentation and consumer targeting strategies, ensuring that businesses can efficiently serve customers without direct competition within designated regions (Nyakundi & Oduor, 2023). Additionally, territory rights may include restrictions on competing businesses entering the defined zone, providing companies with a competitive advantage (Ochieng & Kamau, 2023).

Marketing protection refers to strategies and legal measures used by businesses to safeguard their market presence, brand reputation, and distribution channels from unfair competition, counterfeiting, and unauthorized sales (Omondi & Muturi, 2022). Companies implement marketing protection through intellectual property rights, territorial exclusivity agreements, and regulatory compliance (Osei, 2022).

Marketing protection measures often include trademark registrations, copyright enforcement, and contractual agreements to prevent unauthorized use of brand elements (Bain & Walters, 2017). Additionally, businesses use digital marketing protection techniques such as domain security, social media monitoring, and search engine optimization (SEO) strategies to protect their brand identity in the online marketplace (Quansah & Anane, 2021).

Organisational Performance

Organizational performance refers to how effectively an organization meets its goals, satisfies stakeholders, and maintains long-term sustainability in a competitive environment. It encompasses both financial and non-financial measures, which collectively determine its overall success. Financial performance is a key indicator, with metrics such as revenue growth, profitability, return on investment (ROI), and cost efficiency playing a crucial role. A financially stable organization is better positioned to invest in innovation, expand its market presence, and ensure long-term operational sustainability ((Quansah & Anane, 2021).

Beyond financial metrics, operational efficiency significantly influences organizational performance. The ability to streamline processes, optimize resource allocation, and minimize waste contributes to increased productivity and reduced operational costs. Efficient supply chain management, effective workflow automation, and lean production techniques help organizations maximize output while maintaining high standards of quality and service delivery (Xia & Dimov, 2019).

Customer satisfaction and market performance are also critical aspects of organizational success. Organizations that prioritize customer experience, service quality, and brand loyalty tend to have a competitive edge (Adebayo, 2024). High customer retention rates, strong market positioning, and positive brand reputation indicate that an organization is meeting consumer expectations and adapting to evolving market demands. A customer-centric approach fosters long-term relationships, drives repeat business, and enhances overall market share (Onyia et al., 2019).

Employee performance and engagement play a fundamental role in determining an organization's overall effectiveness. A motivated and well-supported workforce contributes to increased innovation, higher

productivity, and improved job satisfaction. Organizations that invest in employee training, career development, and a positive workplace culture experience better retention rates and enhanced performance outcomes. Effective leadership further strengthens employee commitment by providing clear direction, fostering teamwork, and creating an environment of accountability and continuous improvement (Solomon et al., 2019).

Innovation and adaptability are essential for sustained organizational performance. In an ever-evolving business landscape, organizations that embrace change, invest in research and development, and adopt emerging technologies remain competitive. The ability to develop new products, improve service offerings, and respond to market shifts ensures long-term growth and relevance. Strategic decision-making, data-driven insights, and digital transformation initiatives contribute to an organization's ability to innovate and remain agile in dynamic industries (Omondi & Muturi, 2022).

Corporate social responsibility (CSR) and sustainability have become increasingly important in assessing organizational performance. Businesses that engage in ethical practices, environmental sustainability initiatives, and social impact programs enhance their reputation and stakeholder trust. Regulatory compliance, transparent governance structures, and adherence to ethical business standards further contribute to an organization's credibility and long-term stability (Obasan et al., 2015).

Obasan et al., (2015) further states that organizational performance is a multidimensional concept that extends beyond financial success to include operational efficiency, customer satisfaction, employee engagement, innovation, and social responsibility. Organizations that implement strategic management practices, invest in human capital, leverage technological advancements, and foster a culture of

continuous improvement are more likely to achieve sustained success and remain competitive in their respective industries.

Empirical Review

From the study conducted by Marks and Kirtland-Ashford (2024) conducted a study on conceptualizing franchise success and failure in the South African quick service restaurant sector. This study sought to understand how this relationship could be damaged or irreparably affected due to a breakdown between the franchisor and the franchisee. A multiple case study approach was used as the methodological framing for this study. The sample group consisted of de-franchised franchisees who had prematurely cancelled a quick-service restaurant franchise contract. A snowball sampling technique was used, and information was gathered using semi-structured interviews and analysed using ATLAS.ti. Seven themes were identified and used to construct a conceptual model that informs the nature of a lasting and mutually beneficial franchising relationship. This study and the resulting model are valuable for franchisors in helping to select the most appropriate franchisees and ensure that the investment made into quick-service restaurant franchise brands is supported throughout the franchise relationship.

Panda et al., (2023) investigated a study on franchisee performance and success factors with the aims to outline different signals that franchisors can use to communicate their value proposition to prospective franchisees in USA. It also tests whether these signals can enable franchisors to charge a premium from their franchisees. This paper uses a mixed-methods approach through the uses of combination of open-ended survey and archival data to arrive at the findings. The results suggest that franchisors can leverage some of their capability signals to obtain a higher franchise fee if they use the right signals as desired by franchisees.

Wu (2015) examines a study on antecedents of franchise strategy and performance in Taiwan. This study adapts the resource-based view and relationship-marketing theory to explain franchising strategy and performance differences in chain stores. This study develops and tests a model explaining franchisees' performance antecedents and their intention to remain in the franchise system. The model describes how franchisees' strategies relate to knowledge sharing, trust, conflict management, brand reputation, and performance in chain stores. The study uses data from 246 active franchisees from a chain-store franchise system in Taiwan. Data analysis uses structural equation modeling (SEM) and fuzzy set qualitative comparative analysis (fsQCA). The results show that knowledge sharing, trust, conflict management, and brand reputation are key factors in reinforcing franchisees' intention to remain and financial performance within the franchise system.

Theoretical Review

Agency Theory

The modern Agency Theory as we know it today was primarily propounded by Michael C. Jensen and William H. Meckling in 1976. This is a foundational theory in franchising research. It views the franchisor-franchisee relationship as a principal-agent problem. The franchisor (principal) contracts with the franchisee (agent) to operate a business on their behalf. This framework highlights potential conflicts of interest, such as moral hazard (the franchisee's lack of effort) and adverse selection (the franchisor's inability to choose the best franchisees). The franchise agreement, with its fee structures (e.g., upfront fees and ongoing royalties), is seen as a mechanism to align the interests of both parties (Li & Xia, 2019).

Agency theory provides a powerful conceptual basis for understanding the franchising relationship. It is founded on the relationship between a principal (the

franchisor) who delegates work to an agent (the franchisee). This relationship is characterized by information asymmetry, where the agent has more information about their local market and operations than the principal. This asymmetry can lead to two primary problems: moral hazard and opportunism. The best way to set up a relationship is where one party (the principal) decides what work the other party (the agent) does. This theory assists in putting into practice the numerous governance systems to manage the agents' behavior in jointly owned enterprises (Panda & Leepsa, 2017). There are at least two methods for coordination: in the market, the price system suggests the most efficient allocation of resources, and in the firm, the authority (entrepreneur) is in charge of resource reallocation under the hierarchy principle (Varotto & Aureliano-Silva, 2017).

From this perspective, the franchise agreement is viewed as a mechanism to mitigate these agency costs. The contract's purpose is to align the interests of the franchisor and franchisee, thereby reducing the risk of opportunistic behavior and ensuring the agent acts in the principal's best interest.

The Resource-Based View (RBV)

The RBV which was propounded by Edith Penrose, Birger Wernerfelt, and Jay Barney in 1959 argues that an MNC's performance is determined by its ability to bundle Valuable, Rare, Inimitable, and Non-substitutable (VRIN) resources. In a franchising context, the agreement is a mechanism to bridge resource gaps in the Quest for Competitive Advantage. The strategic relationship this theory has with franchising the resource scarcity and expansion that MNCs often face in the shortages of local market knowledge and management talent. Franchising allows the MNC to leverage the franchisee's local capital and expertise as a strategic asset. More so, as regards the brand equity as a core resource, the franchisor provides the

brand and the "blueprint" (system capital), while the franchisee provides "local knowledge capital." According to recent studies, the synergy between these two resource pools is a primary driver of superior organizational performance (Combs et al., 2021). Furthermore, the theory also envisage that performance is optimized when the franchising agreement facilitates the seamless flow of tacit knowledge from the MNC to the franchisee, making the local unit difficult for competitors to imitate in the area of knowledge transfer.

Institutional Theory

Unlike Agency theory, institutional theory evolved in two major waves: the "Old" and the "New" (often called Neoinstitutionalism). The Sociological Pioneers could be credited to Meyer and Rowan (1977) and the Economic Perspective was pioneered by Douglass North (1990). While RBV looks inward at resources, Institutional Theory looks outward at the environment. It suggests that organizational success depends on conforming to the laws, social norms, and cultural expectations of the host country (Dant et al., 2022). Strategically, in respect of institutional distance, this refers to the difference between the MNC's home country and the host country. When the "distance" is high, for instance, a US firm entering Nigeria, MNCs prefer franchising over company-owned stores. This is because a local franchisee acts as an institutional bridge, helping the MNC navigate local bureaucracy and cultural nuances (Dant et al., 2022). In addition, regulatory legitimacy of Franchising agreements is often tailored to satisfy local ownership laws (Adebayo, 2025). By partnering with local entities, MNCs gain "regulatory legitimacy, which reduces the risk of government interference and enhances long-term survival and performance (Bahl et al., 2021). In terms of isomorphism, MNCs often adopt franchising structures that mimic successful

competitors in a specific region to appear legitimate to local consumers and stakeholders.

The synthesis of the theories in terms of the internal-external balance ensures that the most successful MNCs use these theories in tandem. The Agency theory views the franchisor-franchisee relationship as a principal-agent problem, RBV ensures the firm has the internal strength (brand and system) to compete, while Institutional Theory ensures the firm is allowed to compete effectively by fitting into the local environment. The significant insight in this study is that organizational performance is highest when the franchising agreement protects the MNC's core resources (Agency control) while remaining flexible enough to adapt to local institutional pressures (Institutional alignment).

Methodology

This study employs cross-sectional survey research design to examine the impact of franchising agreement on organisational performance of multinational corporation in Nigeria with focuses on Nigerian Bottling Company as an area of study. The population of this study comprises of the 93 employees of the Nigerian Bottling Company (NBC) in Kwara State, A survey method was employed, utilizing a self-administered questionnaire, and a simple random sampling technique was utilized as every individual in the population will have an equal chance of being selected, ensuring that the sample is representative and unbiased. The analysis was conducted with Inferential statistics using SPSS software. To ascertain the validity of the instrument, content validity was adopted. The instruments were validated by the researcher's superior researcher who have more wealth of knowledge on the subject matter to scrutinize the questionnaire to ensure that the questions therein are not at variance with the subject matter under study. They ensured that the instruments represent the entire range of possible items to be tested in the study.

The reliability of the research instrument was tested using Cronbach's Alpha under the internal consistency method. The test-retest method was employed to assess the internal consistency of the questionnaire. The reliability for each of these variables was also determined using Cronbach's alpha coefficient, with the least value for each variable starting from 0.7 and above.

Table 1: Model summary of cultural adaption and organizational performance of multinational corporations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.484 ^a	.234	.226	1.04406

a. Predictors: (Constant), Cultural adaption (Y₁)

Table 1 presents the model summary of the relationship between cultural adaptation and organizational performance of multinational corporations. The R-value of 0.484 indicates a moderate positive correlation between cultural adaptation and organizational performance. The R Square (0.234) suggests that approximately 23.4% of the variance in organizational performance can be explained by cultural adaptation. The Adjusted R Square (0.226) accounts for the number of predictors in the model, confirming that the explanatory power remains stable even when adjusted for model complexity. The standard error of the estimate (1.04406) indicates the average

Result and Discussion

Hypothesis 1

There is no significant relationship between cultural adaption and organizational performance of multinational corporations

distance that the observed values fall from the regression line. Although the null hypothesis states that there is no significant relationship between cultural adaptation and organizational performance, the moderate R-value and R Square imply that cultural adaptation contributes meaningfully to predicting organizational performance. To confirm significance, the ANOVA table and p-values would be examined, but the current summary suggests a potentially significant relationship, leading to a possible rejection of the null hypothesis, depending on the outcome of the significance test.

Table 2: ANOVA^a of cultural adaption and organizational performance of multinational corporations

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.373	1	30.373	27.864	.000 ^b
	Residual	99.196	91	1.090		
	Total	129.570	92			

a. Dependent Variable: Organizational Performance (x)

b. Predictors: (Constant), Cultural adaption (Y₁)

Table 2 presents the ANOVA result for the regression model assessing the relationship between cultural adaptation and organizational performance of multinational corporations. The F-statistic

is 27.864 with a p-value (Sig.) of .000, which is less than 0.05. This indicates that the model is statistically significant, meaning that cultural adaptation has a significant effect on organizational

performance. Given this result, we reject the null hypothesis which states that there is no significant relationship between cultural adaptation and organizational performance.

The findings support the conclusion that cultural adaptation contributes significantly to explaining variations in the performance of multinational corporations.

Table 3: Coefficients^a of cultural adaption and organizational performance of multinational corporations

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	2.498	.370		6.752	.000
Cultural adaption (Y ₁)	.453	.086	.484	5.279	.000

a. Dependent Variable: Organizational Performance

Table 3 presents the coefficients of the regression model evaluating the effect of cultural adaptation on the organizational performance of multinational corporations. The unstandardized coefficient (B) for cultural adaptation is 0.453 with a standard error of 0.086, indicating that for every one-unit increase in cultural adaptation, organizational performance increases by 0.453 units, holding other factors constant. The t-value is 5.279, and the p-value (Sig.) is 0.000, which is highly significant ($p < 0.05$). This result confirms that cultural adaptation is a significant predictor of

organizational performance. The standardized beta coefficient of 0.484 also indicates a moderate positive effect. Therefore, the null hypothesis is rejected, and it can be concluded that cultural adaptation has a statistically significant and positive impact on the performance of multinational corporations.

Hypothesis 2

There is no significant relationship between territory right and marketing protection and organizational performance of multinational corporations

Table 4: Model summary of territory right and marketing protection on organizational performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.627 ^a	.393	.387	.92228

a. Predictors: (Constant), Territory Right and Marketing Protection (Y₃)

Table 4 presents the model summary of the regression analysis examining the relationship between territory right and marketing protection and organizational performance of multinational corporations. The R value is 0.627, indicating a moderately strong positive correlation between the two variables. The R Square value is 0.393, meaning that approximately 39.3% of the variation in organizational performance can be explained by territory right and marketing protection. The adjusted R Square of 0.387 confirms the stability of the model when adjusted for the number of predictors. The standard error of the estimate is 0.92228, showing the

average deviation of the predicted values from the actual values. These findings suggest that territory right and marketing protection account for a significant proportion of the variance in organizational performance.

Table 5 presents the ANOVA result testing the effect of territory right and marketing protection on the organizational performance of multinational corporations. The F-value is 58.976 with a p-value (Sig.) of 0.000, which is less than 0.05. This indicates that the model is statistically significant, and that territory right and marketing protection significantly predict organizational performance.

Table 5: ANOVA^a result of territory right and marketing protection on organizational performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50.165	1	50.165	58.976	.000 ^b
	Residual	77.405	91	.851		
	Total	127.570	92			

a. Dependent Variable: Organizational Performance (x)

b. Predictors: (Constant), Territory Right and Marketing Protection (Y₃)

Table 6: Coefficients^a result of territory right and marketing protection on organizational performance

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.396	.398			3.506	.001
territory right and marketing protection.	.687	.089	.627		7.680	.000

a. Dependent Variable: Organizational Performance (x)

Table 6 presents the coefficients result for the regression analysis between territory right and marketing protection and organizational performance of multinational corporations. The unstandardized coefficient (B) is 0.687 with a standard error of 0.089, and a t-value of 7.680. The corresponding p-value is 0.000, which is less than 0.05, indicating that the relationship is statistically significant. This result implies that for every one-unit increase in territory right and marketing protection, there is an associated 0.687 unit increase in organizational performance, assuming other variables are held constant. The standardized coefficient (Beta) of 0.627 also indicates a strong positive effect, further supporting the conclusion that territory right and marketing protection significantly enhance organizational performance. Given the significance level, we reject the null hypothesis and conclude that there is a significant relationship between territory right and marketing protection and the organizational performance of multinational corporations.

Conclusion and Policy Implementation

This study concludes that a strong correlation exists between franchising agreements and the performance of multinational corporations (MNCs), with cultural adaptation, territorial rights, and marketing protection acting as crucial variables. The findings indicate that MNCs that effectively adapt their franchising agreements to the local culture of the host country tend to achieve superior financial and operational performance. This is because cultural adaptation fosters greater trust and collaboration between the franchisor and the franchisee, leading to smoother operations and increased customer satisfaction. Similarly, the clear and unambiguous delineation of territorial rights and robust marketing protection within the agreement significantly boosts franchisee confidence and commitment. This assurance allows franchisees to invest more aggressively in their local market, ultimately driving up the overall performance of the MNC's international

operations. The study's results underscore the fact that a "one-size-fits-all" approach to international franchising is ineffective and that success hinges on tailoring the agreement to the specific context of the foreign market.

Recommendations

Based on the study's findings, multinational corporations (MNCs) should adopt the following strategic recommendations to enhance their performance through international franchising:

- i. Multinational corporation should implement a flexible agreement framework. Instead of a standardized global franchise agreement, MNCs should develop a flexible framework that allows for country-specific modifications. This "glocal" (global-local) approach ensures that core brand standards are maintained while providing the necessary flexibility for cultural adaptation. This may involve allowing for local menu items, specific store designs that align with local aesthetics, or adjustments to operating hours to respect local holidays or customs.
- ii. MNC should also invest in local legal and cultural expertise prior to finalizing any franchise agreement and also MNCs should engage local legal counsel and cultural consultants. This proactive step can help identify potential pitfalls related to territorial rights and marketing protection that may not be apparent from a headquarters perspective. For instance, local laws regarding intellectual property or advertising can vary significantly, and an expert can ensure the agreement is enforceable and culturally appropriate.
- iii. Establishment of a transparent conflict resolution mechanism in a clear and well-defined process for dispute resolution should be a core component of every franchise agreement. This mechanism should be culturally sensitive, potentially favoring mediation or arbitration over costly and time-consuming litigation in a foreign court. A transparent process builds trust and provides a clear pathway for

addressing issues related to territorial disputes or brand protection, thereby safeguarding the long-term franchisor-franchisee relationship.

- iv. MNCs should as matter of necessity develop a performance-based support system that is going to move beyond a simple "sign-and-support" model. They should create a support system that links performance to incentives and resources. For example, a franchisee who successfully adapts marketing campaigns to the local market and achieves sales targets could receive additional marketing funds or preferential access to new products. This encourages a proactive approach to cultural adaptation and reinforces positive behaviors.

Strategic Implications

The findings of this study provide several significant strategic implications for multinational corporations engaged in or considering international franchising. Multinational corporation should prioritize cultural due diligence before entering a new market. MNCs must conduct extensive cultural due diligence in language translation, this requires understanding local business norms, consumer behaviors, and legal frameworks. The franchising agreement should be drafted with these cultural nuances in mind, potentially including clauses that accommodate local holidays, business hours, or even religious practices.

Furthermore, to avoid disputes and encourage investment, MNCs should ensure that the franchising agreement clearly defines the franchisee's exclusive territory. Ambiguity can lead to internal competition and a lack of motivation. A well-defined territory, however, incentivizes the franchisee to build the brand and grow the business without fear of encroachment. The agreement should also include robust provisions for marketing protection. This includes guidelines on brand usage, intellectual property rights, and a clear process for handling

counterfeiting or trademark infringement. By protecting the franchisee's marketing efforts and brand integrity, the MNC safeguards its own brand reputation and value in the long term. This provides a significant competitive advantage.

Suggestions for further studies

To build upon the current study's findings, the following areas are suggested for future research:

- i. A longitudinal study could track the performance of a cohort of MNCs over several years to see how adjustments to their franchise agreements in response to market feedback impact long-term financial and operational performance. This would provide a more dynamic view of the relationship between agreement flexibility and success.
- ii. Future research could explore how digital tools, such as online platforms for training, supply chain management, and marketing, influence the variables studied. Specifically, how does digital marketing protection differ from traditional methods, and how do digital platforms facilitate or hinder cultural adaptation?
- iii. A comparative study across different industries (e.g., fast food vs. retail vs. service) could identify if the influence of cultural adaptation, territorial rights, and marketing protection varies. The level of customization required for a food franchise might be vastly different from a fitness center franchise, and understanding these nuances would be highly valuable.

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