Jurnal Ilmu Manajemen (JIMMU), 11(1) 2025, 46-60
Published Online: June, 2026
https://doi.org/10.33474/jimmu.v11i1.24868, e-ISSN 2621-6957

The Impact of Franchisor and Franchisee Relationship Quality on Business Performance: A Study of Outlet Mitra Indogrosir

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ABSTRACT
The minimarket franchise industry in Indonesia has experienced significant growth driven by increasing public demand for accessible modern retail services. Outlet Mitra Indogrosir (OMI), which operates an active franchise model granting franchisees high operational autonomy, faces persistent challenges in partnership sustainability evidenced by the closure of 275 outlets between 2021 and 2023. This study investigates the effect of franchisor–franchisee relationship quality on business performance, with franchisee satisfaction as a mediating variable. Grounded in the Commitment–Trust Theory of Relationship Marketing (KMV Model) and supported by the Franchise Relationship Model, Agency Theory, and Customer Relationship Management theory, this study examines three dimensions of relationship quality: trust, communication, and operational support. Data were collected from 178 active OMI franchisees using a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that trust is the most dominant driver of franchisee satisfaction, followed by operational support, both of which indirectly improve business performance through franchisee satisfaction. Communication, however, does not produce a significant direct effect on satisfaction in this context a finding attributed to Indonesia's collectivist cultural values, in which relational trust and concrete operational outcomes carry greater weight than formal communication exchanges. These findings extend the KMV Model by demonstrating that the hierarchy of relationship-quality determinants is context-dependent, and offer practical guidance for franchise managers seeking to improve outlet performance and long-term partnership sustainability in high-autonomy franchise systems.

ARTICLE INFO

Article Type: Research Paper/Literature Review/Systematic Review/General View/etc.

Article History:
Received : January, 2026
Reviewed : April,2026
Revised : June, 2026
Accepted : June, 2026

Keywords: Franchisee; Franchisor; Satisfaction; Relationship quality; Business performance.

1. Introduction

The minimarket franchise industry in Indonesia has experienced significant growth over the past five years, driven by technological advancements and shifting consumer demand for easily accessible modern retail services (Meliana et al., 2025). The number of modern retail outlets has grown at an average annual rate of 19% nationally (Hikmawati, 2017), with the DKI Jakarta region alone recording growth of up to 13% over three years — making minimarkets the most rapidly expanding segment in modern retail. Table 1 illustrates the growth trajectory of major minimarket franchise players in Indonesia.

Table 1. Number of Minimarket Franchise Outlets in Indonesia

	2022	2023	2024
OMI	659	647	716
Alfamart	17.813	19.087	20.120
Indomaret	21.251	22.456	23.107

Source: OMI Internal Data (2024), Alfamart Annual Report (2024), and Indoritel Annual Report (2024)

Among these, Outlet Mitra Indogrosir (OMI) operates a distinctive active franchisee model in which store owners directly manage daily business operations, unlike more centralized franchise structures where operational control is largely retained at the franchisor level (OMI Franchise, 2025). This autonomy-driven approach offers franchisees flexibility to adapt to local market conditions, but also exposes them to distinct operational and relational risks. Between 2021 and 2023, a total of 275 OMI outlets were closed a figure that signals systemic challenges in partnership sustainability and franchisee business performance.

Minimarket performance is shaped by both internal factors such as site selection, inventory management, and service quality and external factors including competitive pressure from large retail networks, macroeconomic conditions, and consumer behavior changes (Hikmawati, 2017; Meliana et al., 2025). Beyond these operational factors, a growing body of evidence identifies the quality of the franchisor–franchisee relationship as a critical determinant of franchise sustainability (Fernández-Monroy et al., 2018; Abou Kamar & Alsetoohy, 2021). Relationship quality encompassing trust, communication, and operational support influences franchisee satisfaction, which in turn drives business performance and long-term partnership retention (Viana et al., 2022; Gill & Kim, 2021).

Despite the growing literature on franchise relationship quality, three important gaps remain. First, existing studies have predominantly examined passive franchise systems in which the franchisor exerts strong operational control (Qudrotullah, 2018; Rosiyani Oktavia et al., 2025), leaving the dynamics of relationship quality in active franchise systems where franchisees exercise high operational autonomy largely underexplored, particularly in developing country contexts (Bui et al., 2022). Second, prior research in Indonesia has not comprehensively examined the simultaneous roles of trust, communication, and operational support as interrelated dimensions within a single integrated model; most studies address these dimensions in isolation without testing their combined mediated effect on business performance through franchisee satisfaction (Abou Kamar & Alsetoohy, 2021; Kim & Youn, 2017). Third, the cultural context of Indonesia characterized by collectivist values, high relational orientation, and a preference for trust-based over procedural interaction (Hofstede Insights, 2022), has not been systematically incorporated as a contextual lens in franchise relationship research, creating a gap between Western-derived franchise models and the realities of Indonesian franchise partnerships.

This study addresses these gaps by analyzing the effect of franchisor–franchisee relationship quality on franchisee business performance in OMI, with franchisee satisfaction as a mediating variable. The three dimensions of relationship quality examined are trust (X1), communication (X2), and operational support (X3). By focusing on an active franchise system embedded within Indonesia's collectivist cultural context, this study extends the Commitment–Trust Theory of Relationship Marketing (KMV Model; Morgan & Hunt, 1994) and contributes empirical evidence to the limited literature on high-autonomy franchise models in developing economies.

2. Literature Review

2.1 Theoretical Framework

This study is grounded in the Commitment–Trust Theory of Relationship Marketing, also known as the KMV Model (Morgan & Hunt, 1994), as its primary theoretical foundation. The KMV Model posits that trust and commitment are the central determinants of successful long-term relationships between business partners, with communication and opportunistic behavior serving as key antecedents. Effective communication strengthens trust, while opportunistic behavior where one party prioritizes its own interests at the expense of the other erodes it. In this study, opportunistic behavior is operationalized as the franchisor's failure to provide adequate operational support. These premises directly inform the selection of the three independent variables: trust (X1), communication (X2), and operational support (X3), as well as the mediating role of franchisee satisfaction (Y1) in linking relationship quality to business performance (Y2).

Three supporting frameworks contextualize the KMV Model within the active franchise setting. The Franchise Relationship Model (FRM; Varotto & Parente, 2016; Abou Kamar & Alsetoohy, 2021) empirically demonstrates that high-quality franchisor–franchisee relationships built on trust, communication, and support improve both operational and financial franchise performance. Agency Theory (Panda & Leepsa, 2017) provides a structural lens for understanding principal–agent dynamics in active franchise systems: because OMI franchisees operate with significant autonomy and limited direct monitoring, trust and operational support function as governance mechanisms that reduce agency costs and align objectives between franchisor and franchisee (Othman et al., 2023). Customer Relationship Management theory (Soltani & Navimipour, 2016) further reinforces this by framing franchisees as 'internal customers' whose satisfaction must be systematically cultivated through continuous support and meaningful communication to drive performance outcomes (Simmons, 2015).

Critically, while each framework offers a distinct analytical lens, they converge on a unified insight: in active franchise systems operating within collectivist cultural contexts such as Indonesia, relationship quality built through trust, communication, and operational support is the primary determinant of franchisee satisfaction, which in turn drives business performance and long-term partnership sustainability.

2.2 Trust

Trust is widely regarded as the most foundational dimension of franchisor–franchisee relationship quality (Abou Kamar & Alsetoohy, 2021; Abdul Ghani et al., 2022). The KMV Model defines trust as a partner's willingness to rely on another based on perceived reliability and integrity (Morgan & Hunt, 1994) functioning not merely as a psychological state but as a governance mechanism that enhances commitment, reduces monitoring costs, and sustains business continuity under uncertainty (Minarikova et al., 2020). This governance function is especially critical in active franchise systems such as OMI, where formal control mechanisms are limited and franchisees exercise high operational autonomy.

Empirically, trust consistently predicts both franchisee satisfaction and performance. Fernández-Monroy et al. (2018) show that trust directly influences satisfaction for both parties, while Chiou and Droge (2015) confirm its positive effect on franchisee performance in growth-stage franchise systems. Conversely, Dube and Mara (2020) find that trust breakdown leads directly to dissatisfaction and relationship termination. Within Indonesia's collectivist culture, trust carries particularly strong relational value: franchisees evaluate partnership quality based on perceived franchisor integrity and behavioral consistency rather than formal procedures or documentation (Hofstede Insights, 2022), amplifying trust's role as the dominant relational mechanism in this context.

H1: Franchisor trust (X1) has a significant positive effect on franchisee satisfaction (Y1).

2.3 Communication

The KMV Model defines communication as the formal and informal exchange of timely and meaningful information between partners (Morgan & Hunt, 1994), encompassing performance feedback, product information sharing, and collaborative problem solving. Effective two-way communication has been empirically shown to enhance franchisee satisfaction and reduce conflict (Fernández-Monroy et al., 2018; Kang & Jindal, 2018), including in Indonesian franchise contexts (Syahidah & Asikin, 2023).

However, the direct effect of communication on satisfaction is not universal. In collectivist societies such as Indonesia, relational trust and personal connection are prioritized over formal, hierarchical communication channels (Hofstede Insights, 2022). When communication is predominantly instructional or administrative transmitting directives rather than fostering genuine dialogue its capacity to generate relational warmth and emotional satisfaction diminishes. Muda and Rashid (2021) further propose that communication may influence outcomes indirectly through trust rather than through a direct pathway to satisfaction, suggesting that context moderates communication's role in franchise relationships. These nuances provide theoretical grounds for examining whether the direct effect of communication holds within Indonesia's active franchise setting.

H2: Communication between franchisor and franchisee (X2) has a significant positive effect on franchisee satisfaction (Y1).

2.4 Operational Support

Within the KMV Model, operational support reflects non-opportunistic behavior: franchisors who genuinely invest in franchisee success demonstrate commitment through tangible assistance (Morgan & Hunt, 1994). In practice, this spans the full franchise lifecycle from pre-opening support (site selection, training, technology infrastructure) to ongoing assistance (store operations guidance, purchasing support, and marketing programs; Jang & Park, 2019).

For active franchisees managing daily operations independently, operational support functions beyond technical assistance serving as a relational signal of franchisor commitment and what Lee and Lee (2022) describe as a 'relationship reinforcement mechanism' that fosters franchisee loyalty and psychological ownership. This is empirically confirmed by Prihandono et al. (2021), who identify operational support as critical to sustaining franchise performance in Indonesia, and by Lee (2017), who finds that franchisee satisfaction directly reflects the perceived productivity of franchisor support underlining that support quality shapes both relational and performance outcomes.

H3: Franchisor operational support (X3) has a significant positive effect on franchisee satisfaction (Y1).

2.5 Franchisee Satisfaction as a Mediating Variable

Franchisee satisfaction represents a franchisee's overall evaluation of the partnership relationship, encompassing assessments of trust, communication effectiveness, and support quality received (Morgan & Hunt, 1994; Kim & Youn, 2017). Within the KMV Model, satisfaction serves as a key indicator of partnership success and a critical predictor of long-term commitment. This study positions franchisee satisfaction as the central mediating mechanism through which relationship quality translates into measurable business performance outcomes.

The mediating role of franchisee satisfaction is well-supported empirically. Viana et al. (2022) demonstrate a positive association between satisfaction and performance outcomes across franchise networks, while Gill and Kim (2021) show that franchisee satisfaction significantly mediates the relationship between franchisee experience and outlet-level performance. Wu (2015) further confirms satisfaction as a primary performance indicator in franchise systems. When trust and operational support are well-managed, franchisees develop relational security and perceived fairness that reduces conflict and sustains motivation ultimately driving stronger business outcomes. Conversely, inadequately managed relationship quality generates declining satisfaction and reduced performance, a pattern consistent with the 275 OMI outlet closures observed between 2021 and 2023.

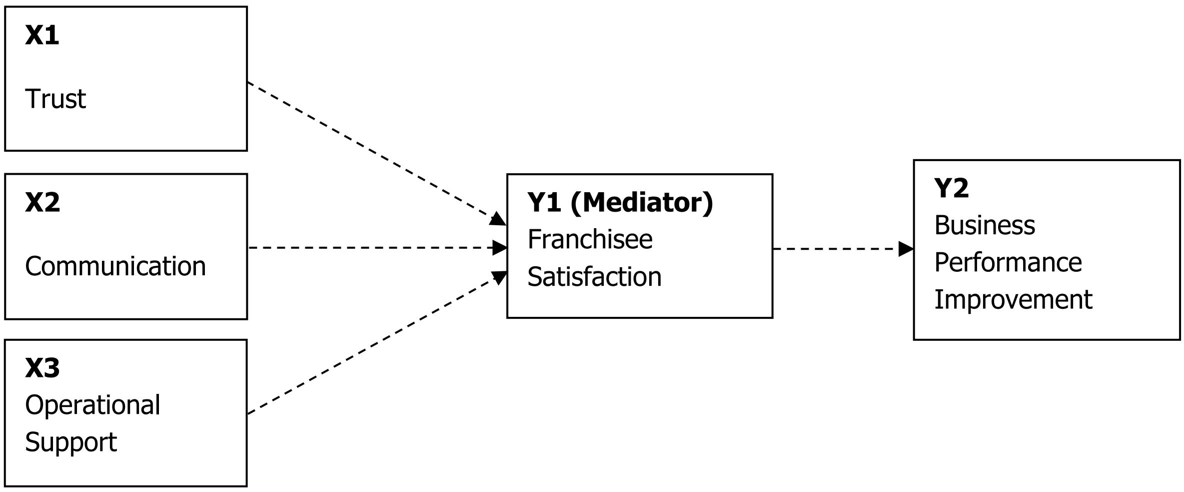
H4: Franchisee satisfaction (Y1) has a significant positive effect on franchisee business performance (Y2).

H5: Franchisor trust (X1) has a significant positive effect on franchisee business performance (Y2), mediated by franchisee satisfaction (Y1).

H6: Communication between franchisor and franchisee (X2) has a significant positive effect on franchisee business performance (Y2), mediated by franchisee satisfaction (Y1).

H7: Franchisor operational support (X3) has a significant positive effect on franchisee business performance (Y2), mediated by franchisee satisfaction (Y1).

Conceptual Model Development and Hypotheses



3. Research Methods

This study adopts a quantitative approach with a survey method to examine the direct and indirect effects of franchisor and franchisee relationship quality on franchisee business performance and business retention in the minimarket franchise system of Outlet Mitra Indogrosir (OMI), with franchisee satisfaction serving as a mediating variable. A cross-sectional design is applied, as data were collected at a single point in time during September-October 2025. The population of this study consists of all owners and managers of active OMI franchise outlets in Indonesia. The sample was selected using purposive sampling, with the criteria that franchisees had been actively operating for at least six months to ensure sufficient experience in evaluating partnership quality and business performance. Based on these criteria, 150 franchisees were included as respondents.

Data were collected through a structured questionnaire distributed online via Google Forms through the official OMI franchisee WhatsApp community, direct email to active franchisees, and internal distribution supported by Indogrosir management as the franchisor. The research variables include trust, communication, operational support, franchisee satisfaction, and franchisee business performance. Measurement items were adapted from previous studies that had been tested for validity and reliability (Abou Kamar & Alsetoohy, 2021; Fernández-Monroy et al., 2018; J. E. Lee & Lee, 2022). All variables were measured using a five-point Likert scale, ranging from strongly disagree (1) to strongly agree (5).

Data analysis was conducted using SmartPLS 4 with the SEM-PLS approach. The analysis process began with validity and reliability testing, followed by classical assumption tests. Hypothesis testing was then performed to examine both direct and mediating effects among variables within a single structural model. The SEM-PLS approach was chosen because it allows simultaneous testing of complex relationships involving latent constructs measured by multiple indicators.

4. Results

A total of 182 questionnaire responses were received between 29 September and 1 October 2025, of which 178 respondents provided informed consent and were included in the final analysis. Four respondents declined to participate and were excluded. Data analysis was conducted using PLS-SEM via SmartPLS 4 following Hair et al. (2021), with model evaluation proceeding sequentially through the measurement model (outer model) and the structural model (inner model).

4.1 Convergent Validity

Convergent validity was assessed by examining the outer loadings of each indicator on its respective construct. As shown in Table 2, all indicators produced outer loading values above 0.60, with the majority exceeding 0.70. Four indicators X2.7 (0.676), X3.3 (0.648), X3.5 (0.689), and X3.6 (0.680) fell marginally below 0.70 but were retained, as each construct still met the AVE threshold of >0.50 recommended by Hair et al. (2021), confirming adequate convergent validity across all constructs.

Table 2. Convergent Validity Test Results

Variabel	X1	X2	X3	Y1	Y2
X1.1	0.753				
X1.2	0.792				
X1.3	0.814				
X1.4	0.862				
X1.5	0.749				
X1.6	0.804				
X1.7	0.786				
X1.8	0.779				
X1.9	0.835				
X1.10	0.803				
X1.11	0.712				
X1.12	0.854				
X1.13	0.778				
X1.14	0.797				
X1.15	0.826				
X1.16	0.827				
X1.17	0.856				
X1.18	0.830				

Variabel	X1	X2	X3	Y1	Y2
X1.19	0.810				
X1.20	0.731				
X2.1		0.820			
X2.2		0.838			
X2.3		0.832			
X2.4		0.787			
X2.5		0.777			
X2.6		0.794			
X2.7		0.676			
X2.8		0.798			
X2.9		0.815			
X2.10		0.835			
X2.11		0.793			
X2.12		0.838			
X3.1			0.761		
X3.2			0.806		
X3.3			0.648		
X3.4			0.711		
X3.5			0.689		
X3.6			0.680		
X3.7			0.791		
X3.8			0.771		
X3.9			0.835		
X3.10			0.811		
X3.11			0.817		
X3.12			0.835		
Y1.1				0.852	
Y1.2				0.874	
Y1.3				0.852	
Y1.4				0.840	
Y1.5				0.855	
Y1.6				0.880	
Y1.7				0.872	
Y1.8				0.897	
Y2.1					0.857
Y2.2					0.864
Y2.3					0.889
Y2.4					0.821

Note: Below 0.70 but retained as AVE > 0.50 for the respective construct (Hair et al., 2021)

4.2 Discriminant Validity

Discriminant validity was evaluated using two complementary methods: the Heterotrait-Monotrait Ratio of Correlations (HTMT) and the Fornell–Larcker criterion.

Table 3. Results of the Discriminant Validity Test Using the HTMT Method

Variabel	X1	X2	X3	Y1	Y2
X1					
X2	0.925				
X3	0.923	0.924			
Y1	0.912	0.856	0.884		
Y2	0.838	0.742	0.800	0.908	

Table 4. Discriminant Validity Results Based on the Fornell–Larcker Criterion

Variabel	X1	X2	X3	Y1	Y2
X1	0.801				
X2	0.889	0.801			
X3	0.884	0.871	0.766		
Y1	0.880	0.815	0.840	0.866	
Y2	0.775	0.682	0.730	0.833	0.858

The HTMT results indicate that four construct pairs X1–X2 (0.925), X1–X3 (0.923), X2–X3 (0.924), and X1–Y1 (0.912) exceed the recommended threshold of 0.90. This overlap reflects the theoretically interrelated nature of trust, communication, and operational support as co-constitutive dimensions of relationship quality within the KMV Model (Morgan & Hunt, 1994), rather than a measurement deficiency. Importantly, constructs Y1 and Y2 demonstrate satisfactory discriminant validity under both criteria, with square root AVE values exceeding all corresponding inter-construct correlations.

4.3 Reliability Test

All constructs demonstrate strong reliability, as presented in Table 5. Cronbach's Alpha (α) and Composite Reliability (CR) values consistently exceed 0.88 across all variables well above the minimum threshold of 0.70. AVE values for all constructs exceed 0.50, confirming adequate convergent validity. Notably, Y1 (AVE = 0.749) and Y2 (AVE = 0.736) show the strongest convergent validity, indicating that the mediating and dependent variables are measured with high precision.

Table 5. Results of the Reliability Test

Variabel	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)	Result
X1	0.970	0.972	0.973	0.641	Valid & Reliable
X2	0.949	0.950	0.956	0.642	Valid & Reliable
X3	0.935	0.941	0.944	0.586	Valid & Reliable
Y1	0.952	0.952	0.960	0.749	Valid & Reliable
Y2	0.880	0.883	0.918	0.736	Valid & Reliable

4.4 Collinearity Assessment

Table 6 presents the VIF values for all 52 indicators in the inner model. All VIF values fall below 5.0 the maximum acceptable threshold recommended by Hair et al. (2021) confirming the absence of multicollinearity. The highest observed VIF value is 4.887 (X1.4), which remains within the acceptable range. The structural model is therefore free from collinearity issues, and hypothesis testing can proceed.

Table 6. Results of the Collinearity Test

Variabel	VIF	Variabel	VIF
X1.1	2.766	X2.9	3.516
X1.2	3.747	X2.10	3.190
X1.3	4.124	X2.11	2.863
X1.4	4.887	X2.12	2.998
X1.5	2.613	X3.1	3.504
X1.6	3.310	X3.2	3.681
X1.7	2.954	X3.3	1.802
X1.8	2.694	X3.4	2.110
X1.9	4.375	X3.5	2.042
X1.10	3.520	X3.6	1.936
X1.11	2.781	X3.7	2.533
X1.12	4.089	X3.8	2.479
X1.13	2.798	X3.9	3.106
X1.14	3.463	X3.10	2.675
X1.15	3.672	X3.11	3.196
X1.16	3.974	X3.12	3.149
X1.17	4.675	Y1.1	3.015
X1.18	3.674	Y1.2	3.692
X1.19	4.220	Y1.3	3.677
X1.20	3.176	Y1.4	3.532
X2.1	3.292	Y1.5	3.347
X2.2	3.856	Y1.6	4.308
X2.3	3.980	Y1.7	4.675
X2.4	2.989	Y1.8	4.872
X2.5	2.527	Y2.1	2.636
X2.6	2.564	Y2.2	2.577
X2.7	2.237	Y2.3	2.787
X2.8	2.828	Y2.4	2.149

4.5 Hypothesis Testing: Direct Effects

Table 7 presents the direct effects of the relationship-quality dimensions on franchisee satisfaction (Y1) and the effect of satisfaction on business performance (Y2).

Table 7. Results of the Direct Effects of X1, X2, and X3 on Y1, and Y1 on Y2

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Decision
X1 -> Y1	0.603	0.601	0.126	4.770	0.000	Supported
X2 -> Y1	0.048	0.048	0.105	0.458	0.647	Not Supported

X3 -> Y1	0.265	0.269	0.127	2.078	0.038	Supported
Y1 -> Y2	0.833	0.837	0.027	30.968	0.000	Supported

Trust (X1) emerges as the strongest predictor of franchisee satisfaction (β = 0.603, p < 0.001), followed by operational support (X3; β = 0.265, p = 0.038). Communication (X2) does not have a significant direct effect on franchisee satisfaction (β = 0.048, p = 0.647). Franchisee satisfaction (Y1) exhibits a very strong positive effect on business performance (Y2; β = 0.833, p < 0.001), confirming its central mediating role in the model.

4.6 Hypothesis Testing: Mediation Effects

Table 8 presents the indirect effects of relationship-quality dimensions on business performance through franchisee satisfaction.

Table 8. Results of the Mediating Effects of X1, X2, and X3 on Y2 through Y1

Variabel	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values	Decision
X1 -> Y1 -> Y2	0.503	0.503	0.106	4.722	0.000	Supported
X2 -> Y1 -> Y2	0.040	0.040	0.088	0.457	0.648	Not Supported
X3 -> Y1 -> Y2	0.221	0.226	0.108	2.033	0.042	Supported

Consistent with the direct effects, trust (X1) produces the largest indirect effect on business performance through satisfaction (β = 0.503, p < 0.001), while operational support (X3) also contributes a significant indirect effect (β = 0.221, p = 0.042). Communication (X2) does not yield a significant mediated effect (β = 0.040, p = 0.648), and H6 is accordingly not supported. Overall, five of the seven hypotheses are supported, with franchisee satisfaction serving as a full mediator between relationship-quality dimensions and business performance.

5. Discussion

5.1 The Dominant Role of Trust in Franchisee Satisfaction and Business Performance

The most prominent finding of this study is the strong positive effect of franchisor trust on franchisee satisfaction and, through satisfaction, on business performance. This result reinforces the central premise of the KMV Model (Morgan & Hunt, 1994) that trust is the foundational determinant of long-term partnership success, and is consistent with prior franchise studies demonstrating that relational capital built through perceived franchisor integrity, competence, and consistency is a primary driver of franchisee performance outcomes (Chien, 2024; Sun, 2021; Fernández-Monroy et al., 2018).

Within the context of OMI's active franchise system, this finding carries particular theoretical significance. Because OMI franchisees exercise high operational autonomy and manage daily store decisions independently, the franchisor cannot rely on direct monitoring or strict standardization as the primary governance mechanism a constraint that Agency Theory explicitly identifies as generating elevated agency costs and potential conflicts of interest (Panda & Leepsa, 2017). Under these conditions, trust functions as a substitute for formal control: it aligns franchisee behavior with system-wide goals, reduces the need for intensive supervision, and sustains commitment even in the absence of direct oversight (Minarikova et al., 2020; Othman et al., 2023).

The cultural context of Indonesia further amplifies the salience of trust as a relationship-quality driver. Research on Indonesian organizational behavior suggests that, in collectivist cultural settings, relational trust and perceived fairness in interpersonal interactions tend to carry greater weight in evaluating partnership quality than formal procedural mechanisms or documentation (Hofstede Insights, 2022). This cultural disposition helps explain why franchisees in this study evaluated the franchisor relationship primarily through the lens of integrity and fairness in everyday business decisions, rather than through the frequency or formality of communication exchanges.

5.2 Operational Support as a Relational Commitment Signal

Franchisor operational support is also found to exert a significant positive effect on franchisee satisfaction and an indirect effect on business performance through satisfaction. Although its effect size is smaller than that of trust, operational support represents a distinct and independently significant pathway through which franchisors can strengthen franchisee satisfaction and sustain performance outcomes.

This finding aligns with prior research demonstrating that operational support encompassing training, supervision, stable product supply, and marketing assistance functions not merely as technical assistance but as a tangible signal of franchisor commitment to franchisee success (Lee & Lee, 2022; Hidayat et al., 2024). From a CRM perspective (Soltani & Navimipour, 2016), treating franchisees as 'internal customers' who require sustained investment and personalized support is central to maintaining high-quality partnership relationships. For active franchisees managing daily operations independently, reliable operational support reduces uncertainty, builds confidence, and creates a sense of relational security what Jang and Park (2019) describe as the psychosocial bond between franchise partners.

The significance of operational support in the OMI context is also consistent with Prihandono et al. (2021), who identify franchisor support particularly in conflict risk management as a critical determinant of franchise sustainability in Indonesia. Together, these findings suggest that in high-autonomy franchise systems, tangible operational support serves as one of the primary mechanisms through which franchisors demonstrate commitment and maintain franchisee engagement.

5.3 The Non-Significant Effect of Communication: A Contextual Explanation

A particularly noteworthy finding of this study is that communication does not produce a significant direct effect on either franchisee satisfaction or business performance through satisfaction, leading to the rejection of H2 and H6. This result challenges the dominant position in the franchise literature, which consistently emphasizes two-way communication as a key driver of franchisee satisfaction and conflict reduction (Fernández-Monroy et al., 2018; Kang & Jindal, 2018; Syahidah & Asikin, 2023).

However, this finding is not without precedent. Muda and Rashid (2021) suggest that communication may influence franchise outcomes indirectly through its effect on trust, rather than directly on satisfaction a pathway consistent with the theoretical architecture of the KMV Model (Morgan & Hunt, 1994), which positions communication as an antecedent of trust rather than an independent driver of satisfaction. Similarly, Sun (2021) argues that administrative or one-way communication alone is insufficient to improve franchise performance unless accompanied by trust-based relational interactions.

Two contextual factors specific to Indonesia's active franchise setting may further explain this finding. First, collectivist cultural values in Indonesia tend to prioritize relational trust and social harmony over formal communication structures (Hofstede Insights, 2022). Second, the nature of communication within the OMI system appears to be predominantly instructional and administrative including operational reports, policy updates, and technical notifications rather than dialogical or relational. Such communication may fulfil informational functions without generating the perceived relational closeness or mutual engagement that would meaningfully enhance franchisee satisfaction. These two factors together suggest that the non-significant effect of communication in this study reflects a context-specific attenuation of its influence, rather than a universal irrelevance of communication in franchise systems.

5.4 Practical Implications for Outlet Mitra Indogrosir

The findings of this study offer three clear strategic directions for OMI in strengthening partnership sustainability and improving outlet performance. First, given the dominant effect of trust, OMI should prioritize transparency and fairness mechanisms throughout the franchise partnership lifecycle. High levels of franchisee trust emerge when the franchisor demonstrates policy consistency, fulfills service commitments, and clearly communicates the rationale behind operational decisions. Practically, this may involve enhanced transparency in areas that commonly generate franchisee uncertainty such as supply cost reporting, price differentials between cost of goods sold and catalog prices, and complaint resolution procedures.

Second, the significant effect of operational support highlights franchisees' need for consistent, high-quality assistance in managing daily store operations. OMI should consider strengthening the role of Business Advisors (BAs) from supervisory figures to active mentors and performance coaches who provide regular, practical guidance in areas such as merchandising, inventory management, shrinkage control, and local sales strategies.

Third, while communication was not found to have a significant direct effect on satisfaction, this does not imply that communication is unimportant for OMI. Rather, it suggests that the current communication model predominantly instructional and top-down does not generate sufficient relational value. Redesigning communication toward a two-way, dialogical format through franchisee forums, regular performance review sessions, and structured feedback mechanisms could transform communication from an administrative function into a relationship-building tool that indirectly reinforces trust over time

6. Conclusion

This study demonstrates that the quality of the franchisor–franchisee relationship is a critical determinant of outlet performance and partnership sustainability in active franchise systems. Across the three relationship-quality dimensions examined trust, communication, and operational support trust emerges as the most influential factor in shaping franchisee satisfaction, which in turn serves as the primary driver of business performance improvement. Operational support also contributes significantly to franchisee satisfaction, functioning not merely as technical assistance but as a tangible signal of franchisor commitment. Together, these findings confirm that in high-autonomy franchise systems such as OMI, where franchisees independently manage daily store operations, strong relational ties between franchisor and franchisee are foundational to business success.

A theoretically significant finding of this study is that formal communication does not produce a meaningful direct effect on franchisee satisfaction within the OMI context. Rather than undermining the importance of communication, this result suggests that its influence is contingent on cultural context and communication quality. In Indonesia's collectivist business environment, franchisees tend to evaluate relationship quality through trust-based, interpersonal interactions and concrete operational outcomes, rather than through the frequency or formality of information exchange. This finding extends the Commitment–Trust Theory of Relationship Marketing by demonstrating that the hierarchy of relationship-quality determinants is context-dependent: what drives franchisee satisfaction in high-autonomy franchise systems operating within collectivist cultures may differ substantially from patterns observed in Western-developed franchise models.

This study makes three primary contributions. First, it provides empirical evidence on the dynamics of franchisor–franchisee relationship quality in active franchise systems a model that remains underrepresented in the franchise literature. Second, it demonstrates that franchisee satisfaction functions as a robust mediating mechanism linking relationship-quality dimensions to business performance. Third, it contributes contextually grounded insights showing that trust and operational support, rather than formal communication, are the dominant relational drivers in Indonesia's active franchise environment a finding with direct relevance for franchise practitioners and policymakers in emerging economies with similar cultural profiles.

This study is subject to several limitations. First, the sample is confined to OMI franchisees in Indonesia, and findings may not be directly generalizable to other active franchise systems, passive franchise models, or franchise sectors beyond minimarket retail. Second, the cross-sectional research design captures franchisee perceptions at a single point in time, which limits the ability to draw causal inferences or track how relationship quality evolves over time. Third, the high inter-construct correlations observed among trust, communication, and operational support while theoretically expected indicate that these constructs share substantial conceptual overlap, which may constrain the precision of individual path estimates.

Future research should build on these findings in several directions. Longitudinal studies examining how trust, communication, and operational support evolve across different stages of the franchise lifecycle would provide dynamic insights beyond what cross-sectional designs can capture. Comparative studies across different franchise system including passive models and non-retail sectors would help establish whether the dominance of trust over communication is specific to active franchise contexts or reflects broader patterns in Indonesian business relationships. Additionally, future research may explore the moderating role of franchise tenure, franchisee experience, and regional cultural variation within Indonesia. Research incorporating qualitative methods such as in-depth interviews with franchisees and Business Advisors could also enrich the quantitative findings of this study by capturing the experiential dimensions of franchisor–franchisee trust that survey instruments may not fully reflect.

Acknowledgment

We express our sincere gratitude and appreciation to the management of Outlet Mitra Indogrosir (OMI) for granting permission and providing support during the data collection process. We also thank all franchisees who participated as respondents in this study for their valuable time and insights, which enabled this research to be conducted and completed successfully.

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