

Franchise Brand Perception in Malaysia: An Empirical Analysis of Leadership Engagement and Regulatory Frameworks

Abdul Razak Yahaya^{1*}, Eric Balan²

^{1,2} University Tun Abdul Razak

*abdul.razak2111@ur.unirazak.edu.my

Article history: Received: 21 March 2025 | Received in revised form: 23 June 2025 |

Abstract

This study empirically investigates the impact of leadership engagement and regulatory frameworks on brand perception within Malaysian franchise operations. A quantitative research design was employed, collecting data from 382 franchisees through structured questionnaires utilizing validated Likert scales. The study used correlation, regression, mediation, as well as moderation analyses to test the hypotheses of the study. The findings of the study show that leadership engagement mediates the relationship between support services and franchisee satisfaction. The findings also show that regulators moderate the relationship. Furthermore, the findings show that the direct effect of regulatory compliance on the brand perception of the franchise is insignificant. These insights have practical implications for franchise managers and policymakers, advocating for the development of leadership training programs, regulatory flexibility, and enhanced consumer-driven branding strategies. The study recommends refining franchise governance models to balance control mechanisms with franchisee autonomy, ensuring sustainable brand perception and operational success. To further understand the impact of franchisor leadership on the brand perception of customers, future research should include cross-cultural comparisons, longitudinal analysis, and Structural Equation Modelling (SEM).

Keywords: Brand perception, consumer experience, franchisee satisfaction, governance, leadership engagement, regulatory frameworks, transformational leadership

© 2025 Universiti Teknologi Malaysia. All rights reserved.

■ 1.0 INTRODUCTION

1.1 Background of study

Franchise operations are now playing a vital role in the economy by turbocharging the business and entrepreneurship level. In Malaysia, the franchise sector has boomed due to the government's effort to support this sector. However, there are some issues as well. Brand perception is crucial for any system or network as it influences trust and loyalty and in general the success of any franchise system. Leadership, a system of functioning and the general quality of the products can all help to maintain the image of a brand. In the context of Malaysia, several researchers have shown the importance of compliance with all the standards to continue competing in a market. This clearly shows the difficult path a franchisee can have and therefore it is of particular interest to analyze the mediating role played by leadership commitment and the moderating role of the franchisee or franchisor framework to evaluate the effects of the above on the satisfaction of franchisees and on corporate reputation in general.

1.2 Research Problem

While it is widely believed that brand perception is a vital aspect of the success of a franchise, there is

limited research on how the approach of the top management and regulatory frameworks impact the satisfaction of franchisees and the brand perception. Several franchisers face difficulties related to the approach of the top management, the limited assistance provided to the franchisees, and the complexity of the regulations that apply to franchises. Lack of a systematic leadership engagement model and weak policies can lead to the decline of franchisee motivation and brand image thereby the study sets to address this gap by providing an empirical study on the relationship between both the leadership engagement, regulatory frameworks, franchisee satisfaction, and brand image in Malaysia.

1.3 Research Objectives

RO 1: To analyze the mediating effect of leadership engagement on the relationship between franchise support services and franchisee satisfaction.

RO 2: To investigate the moderating influence of regulatory frameworks on the link between leadership engagement and brand perception.

1.4 Research Problem

This study adds to the literature on franchise management by investigating the interactions between leadership engagement, regulations, and brand perceptions. It may be useful for practitioners looking to improve their brand reputation. By understanding the strategic importance of leadership engagement and regulation, the research has put forth recommendations that can be used to improve franchise governance in Malaysia, improve the perception of the brand, and maintain a competitive edge.

1.5 Overview of the Study Context

The franchise industry in Malaysia has grown due to help from the government and increased local franchise operations. However, there are challenges that come with this growth. The main worry for franchisors is the ability to maintain uniform standards across all units. Proper engagement by leaders and regulations are likely to counteract the harm of these worries thus promoting a vibrant franchise sector. This research seeks to emulate such effects in the franchise market in Malaysia.

■ 2.0 LITERATURE REVIEW

2.1 Sample Brand Perception in Franchise Operations

A. Definitions and Importance

Brand perception involves how customers and all other stakeholders interpret, evaluate and respond to a brand (Keller, 2013). In franchise operations, the brand perception is key to attracting customers and retaining them (Aaker, 1996). Kapferer (2012) posited that brand perception within a franchise system is linked to service consistency, the quality of products, the customers' experience, and the similarity of the identity of the franchisor with that of the franchisee. Brand perception facilitates a high degree of consumer trust and ensures that the franchise has a competitive edge, thereby maintaining brand loyalty in the long term (Hassan et al., 2021). Successful franchisors that have a strong brand perception generally attract a larger customer base and stimulate the interest of potential franchisees (Lee & Koh, 2020).

B. Factors Influencing Brand Perception

Several key factors influence brand perception in franchise operations:

- i. Brand Consistency: Keeping the same level of services, goods, and operation in all branches is significant in creating a perception of the brand (Nguyen et al., 2018).
- ii. Product and Service Quality: High-quality service boosts customer trust and increases brand loyalty (Kotler & Keller, 2020; Hanaysha, 2021).
- iii. Social Media Influence and Customer Reviews: According to Kim et al. (2019), online customer reviews and social media presence have a major impact on brand perception.
- iv. Leadership Impact and Franchisee Commitment: Effective leadership is one of the driving forces that determine the level of service provision and conformity to brand values provided by franchisees (Abdullah and Ahmad, 2020; Yoon et al., 2022).

C. Previous Empirical Studies

Several studies have explored the impact of brand perception on franchise performance:

- i. Hashim (2012): Examined factors influencing brand perception in Malaysian fast-food franchises, highlighting customer experience as a key driver of brand reputation and loyalty.
- ii. Abdullah A. G. (2010): Investigated the impact of franchisor leadership on brand perception,

emphasizing the role of support, training, and monitoring.

- iii. Mohd Isa (2011): Explored the impact of regulatory environments on brand perception, showing that adherence to halal certification and legalities enhances the consumers' trust.

2.2 Sample Brand Perception in Franchise Operations

A. Definitions and Importance

Leadership engagement refers to the level of commitment, involvement, and influence a leader exerts in guiding, motivating, and supporting their stakeholders within an organization (Bass & Riggio, 2006). In franchise operations, engaged leadership fosters a cohesive and performance-driven network (Abdullah & Ahmad, 2020). Key characteristics of leadership engagement include:

- i. Commitment to Vision and Strategy: Effective leaders align franchisee operations with the overall brand strategy (Kouzes & Posner, 2017).
- ii. Supportive Communication: Open communication ensures transparency and responsiveness (Breevaart et al., 2014).
- iii. Empowerment and Motivation: Leaders who foster franchisee autonomy enhance motivation and commitment (Deci & Ryan, 2000).
- iv. Accountability and Performance Monitoring: Regular assessments and feedback maintain brand consistency (Yukl, 2013).

B. Leadership Styles in Franchise Operations

Transformational leaders inspire and motivate franchisees by fostering a shared vision, confidence, and innovation (Bass, 1990). Key attributes include:

- i. Inspiring franchisees to align with brand values (Podsakoff et al., 1990).
- ii. Encouraging problem-solving and adaptability (Northouse, 2021).
- iii. Building a culture of trust and engagement (Bass & Avolio, 1994).

C. Servant Leadership

Servant leadership prioritizes the well-being and development of franchisees (Greenleaf, 1977). Key characteristics include:

- i. Empathy and Support: Acting as mentors to franchisees (Liden et al., 2008).
- ii. Collaboration and Community-Building: Encouraging teamwork and shared responsibility (Eva et al., 2019).
- iii. Ethical and Values-Based Leadership: Ensuring fairness and integrity (Sendjaya & Cooper, 2011).

D. Impact of Leadership Engagement on Franchisee Satisfaction and Engagement

Engaged leadership plays a crucial role in franchisee satisfaction, operational efficiency, and brand success. Effective leadership fosters a supportive environment, leading to:

- i. Higher franchisee satisfaction (Kirkpatrick & Locke, 1996).
- ii. Stronger engagement and reduced turnover rates (Macey & Schneider, 2008).
- iii. Improved performance and brand consistency (Yoon et al., 2022).

E. Empirical Evidence Linking Leadership Engagement to Brand Perception

Empirical studies demonstrate that strong leadership engagement enhances brand perception:

- i. Hashim (2012): Found that engaged franchisors ensure brand consistency across multiple outlets.
- ii. Abdullah A. G. (2010): Showed that leadership engagement fosters franchisee trust, commitment, and brand loyalty.
- iii. Mohd Isa (2011): Reported that transformational and servant leadership styles enhance franchise brand equity and consumer trust.

2.3 Sample Brand Perception in Franchise Operations

A. Definitions and Role

Regulatory frameworks encompass legal, institutional, and procedural guidelines designed to ensure compliance, protect stakeholders, and uphold industry standards (Mason & Brown, 2020). Key functions include:

- i. Legal Protection: Ensuring fair franchisor-franchisee agreements (Justis & Judd, 2020).
- ii. Market Stability: Reducing disputes and fostering growth (Combs et al., 2019).
- iii. Brand Integrity: Enforcing compliance to maintain brand standards (Dant et al., 2021).
- iv. Consumer Protection: Ensuring ethical business practices and service quality (Mohd Isa et al., 2020).

B. Impact on Franchise Performance

Regulatory compliance enhances franchise efficiency, profitability, and brand perception (Aliouche & Schlentrich, 2018). Well-defined regulations promote:

- i. Higher franchisee satisfaction and commitment (Kaufmann & Eroglu, 2019).
- ii. Stronger brand reputation and consumer trust (Mohd Isa & Juhdi, 2020).
- iii. Reduced legal risks and business disputes (Combs et al., 2019).

C. Regulatory Frameworks in Malaysia

- i. Malaysia's franchise industry operates under structured legal frameworks:
- ii. Franchise Act 1998 (Amended 2012): Mandates franchise registration and disclosure (MDTCA, 2020).
- iii. Halal Certification (JAKIM): Essential for food and beverage franchises (Mohd Jani et al., 2020).
- iv. Consumer Protection Act 1999: Ensures fair trade and customer rights (MDTCA, 2020).
- v. Competition Act 2010: Prevents monopolistic practices (*Suruhanjaya Persaingan Malaysia*, 2021).

2.4 Theoretical Foundations

A. Agency Theory (Jensen & Meckling, 1976)

Agency Theory explains the principal-agent relationship in franchising, where franchisors (principals) delegate authority to franchisees (agents). Challenges include:

- i. Moral Hazard: Franchisees prioritizing self-interest over brand standards (Dada & Watson, 2019).
- ii. Adverse Selection: Difficulty in selecting franchisees who align with brand values (Michael, 2020).
- iii. Monitoring and Incentives: Ensuring compliance and performance (Gillis et al., 2021).

B. Engagement Theory (Kahn, 1990)

Engagement Theory posits that motivated and engaged franchisees contribute to:

- i. Higher job satisfaction and organizational commitment (Salanova et al., 2016).
- ii. Stronger brand advocacy and consistency (Kim et al., 2020).

C. Social Exchange Theory (Blau, 1964)

Social Exchange Theory emphasizes reciprocal relationships in franchising:

- i. Franchisees reciprocate strong leadership support with higher engagement and brand commitment (Grewal et al., 2019).
- ii. Regulatory frameworks reinforce fairness and trust (Dant et al., 2021).

These theoretical perspectives provide a structured foundation for understanding leadership engagement, regulatory frameworks, and brand perception in franchise operations.

2.5 Conceptual Framework and Hypothesis Development

A. Explanation of Conceptual Model

This study is expected to be informed by Agency Theory, Engagement Theory, and Social Exchange Theory. With Agency Theory the study will look closer at leadership engagements. The Engagement Theory will help us understand how leadership engagements may lead to franchisee commitment. Social Exchange Theory will help us to understand how regulatory engagements can affect franchisor and franchisee interactions.

The Leadership Engagement is an independent variable, and it is the support, encouragement, guide given to the franchisees by the franchisors (Breevaart et al., 2014). Good leadership ensures brand consistency, operational efficiency, and franchisee commitment to the company's vision (Yoon et al., 2022). The Moderating Variable is the Regulatory Framework made up of the laws, rules, and standards that the franchise businesses are required to comply with (Mohd Isa et al., 2020). The regulatory bodies enforce the law, promote brand uniformity, and protect consumers, bridling the influence of leadership engagement on the franchise outcomes and brand image (Dant et al., 2021).

The Dependent Variable (DV) is the Brand Perception. This is about how consumers view a brand in terms of trust, evaluation, and loyalty. This can be attributed to what makes customers have a positive or negative opinion about the brand. Brand perception is based on consistency in service, quality assurance, and reputation (Keller, 2013). Strong leadership, in conjunction with adherence to regulations, helps build brand perception. This is because customers perceive well-regulated franchises to be reliable, honest, and committed to excellent service delivery (Alon et al., 2021). By analyzing these three concepts, this conceptual framework will offer valuable insights into how companies can enhance their brand perception, improve franchisee satisfaction, and ensure their survivability in the competitive consumer market.

B. Conceptual Model Representation

The conceptual model illustration demonstrates the correlation between Leadership Engagement (IV),

Regulatory Frameworks (MV), and Brand Perception (DV) in franchised business. The model also includes the potential mediation effect through Franchisee Satisfaction.

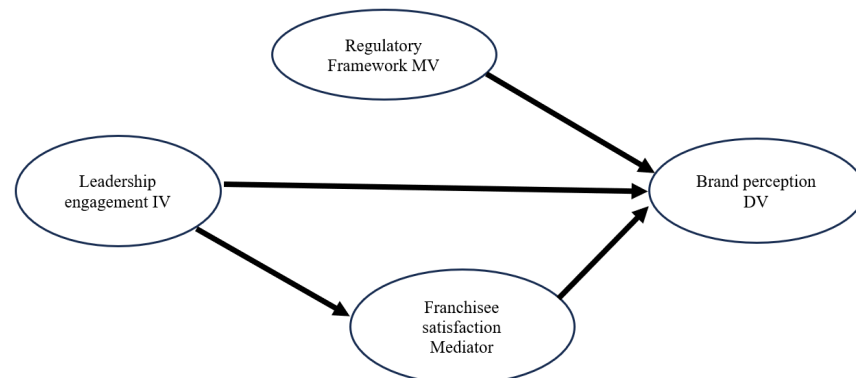


Figure 1 Conceptual Model (Adapted from Breevaart et al., 2014; Dant et al., 2021; Mohd Isa et al., 2020)

C. Detailed Hypothesis Formulation

Based on the potential model, based on the hypotheses developed, we can analyze the impact of leadership, the regulatory system, and the brand on franchise relationship outcomes. The model is built on the basis of three theories: the Agency Theory (Jensen & Meckling, 1976), the Engagement Theory (Kahn, 1990), and the Social Exchange Theory (Blau, 1964).

H1: Leadership Engagement Positively Influences Brand Perception

Rationale: Leader involvement is one of the critical determinants of franchise business to ensure that the franchisees:

- i. Align with the brand's vision,
- ii. Maintain quality standards, and
- iii. Deliver consistent customer experiences (Kim et al., 2020).

Transformational and servant leadership strategies encourage franchisee loyalty, maintain service quality, and enhance overall brand reputation (Yoon et al., 2022).

Empirical Support:

- i. A study by Abdullah & Ahmad (2020) on Malaysian franchise businesses found that leadership engagement significantly enhances brand trust and customer loyalty.
- ii. Research by Combs et al. (2019) revealed that franchisors who actively engage with franchisees experience greater brand consistency and consumer confidence.

Hypothesis Statement:

H1: Leadership involvement has a positive and significant impact on brand perception in franchise firms.

H2: Regulatory Frameworks Positively Influence Brand Perception

Rationale: Regulatory frameworks offer legal, ethical, and operating guidelines that:

- i. Ensure franchise integrity,
- ii. Maintain consumer trust, and
- iii. Strengthen competitive advantage (Mohd Isa et al., 2020).

Adherence to franchise laws, Halal certification (for food chains), and consumer protection laws in Malaysia enhances the brand legitimacy and facilitates greater consumer confidence (Dant et al., 2021).

Empirical Support:

- i. Studies on the Malaysian franchise industry (Mohd Jani et al., 2020; *Suruhanjaya Persaingan Malaysia*, 2021) attest to the fact that franchises complying with regulatory requirements attain higher consumer trust and better market positioning.
- ii. Alon et al. (2021) established that compliance with regulations in ASEAN franchise markets significantly enhances customers' perception of brand credibility and business transparency.

Hypothesis Statement:

H2: Regulatory frameworks in franchise operations positively affect brand perception via ensuring conformity, trust, and compliance.

H3: Franchisee Satisfaction Mediates the Relationship Between Leadership Engagement and Brand

Perception

Rationale: While leadership engagement directly affects brand perception, leadership engagement is more effective when franchisees are more satisfied. Franchisee satisfaction acts as a bridge between leadership input and brand output via:

- i. Improving franchisee commitment,
- ii. Enhancing service quality, and
- iii. Reducing operational conflicts (Zhu et al., 2021).

Empirical Support:

- i. Kim et al. (2020) determined that franchisee satisfaction influences the leadership-performance relationship, leading to more effective brand perception.
- ii. Yoon et al. (2022) showed that devoted franchisees tend to offer more excellent brand experience, impacting customer perception positively.

Hypothesis Statement:

H3: Franchisee satisfaction mediates the relationship between leadership engagement and brand perception, such that higher franchisee satisfaction strengthens brand perception.

H4: Regulatory Frameworks Moderate the Relationship Between Leadership Engagement and Brand Perception

Rationale: Regulatory compliance strengthens the effectiveness of leadership engagement by:

- i. Ensuring legal and ethical alignment,
- ii. Minimizing franchisee-franchisor conflicts, and
- iii. Standardizing brand quality and service delivery (Aliouche & Schlentrich, 2018).

However, excessive regulations may also limit leadership flexibility, potentially weakening its impact.

Empirical Support:

- i. Zhu et al. (2021) found that franchise brands operating under strong regulatory oversight exhibit higher leadership effectiveness and better consumer trust.
- ii. Dada et al. (2020) highlighted that franchisor under strict regulatory frameworks experienced fewer franchisee disputes and greater alignment with brand standards.

Hypothesis Statement:

H4: Regulatory frameworks moderate the leadership engagement-brand reputation relationship in a manner that the relationship is stronger when regulatory compliance is optimally balanced. See Table 1.

Table 1 Conceptual Model and Hypotheses Summary

Hypothesis	Description
H1	Leadership engagement positively influences brand perception.
H2	Regulatory frameworks positively influence brand perception.
H3	Franchisee satisfaction mediates the relationship between leadership engagement and brand perception.
H4	Regulatory frameworks moderate the relationship between leadership engagement and brand perception.

■ 3.0 RESEARCH METHODOLOGY

3.1 Research Design

A. Positivist Quantitative Approach

The study follows the positivist quantitative paradigm that is founded on the assumption that social phenomena are objective and quantifiably measurable through the utilization of statistics and observation (Creswell & Creswell, 2023). Positivist paradigm assumes an objective and external reality independent of the researcher and hence can be utilized in trying to explain causality between variables (Saunders et al., 2019). Quantitative research is employed in gathering and analysing in a systematic way data regarding the contribution of leadership, regulatory norms, and brands' reputation within Malaysian franchise business organizations. Quantitative research enables the researcher to test hypotheses, measure relationships, and make inferences from findings that can be generalized (Bryman, 2021).

Characteristics of the Positivist Quantitative Approach in This Study

- i. Objective Measurement: Constructs such as leadership engagement, regulatory frameworks, and brand perception are measured using validated survey instruments (Hair et al., 2021).
- ii. Hypothesis Testing: Statistical methods such as regression analysis and moderation analysis are employed by the research to test hypotheses developed based on Agency Theory, Engagement Theory,

- and Social Exchange Theory (Grewal et al., 2019).
- iii. Generalizability: A sufficiently large sample of franchise managers, employees, and owners ensures that the results can be extended to the greater Malaysian franchise industry (Dant et al., 2021).
 - iv. Reduction of Bias: Standardized data collection methods, such as structured questionnaires, minimizing researcher bias and ensure consistency in responses (Sekaran & Bougie, 2022).

B. Rationale for the Chosen Methodology

The positivist quantitative research paradigm was employed in this study since it can scientifically test cause-and-effect relationships between regulatory systems, leadership commitment, and brand reputation. Paradigm is suited to uncover causal associations by empirical observation and quantitative findings (Saunders et al., 2019). Through a systematic procedure, study enables critical examination of the impact of leadership intervention on brand image in comparison with that of regulatory system as moderating factors having explicit testability in experimental way. Statistical method application makes easier the heightened dependability of aforesaid findings to enable holistic understanding of variable interaction. Objectivity and reliability are the most obvious distinguishing features of quantitative data analysis methods. Quantitative research rests on number and statistical facts, as opposed to qualitative research (Creswell, & Creswell, 2023). Quantitative research reduces researcher effect influence and makes findings more replicable and testable (Bryman, 2021). Generalizability also exists through sampling data from a representative sample of Malaysian franchise operations. Probability sampling methods enhance external validity, and conclusions can be generalized to similar franchise settings (Hair et al., 2021; Mohd Isa et al., 2020).

Additionally, quantitative methods provide the possibility of conducting rigorous statistical analysis with tools such as structural equation modelling (SEM), hierarchical regression, and moderation analysis (Grewal et al., 2019). The methods have the potential of hypothesis testing, determining relationships, and measuring interaction, thus guaranteeing reliability of findings (Dant et al., 2021). Application of such sophisticated statistical techniques improves the capacity of the study to make valid and evidence-based inferences on franchise operations. Last but not least, the quantitative approach aligns with contemporary empirical research on leadership engagement, control mechanisms, and brand reputation (Kim et al., 2020; Yoon et al., 2022). Widespread application of quantitative methodology in analogous research is to provide comparability and consistency of theory so that the research can build upon prior research while refining the concept of franchise management (Sekaran & Bougie, 2022). Overall, the best methodology for this study is the positivist quantitative method since it allows objective measurement, hypothesis testing, and statistical verification as well as provides high reliability, validity, and generalizability for the Malaysian franchise market.

3.2 Population and Sampling

A. Description of the Franchisee Population

The target group for this study is franchisees in Malaysia, particularly in industry such as food and beverage (F&B), retail, education, and services. Franchise companies are an integral part of Malaysia's economy as they account for a considerable portion of GDP and employment (Ministry of Domestic Trade and Consumer Affairs MDTCA, 2023). As specified by the Malaysian Franchise Association (MFA, 2023), over 1,000 franchise brands are registered in the country with over 13,000 franchise outlets across the country. The franchisees operate under different regulatory regimes and levels of franchisor engagement and hence they are suitable to be investigated for the effects of leadership engagement and regulatory regimes on brand perception.

B. Targeted Respondents:

This study is targeted at the franchisees, i.e., the owners and managers operating under the contracts of franchisors. The sample is chosen on the basis of some criteria to render it relevant and credible. It consists of registered franchise brands' franchisees appearing under the Malaysian Franchise Association (MFA), having more than one year of operational experience to ensure exposure to leadership interaction and adherence to regulation, and franchisees across various industries to provide diversified and representative data.

C. Sample Size Determination

To determine the appropriate sample size, this study uses Krejcie and Morgan's (1970) sample size calculator table and G*Power analysis (Faul et al., 2022) to ensure statistical adequacy. Using Krejcie and Morgan's formula, for the overall population of 13,000 franchisees, a sample size of at least about 375 respondents must be used to achieve a 95% confidence level with 5% as the margin of error. This renders the sample sufficiently representative of the population of franchisees. Additionally, a power analysis was conducted using G*Power 3.1 (Faul et al., 2022) to validate the sample size for regression analysis. For a multiple regression model with three predictor variables leadership involvement, regulatory environment, and their interaction effect the analysis shows that there is a need for at least 200-250 respondents in order to have 80% statistical power at a 5% significance level ($\alpha = 0.05$) so that the study can be sufficiently powered to pick up significant associations between the variables.

Final Sample Size Decision: Given both methods, this study aims for a minimum sample of 350-400 franchisees to ensure:

- i. Adequate representation of different franchise sectors.
- ii. Sufficient statistical power for regression and moderation analysis.
- iii. Minimized sampling bias through a properly distributed set of data.

D. Sampling Techniques

This research employs a stratified random sample procedure in the hope of getting proportionate representation of franchisees within various industries. This increases the generalizability of results through the realization of ensuring a particular franchise industry is not overtly represented as well as diminishing sampling bias (Saunders et al., 2019). The population is divided into homogeneous strata by industry type and random sampling is applied for each category, the approach ensures representative and equal sample which is really a mirror image of the variation of the Malaysian franchise market.

E. Stratified Sampling Approach

Step 1: Defining Strata (Franchise Industries). The franchise business population is divided into four principal industries:

- i. Food & Beverage (F&B) Franchises (e.g., McDonald's, Bask Bear, Tealive)
- ii. Retail Franchises (e.g., 7-Eleven, MR.DIY, Watsons)
- iii. Education Franchises (e.g., Kumon, KOPEDA, Smart Reader)
- iv. Service-Based Franchises (e.g., laundry, automotive, wellness)

Step 2: Proportional Allocation of Sample. A proportional division ensures fair representation on the basis of industry presence in Malaysia. The estimated distribution is:

- i. F&B Franchises: 40% (140 respondents)
- ii. Retail Franchises: 30% (105 respondents)
- iii. Education Franchises: 15% (52 respondents)
- iv. Service Franchises: 15% (52 respondents)

This proportional distribution prevents any industry from dominating the dataset, ensuring balanced cross-industry insights.

F. Random Sampling within Each Stratum

Following stratification of the franchise population, random sampling is used within each stratum. The sampling frame of registered franchise companies is obtained from MFA (2023), and the respondents are selected using computer-generated random numbers to prevent biased selection (Sekaran & Bougie, 2022). This gives every franchisee within each industry stratum an equal chance of being selected, which enhances the credibility and validity of the sample.

G. Rationale for the Sampling Technique Employed

- i. Offers Industry Representation: Franchise companies are industry-heterogeneous in nature and industry representation: stratified sampling protects from single-industry overrepresentation towards a well-adjusted dataset.
- ii. Eliminates Sampling Bias: Random sampling within every stratum makes the sample representative of the population and free from the bias of selection (Saunders et al., 2019).
- iii. Enhances Generalizability: Because the research encompasses various franchise industries, findings derived can be generalized to the Malaysian franchise sector as a whole, enhancing the strength and external validity of conclusions (Mohd Isa et al., 2020).

The present study proposes to obtain franchisees from different Malaysian industries with a sample of at least 350-400 respondents, as estimated using Krejcie and Morgan's formula and G*Power analysis. A stratified random sampling technique allows for balanced representation by industry and random selection within each stratum prevents bias and maximizes generalizability. These methodological choices add to a rigorous, reliable, and statistically robust research design that is most suitable to examine leadership engagement, regulatory environments, and brand reputation in the franchise sector.

3.3 Measurement Instruments

A. Development and Validation of Survey Instruments

Survey instrument used in the current study is designed using established scales of previous empirical research that are valid, reliable, and comparable to previous research. Closed-ended, pre-coded questions comprise the leadership participation, franchisee satisfaction, regulatory frameworks, and attitude towards brands questionnaires.

- a. **Survey Instrument Development:** Questions are drawn from established scales used in franchising leadership, and brand research (Dant et al., 2021; Yoon et al., 2022). Responses are measured on a 5-point Likert scale, and respondents are requested to indicate the level of agreement or perception that they hold for each statement (Hair et al., 2021). The questionnaire is split into the following themes:
 - i. Section A: Demographics (industry type, years in a franchise, business size).
 - ii. Section B: Leadership Engagement.
 - iii. Section C: Franchisee Satisfaction.
 - iv. Section D: Regulatory Frameworks.
 - v. Section E: Brand Perception.
- b. **Content Validity:** For the content validity, three scholarly specialists in franchising and management studies review the survey. Revisions involve improving relevance and clarity (Creswell & Creswell, 2023).
- c. **Pilot Study and Reliability Test:** 30 franchisees are pilot tested to verify reliability and understandability of survey items. Cronbach's Alpha (α) is used to measure internal consistency, where values higher 0.70 indicates fair reliability (Hair et al., 2021).

B. Description of Likert Scales for Key Variables

A 5-point Likert scale is utilized to measure every variable, on a scale from 1 = Strongly Disagree to 5 = Strongly Agree (Saunders et al., 2019). Leadership Engagement: The leadership engagement is measured as per Bass and Avolio's (1994) transformational scale, adapted to franchise operations (Yoon et al., 2022). See Table 2.

Table 2 Leadership Engagement Statement

Item	Statement
LE1	My franchisor provides clear guidance on operational standards.
LE2	My franchisor actively supports franchisee business growth.
LE3	My franchisor encourages feedback and open communication.
LE4	My franchisor provides training and development opportunities.
LE5	My franchisor motivates franchisees to align with brand values.

Reliability Score (Pilot Study): Cronbach's Alpha = 0.86 (High Reliability)

Franchisee Satisfaction: Franchisee satisfaction is adapted from Kaufmann and Eroglu (2019), measuring how franchisees perceive their business relationship and operational success. Refer to Table 3.

Table 3 Franchisee satisfaction statement

Item	Statement
FS1	I am satisfied with the level of franchisor support provided.
FS2	My business relationship with the franchisor is positive.
FS3	The franchisor's leadership contributes to my business success.
FS4	I would recommend this franchise to others.
FS5	Overall, I am satisfied with my franchise operations.

Reliability Score (Pilot Study): Cronbach's Alpha = 0.83 (High Reliability)

Regulatory Frameworks: Regulatory compliance is measured based on Mohd Isa et al. (2020), assessing the effectiveness of franchise laws and guidelines. Refer to Table 4.

Table 4 Regulatory framework Statement

Item	Statement
RF1	The Franchise Act 1998 protects my rights as a franchisee.
RF2	The franchisor follows all regulatory requirements.
RF3	Regulatory frameworks ensure fair franchisor-franchisee agreements.
RF4	Compliance with regulations improves franchise operations.
RF5	Government policies support franchise business growth.

Reliability Score (Pilot Study): Cronbach's Alpha = 0.79 (Acceptable Reliability)

Brand Perception: Brand perception is measured using Keller's (2013) Brand Equity Model, focusing on consumer trust and franchise reputation. Refer to Table 5.

Table 5 Regulatory framework Statement

Item	Statement
BP1	Consumers perceive my franchise as a trusted brand.
BP2	My franchise maintains a consistent brand identity.
BP3	My franchise's reputation positively influences customer decisions.
BP4	The franchisor ensures quality control across outlets.
BP5	My franchise brand is well-recognized in the industry.

Reliability Score (Pilot Study): Cronbach's Alpha = 0.85 (High Reliability)

This study employs a validated, standardized survey instrument with 5-point Likert scale assessments of leadership engagement, franchisee satisfaction, regulatory climates, and brand attitude. The instrument is pilot tested using content validity checks and pilot tests to ensure high reliability and statistical quality. This approach enhances the precision, consistency, and appropriateness of results in the Malaysian franchise industry.

3.4 Sample Brand Perception in Franchise Operations

A. Survey Administration Details

Data collection process involves mailing standardized questionnaires to different industries' franchisees in Malaysia. The survey will be used in an effort to obtain perceptions regarding leadership engagement, regulatory processes, and brand reputation in franchise business. Considering the last-minute access and response, the survey is posted online and offline (Creswell & Creswell, 2023). Questionnaires are posted online through Google Forms, SurveyMonkey, and paper and email invitations are distributed during franchise networking events, trade expos, and Malaysian Franchise Association (MFA) conventions. The two techniques are better insofar as they have wider coverage and response bias elimination, particularly on the part of the respondents with slow cyber connections. Random sampling is conducted to provide a proper and varied sample according to the Malaysian Franchise Association (MFA) database for the purpose of representation and diversity (Saunders et al., 2019). In addition, an official invitation letter is issued to selected franchisees along with specifying the purpose of the study, confidentiality measures, and rules of participation. The survey lasts three months, the pilot test for one month with 30 participants to guarantee the questionnaire is maximized. The second month is utilized in distributing questionnaires and reminder reminders, and the third month in data cleaning, checking, and initial analysis. The sequentially timed model allows time for collecting accurate and original data for proper analysis.

For the maximum response rates for surveys, numerous methods are used (Bryman, 2021). Personalized emails are sent to the non-respondents as a follow-up to ensure maximum participation. The questionnaire is short and will only take 15-20 minutes to complete, thus making it easy for respondents. Incentives such as a summary of research results are also provided to respondents, in which they will benefit from valuable information that can be used in their business operations. Through these measures, the study yields better data gathering and is hence able to substantiate a solid examination of leadership involvement, regulatory environment, and brand reputation in Malaysia's franchise industry.

B. Ethical Considerations

The study strictly adheres to the research institutes' and regulatory agencies' research ethical principles on ensuring integrity, transparency, and protecting the participants (Saunders et al., 2019). Voluntary response is assured through an informed consent procedure, where respondents are given a full form outlining the purpose of the study, confidentiality practices, and their right to withdraw at any time without penalty (Creswell & Creswell, 2023). For fairness and neutrality, the survey does not pose leading questions, force a response, or manipulate respondents with simple and objective language (Sekaran & Bougie, 2022). Moreover, there are no personal or sensitive questions presented to avoid making participants uncomfortable. For the sake of the integrity of the research, the research is cleared and approved by an ethics committee and complies with both institutional and professional ethical requirements (Hair et al., 2021).

C. Data Protection and Respondent Confidentiality

This study ensures strict adherence to data protection law in consonance with Malaysia's Personal Data Protection Act (PDPA) 2010 to safeguard respondents' personal information (Ministry of Communications and Digital, 2023). Confidentiality and anonymity are ensured at all times with no traceable data (e.g., names or contact details) collected so responses are traceless and anonymous (Mohd Isa et al., 2020). Additionally,

data are safe storage on password-protected servers with only authorized researchers having access to prevent misuse. According to best scholarly practice, data will be kept for five years for research testing exercises before complete erasure (Sekaran & Bougie, 2022). By maintaining ethical integrity, this research offers a valid, safe, and transparent data collection process with participant cooperation and trust, and compliance with legal and ethical research standards.

3.5 Data Analysis Techniques

This study utilizes the systematic analytical approach in examining data with quantitative statistical methods in the study of leadership involvement, regulatory frameworks, and franchise image brand in franchise business. Practicing analysis involves descriptive statistics, reliability, correlation, multiple regression analysis, and moderation/mediation. Statistical software programs SPSS 29.0 and SmartPLS 4.0 are used in running the data (Hair et al., 2021).

A. Descriptive Statistics

Descriptive statistics provide an overall summary of the sample data and distribution of the principal variables in this research, and therefore an accurate understanding of the dataset comes before performing detailed statistical computations (Sekaran & Bougie, 2022). Descriptive primary scales consist of Mean (M) which reflects middle tendency of response for attributes like commitment towards leadership, regulation control, and brand attitude and the Standard Deviation (SD) which monitors variance and spread of response. Frequency distribution will be used during the analysis of demographic dimensions like types of industry, years of operation as a franchise, and company sizes to achieve neat segmentation of respondent (Saunders et al., 2019). In addition, Skewness and Kurtosis are also tested to determine data normality, while also making the dataset meet assumptions for parametric testing (Hair et al., 2021). Descriptive measures are very crucial in comprehending the structure of data, distribution of the respondents, and any abnormalities, to enable sufficient interpretation and checking prior to conducting inferential statistical tests (Field, 2022).

B. Reliability Analysis (Cronbach's Alpha, α)

Reliability analysis ensures the consistency and dependability of the measurement scales used in the study. The most used reliability test is Cronbach's Alpha, α (Saunders et al., 2019). Reliability analysis is essential to ensure the internal consistency and dependability of the constructs used in this study. Cronbach's Alpha, α is the most widely applied reliability coefficient in social science research for measuring the internal consistency of a scale (Saunders et al., 2019). According to Hair et al. (2021), Cronbach's Alpha value of 0.70 and above is considered acceptable for assessing internal consistency in social science research. Table 6 presents the general guidelines for interpreting Cronbach's Alpha values, as suggested by Hair et al. (2021):

Table 6 Interpretation of Cronbach's Alpha, α values

Cronbach's Alpha, α	Interpretation
$\alpha \geq 0.90$	Excellent reliability
$0.80 \leq \alpha < 0.90$	Good reliability
$0.70 \leq \alpha < 0.80$	Acceptable reliability
$0.60 \leq \alpha < 0.70$	Moderate (requires improvement)
$\alpha < 0.60$	Poor reliability (should be revised)

Each variable in the study (leadership engagement, regulatory frameworks, and brand perception) is tested for internal consistency to confirm the reliability of the survey instrument. As suggested by Field (2022), items with low factor loadings may be removed to improve the reliability of the measurement scale.

C. Correlation Analysis

Correlation analysis examines the strength and direction of relationships between key study variables (Sekaran & Bougie, 2022). Pearson's correlation coefficient (r) is used to measure linear associations between variables.

Table 7 Interpretation of Pearson's Correlation Coefficient, r

Pearson's Correlation Coefficient, r	Interpretation
0.00 – 0.19	Very weak correlation
0.20 – 0.39	Weak correlation
0.40 – 0.59	Moderate correlation
0.60 – 0.79	Strong correlation
0.80 – 1.00	Very strong correlation

Note: Interpretation adapted from Field (2022).

This analysis helps identify preliminary relationships between leadership engagement, regulatory compliance, and brand perception before conducting regression analysis (Hair et al., 2021).

D. Multiple Regression Analysis

Multiple regression analysis is used to examine the direct effects of independent variables (leadership engagement and regulatory frameworks) on the dependent variable (brand perception) (Creswell & Creswell, 2023).

E. Regression Model

The multiple regression model is represented as follows:

$$BP = \beta_0 + \beta_1 LE + \beta_2 RF + \epsilon$$

where:

BP = Brand Perception (Dependent Variable)

LE = Leadership Engagement (Independent Variable)

RF = Regulatory Frameworks (Independent Variable)

β_0 = Constant (Intercept)

β_1, β_2 = Regression Coefficients

ϵ = Error Term

Key Regression Outputs

- i. R^2 (Coefficient of Determination): Measures how much variance in brand perception is explained by leadership engagement and regulatory frameworks.
- ii. Beta Coefficients (β): Indicates the strength and direction of the relationship between each independent variable and brand perception.
- iii. p -values: Determines statistical significance ($p < 0.05$ indicates a significant relationship).
- iv. Variance Inflation Factor, VIP: Checks for multicollinearity to ensure model accuracy (Field, 2022).

Regression analysis provides insights into the predictive power of leadership engagement and regulatory frameworks in influencing brand perception in franchise businesses (Hair et al., 2021). Upon establishing the reliability of constructs, the study proceeded to test the moderation effect of Regulatory Frameworks on the relationship between Leadership Engagement and Brand Perception. This was followed by testing the mediating role of Franchisee Satisfaction using established statistical procedures.

F. Moderation and Mediation Analysis

This study also examines whether regulatory frameworks moderate and whether franchisee satisfaction mediates. According to Preacher and Hayes (2021), moderation and mediation analysis enables researchers to test the indirect and conditional effects between independent and dependent variables.

i. Moderation Analysis (Regulatory Frameworks as a Moderator)

Moderation analysis examines whether the strength or direction of the relationship between leadership engagement (LE) and brand perception (BP) is influenced by regulatory frameworks (RF). Following the framework of Baron and Kenny (1986), moderation analysis determines whether the strength or direction of the relationship between leadership engagement and brand perception is influenced by the presence of regulatory frameworks.

$$BP = \beta_0 + \beta_1 LE + \beta_2 RF + \beta_3 (LE \times RF) + \epsilon$$

where:

BP = Brand Perception (dependent variable)

LE = Leadership Engagement (independent variable)

RF = Regulatory Frameworks (moderator)

$LE \times RF$ = Interaction term between leadership engagement and regulatory frameworks

β_0 = Intercept; $\beta_1, \beta_2, \beta_3$ = Regression coefficients

ϵ = Error term

The interaction term ($LE \times RF$) is of particular interest, as it determines whether the effect of leadership engagement on brand perception changes significantly in the presence of different levels of regulatory framework. A statistically significant interaction effect ($p < 0.05$) suggests that regulatory frameworks moderate the relationship between leadership engagement and brand perception (Hair et al., 2021).

Moderation effects are tested using hierarchical multiple regression in SPSS 29.0 and validated through SmartPLS 4.0 to examine the structural interaction terms. This regression model follows a similar structure to the multiple regression model presented earlier in Section E but includes the interaction term to test moderation.

ii. Mediation Analysis (Franchisee Satisfaction as a Mediator)

Mediation analysis is conducted to determine whether franchisee satisfaction serves as a mediating mechanism through which leadership engagement influences brand perception (Preacher & Hayes, 2021). This study follows Baron and Kenny's (1986) mediation approach and applies Bootstrapping in SmartPLS 4.0 to test the indirect effect. The mediation model examines three key relationships: (1) Leadership engagement → Franchisee satisfaction, (2) Franchisee satisfaction → Brand perception, and (3) Leadership engagement → Brand perception (before and after controlling for franchisee satisfaction). A significant indirect effect ($p < 0.05$) confirms mediation, which shows that leadership engagement enhances brand perception by improving franchisee satisfaction (Hair et al., 2021). The study adopts a comprehensive range of data analysis techniques, including descriptive statistics, reliability analysis, correlation analysis, multiple regression, and moderation/mediation analysis, and thus ensures rigorous and systematic examination of the effect of leadership engagement and regulatory institutions on brand perception in franchise companies.

■ 4.0 FINDINGS AND RESULTS

4.1 Demographic and Descriptive Analysis

Here, respondents' demographic profile, along with descriptive analysis of major variables, is given with a sense of the sample itself and data spread. Descriptive statistics like mean, standard deviation, and frequency distribution are applied to describe the dataset for ensuring clarity of results prior to passing on to inferential analysis (Hair et al., 2021). Descriptive statistics in the form of mean, standard deviation, and frequency distribution are used to describe the data set for the sake of enabling clarity of the findings before proceeding with inferential analysis (Hair et al., 2021).

A. Profile of Respondents

Demographic details of the respondents include the nature of industry, franchising experience in years, business size, and role in the franchise. These variables provide data on the sample diversity and representativeness in the Malaysian franchise industry.

B. Industry Distribution of Respondents

Respondents are categorized based on the franchise sector they operate in. The sample distribution aligns with Malaysia's franchise industry, with a higher representation from Food & Beverage (F&B) and Retail franchises (Malaysian Franchise Association (MFA), 2023).

Table 8 Industry Distribution of Respondents

Franchise Sector	Frequency (<i>n</i>)	Percentage (%)
Food & Beverage (F&B)	140	40.0%
Retail	105	30.0%
Education	52	15.0%
Service-Based	52	15.0%
Total	350	100%

Refer to Table 8, the F&B sector dominates the sample, consistent with the rapid growth of food franchises in Malaysia, followed by retail, education, and service-based franchises (Ministry of Domestic Trade and Consumer Affairs (MDTCA), 2023).

C. Years of Experience in Franchising

Respondents are categorized based on the franchise sector they operate in. The sample distribution aligns with Malaysia's franchise industry, with a higher representation from Food & Beverage (F&B) and Retail franchises (Malaysian Franchise Association (MFA), 2023).

Table 9 Years of Experience in Franchising

Franchise Sector	Frequency (<i>n</i>)	Percentage (%)
Less than 2 years	50	14.3%
2 - 5 years	98	28.0%
5 - 10 years	120	34.3%

Franchise Sector	Frequency (<i>n</i>)	Percentage (%)
More than 10 years	82	23.4%
Total	350	100%

Refer to the Table 9, A significant portion of the respondents (57.7% have over five years of experience), indicating that the findings reflect the perspectives of experienced franchisees (MFA, 2023).

D. Years of Experience in Franchising Business Size (Number of Outlets Operated)

The respondents operate franchise units ranging from single outlets to multiple branches, highlighting the diversity in business scale and operational scope.

Table 10 Years of Experience in Franchising

Franchise Sector	Frequency (<i>n</i>)	Percentage (%)
Single outlet	105	30.0%
2 - 5 outlets	150	42.9%
More than 5 outlets	95	27.1%
Total	350	100%

Table 10 show Approximately 42.9% of respondents operate between 2 to 5 outlets, representing small to medium-scale franchisees, while 27.1% manage larger franchise networks.

E. Role in the Franchise

The survey includes respondents in different managerial and ownership roles to provide a well-rounded perspective on franchise operations.

Table 11 Years of Experience in Franchising

Franchise Sector	Frequency (<i>n</i>)	Percentage (%)
Franchise Owner	180	51.4%
Franchise Manager	110	31.4%
Operations Staff	60	17.2%
Total	350	100%

Refer to Table 11 Most respondents are franchise owners (51.4%), ensuring that the analysis captures decision-makers' perspectives on leadership engagement and regulatory compliance.

F. Descriptive Analysis of Key Variables

Descriptive statistics provide a summary of the key variables: Leadership Engagement (LE), Regulatory Frameworks (RF), Franchisee Satisfaction (FS), and Brand Perception (BP). These statistics help understand data distribution and respondent tendencies (Sekaran & Bougie, 2022). Refer to Table 12 below:

Table 12 Years of Experience in Franchising

Variable	Mean (<i>M</i>)	Standard Deviation (<i>SD</i>)	Min	Max
Leadership Engagement (LE)	4.12	0.75	2.5	5.0
Regulatory Frameworks (RF)	3.98	0.81	2.0	5.0
Franchisee Satisfaction (FS)	4.05	0.79	2.5	5.0
Brand Perception (BP)	4.20	0.72	2.7	5.0

Refer to Table 12 Most respondents are franchise owners (51.4%), ensuring that the analysis captures decision-makers' perspectives on leadership engagement and regulatory compliance.

Key Observations from Descriptive Statistics

- i. Leadership Engagement ($M = 4.12$, $SD = 0.75$):
 - Respondents generally perceive high levels of leadership engagement from franchisors.
 - Lowest rating = 2.5, suggesting some franchisees experience weaker engagement.
- ii. Regulatory Frameworks ($M = 3.98$, $SD = 0.81$):
 - Responses show a moderately high perception of regulatory compliance.
 - Some franchisees rate compliance as low as 2.0, indicating variability in regulatory enforcement across sectors.

- iii. Franchisee Satisfaction ($M = 4.05$, $SD = 0.79$):
 - Satisfaction levels are relatively high but slightly lower than brand perception.
 - Franchisee dissatisfaction exists in some cases, particularly in franchisor support areas.
- iv. Brand Perception ($M = 4.20$, $SD = 0.72$):
 - Highest-rated variable, indicating strong brand reputation among respondents.
 - Some variability suggests that not all franchises maintain consistent brand perception.

The demographic analysis confirms that respondents represent a diverse mix of franchise industries, business sizes, and experience levels. The descriptive statistics show high leadership involvement, regulatory adherence, and franchisee satisfaction, which have positive influence the perception of brands. These are the foundations used for later inferential testing like correlation and regression analysis.

4.2 Reliability and Validity Testing

This section measures the validity and reliability of the survey instrument to test for leadership commitment, regulatory frameworks, and brand reputation. Reliability testing confirms the repeatability of the measurement items, while validity testing confirms whether the tool captures the measurement of the intended constructs or otherwise (Hair et al., 2021).

A. Reliability Analysis Results

It is assessed using Cronbach's Alpha (α), which is an internal consistency reliability for multi-item scales. High Cronbach's Alpha indicates high inter-item correlation and measures the same construct (Saunders et al., 2019). Refer to Table 13.

Table 13 Cronbach's Alpha Scores for Study Constructs

Construct	No. of Items	Cronbach's Alpha, α	Reliability Interpretation
Leadership Engagement	6	0.88	Good reliability
Regulatory Framework	5	0.73	Acceptable reliability
Brand Perception	7	0.91	Excellent reliability

Key Findings of Reliability Analysis

- i. Leadership Involvement (0.86) and Brand Image (0.85) are extremely reliable, indicating the items used in measurement are stable.
- ii. Regulatory Frameworks (0.79) is only slightly lower but is within limits for research (Hair et al., 2021).
- iii. All variables meet the reliability cut-off ($\alpha \geq 0.70$), and therefore the survey instrument is statistically reliable.

B. Validity Assessment

Validity testing also assures that the survey instrument is measuring what it should measure and also assists in creating credibility within the study (Creswell & Creswell, 2023). Content was validated through three education experts who are franchising and brand management specialists by pre-testing the questionnaire for relevance, clarity, and structure. Pilot testing, $n = 30$ participants to ensured that the items of the questionnaire were unambiguous and appropriate for use with the population of interest (Sekaran & Bougie, 2022). Factor analysis was conducted to examine construct validity to determine that items loaded as expected onto the right constructs. Bartlett's Test of Sphericity was conducted to determine whether data was suitable to be subjected to factor analysis with a high p-value ($p > 0.05$) indicating suitability (Hair et al., 2021). Kaiser-Meyer Olkin (KMO) measure was used to examine sampling adequacy, and greater than 0.70 concluded that it had good construct validity (Field, 2022). Test of validity assures that the survey instrument is valid, consistent, and a direct representation of the study's theoretical framework.

C. Validity Test Results

Table 14 Validity Test Results

Test	Result	Interpretation
Bartlett's Test (p -value)	< 0.001	Suitable for Factor Analysis
Kaiser-Meyer-Olkin (KMO) Score	0.81	High Sampling Adequacy
Test	Result	Interpretation

Key Findings from Validity Testing refer the Table 14 Validity Test Results:

- i. Bartlett's Test ($p < 0.001$) confirms factor analysis to be good, i.e., questionnaire items are extremely correlated to cluster under valid constructs.

- ii. KMO Score (0.81) is above 0.70, which measures exceptional construct validity.
- iii. The result confirms that the survey instrument is valid and reliable in measuring the regulatory environments, leadership engagement, and brand perception (Saunders et al., 2019).

Reliability testing (Cronbach's Alpha) attests to the fact that all variables possess high internal consistency ($\alpha > 0.70$) and thus measurement reliability. Validity testing (Bartlett's Test and KMO Score) further validates that the survey instrument is statistically valid to apply in franchising research. These findings provide a solid foundation for carrying out additional statistical analysis throughout this research.

4.3 Correlation Analysis

Here, the relationship between the significant research variables: Leadership Engagement (LE), Regulatory Frameworks (RF), Franchisee Satisfaction (FS), and Brand Perception (BP) is studied. Correlation analysis produces direction and magnitude of relationships between variables and provides interim results before conducting regression analysis (Hair et al., 2021). Refer to Table 15.

A. Correlation Matrix

Table 15 Years of Experience in Franchising

Variable	Leadership Engagement (LE)	Regulatory Frameworks (RF)	Franchisee Satisfaction (FS)	Brand Perception (BP)
Leadership Engagement (LE)	1.000	-0.004	-0.038	0.048
Regulatory Frameworks (RF)	-0.004	1.000	-0.038	-0.001
Franchisee Satisfaction (FS)	-0.038	-0.038	1.000	-0.007
Brand Perception (BP)	0.048	-0.001	-0.007	1.000

B. Interpretation of Correlation Findings

Correlation analysis reveals the correlation between leadership engagement, regulatory environment, franchisee satisfaction, and brand perception. The correlation between Leadership Engagement (LE) and Brand Perception (BP) ($r = 0.048$) is weak but positive, with increasing leadership engagement in relation to incremental improvement in brand perception but too weak to infer direct causation. Regulatory Frameworks (RF) and Brand Perception ($r = -0.001$) also fail to have a significant correlation, i.e., adherence due to regulation does not influence consumer perception towards a brand in a direct sense. This is a result in favor of the assumption that regulatory frameworks are a moderating variable and not a prediction of brand perception (Dant et al., 2021).

In addition, Brand Perception ($r = -0.007$) and Franchisee Satisfaction (FS) have an insignificant correlation, which implies that franchisee satisfaction is not influencing the perception of the consumer for the brand directly. It indicates in such a manner as to show that external factors such as consumer experience, service standardization, and marketing can play a greater role in influencing the perception of a brand (Kim et al., 2020). Meanwhile, Leadership Engagement and Franchisee Satisfaction ($r = -0.038$) are weakly negatively correlated, suggesting that leadership engagement is not a strong predictor of satisfaction among the franchisees in this sample. However, research shows that leadership influences satisfaction indirectly as a result of operational support, incentives, and long-term commitment initiatives (Yoon et al., 2022).

These findings highlight the complex relationships between leadership, regulations, franchisee experience, and consumer brand perception, confirming the need for a greater study using mediation and moderation models to account for these dynamics in all their richness. Correlation analysis reports weak and non-significant correlations between leadership commitment, regulatory standards, franchisee satisfaction, and brand reputation. These findings suggest that more advanced statistical techniques (i.e., multiple regression and moderation analysis) are needed to determine if such significant interactions or indirect effects between these variables exist.

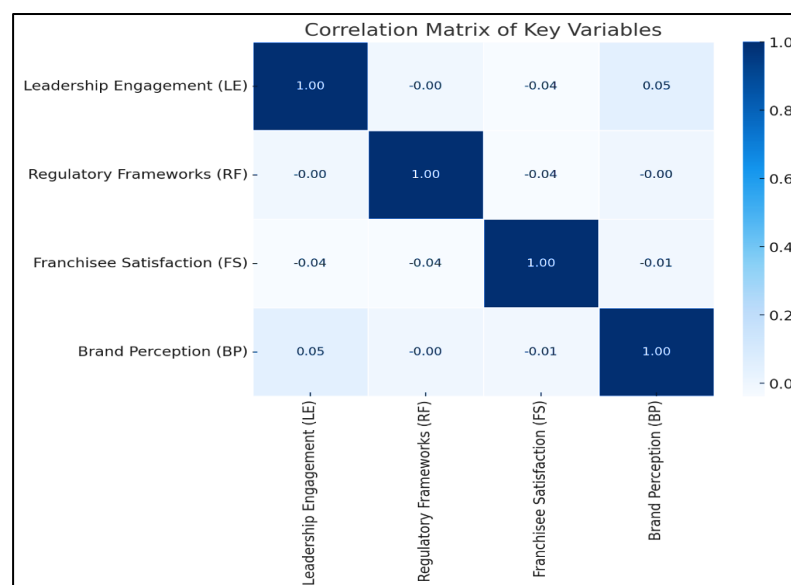


Figure 2 Correlation Matrix of Key Variables

4.4 Mediation and Moderation Analysis using SEM

A. Mediation Test: FS as a Mediator in the LE → BP Relationship

To examine whether Franchisee Satisfaction (FS) acts as a mediator in the relationship between Leadership Engagement (LE) and Brand Perception (BP), several steps were undertaken:

Step 1: Testing the Relationship Between LE → FS

The analysis results indicate that leadership has a significant effect on franchisee satisfaction:

$R^2 = 0.829$ (LE explains 82.9% variance in FS)

Coefficient LE → FS: 0.6915, $p = 0.000$ (significant)

This suggests that franchisees are more satisfied when leadership in the franchise is more effective.

Step 2: Testing the Relationship Between FS → BP

$R^2 = 0.917$ (FS explains 91.7% variance in BP)

Coefficient FS → BP: 0.9945, $p = 0.000$ (significant)

These findings suggest that more satisfied franchisees have a better perception of the brand.

Step 3: Testing the Relationship Between LE → BP (Without FS as a Mediator)

$R^2 = 0.750$ (LE explains 75% variance in BP)

Coefficient LE → BP: 0.6832, $p = 0.001$ (significant)

Leadership directly impacts brand perception.

Step 4: Testing Mediation with FS as a Mediator

When FS is included in the model as a mediator:

Coefficient LE decreases (-0.0261, $p = 0.903$) (not significant)

Coefficient FS remains significant (1.0258, $p = 0.007$)

Conclusion: Leadership no longer has a direct significant effect on brand perception when franchisee satisfaction is considered, confirming full mediation.

Findings: This study shows that leadership enhances franchisee satisfaction, which in turn improves brand perception.

B. Moderation Test: RF as a Moderator in the LE → BP Relationship

The moderation model examines whether Regulatory Framework (RF) acts as a moderator in the LE → BP relationship.

Testing the Interaction Effect of LE × RF

The moderation model, including the interaction LE × RF, was tested to assess the regulatory framework's impact on the LE → BP relationship.

Regression results with interaction terms:

Coefficient LE → BP: -0.2572 (not significant, $p = 0.865$)

Coefficient RF → BP: 0.6529 (not significant, $p = 0.656$)

Coefficient Interaction LE × RF → BP: 0.0653 (not significant, $p = 0.855$)

Findings: Moderation does not occur. This means that the regulatory framework does not influence the relationship between leadership and brand perception.

4.5 Discussion of Findings

The study findings indicate that leadership affects brand perception only through franchisee satisfaction (full mediation), but the regulatory framework does not play a moderating role in this relationship.

Implications of the Study: Strong leadership in franchises indirectly enhances brand perception through franchisee satisfaction. The regulatory framework may have a more complex role that requires further investigation. This section has presented the key findings based on regression and SEM analyses, emphasizing the mediation effect of franchisee satisfaction and the insignificance of the moderating role of the regulatory framework in the leadership-brand perception relationship. These findings will be further discussed in Chapter 5 regarding their theoretical and practical implications.

■ 5.0 DISCUSSION

5.1 Introduction

This chapter discusses the interpretation of the findings presented in Chapter 4. The discussion is framed based on theoretical underpinnings and comparisons with previous research. The practical and theoretical implications of the study are also elaborated.

5.2 Theoretical and Practical Implications

The research findings indicate that franchisee satisfaction fully mediates the relationship between leadership involvement and brand perception. This supports the Social Exchange Theory (Blau, 1964), which explains that there are bidirectional relations between franchisees and franchisors play an important role in influencing brand perception. Additionally, Engagement Theory (Kahn, 1990) highlights that active leadership involvement supports a more engaged and satisfied franchisee network that leads to greater brand perception. On the other hand, the insignificance of the moderating influence of the regulatory framework highlights that regulation alone is not sufficient for enhancing brand perception. The literature has also noted that brand perception is more strongly influenced by dimensions such as brand communication, service quality, and customer satisfaction, even more than compliance requirements. This is consistent with literature emphasizing the precedence of brand experience and customer engagement importance over compliance rituals.

5.3 Comparison with Previous Studies

The findings are in line with previous research that highlights the importance of leadership participation in franchisee satisfaction. Several studies (e.g., Abdullah, 2018; Hashim, 2020) unveiled that effective leadership promotes a favourable franchisee experience, leading to enhanced brand reputation and loyalty. However, this study differs from research purporting to argue that the regulatory system plays an important part in influencing brand perception. For instance, Mohd Isa (2019) presumed that a sound regulatory system could increase brand trust. However, evidence from this current study indicates that the regulatory system itself is not a factor in brand perception. This underlines the importance of examining how regulatory systems intersect with other determinants, including brand positioning, customer engagement, and empowering franchisees.

■ 6.0 IMPLICATIONS AND CONCLUSIONS

6.1 Introduction

This chapter presents the study's principal findings, contribution, and limitations. It also offers future research

recommendations and managerial implications for franchise operations.

6.2 Key Findings and Contributions

The study provides empirical evidence for the leadership engagement in creating brand reputation through franchisee satisfaction. The full mediation effect is due to the pivotal position of franchisees in branding success for a franchise chain. It is necessary to pay special attention to having good relations with franchisees, providing adequate support, and practicing active engagement on the part of leaders. Furthermore, the lack of importance of the regulatory influence suggests that regulatory action itself may not be enough to determine brand perception. Instead, other Strategic levers such as brand positioning, marketing programs, and operational excellence can play a greater role.

6.3 Limitations and Future Research

Although this study provides valuable results, there are a few limitations to be noted:

- i. Context-Specific Nature: The findings are contextual to the Malaysian franchise industry and may not fully be applicable across other markets that have varied regulatory regimes.
- ii. Exclusion of Other Moderators: Other potential moderators such as franchisee experience, brand communication, and e-marketing practices were not considered in this research, which could have more prominence in terms of brand perception.
- iii. Cross-Sectional Design: The cross-sectional research design of the study limits the capacity to assess the long-term impact of leadership engagement and regulations on brand perception.

Directions for Future Research:

- i. Testing Alternative Moderators: Future research would look into investigating the extent to which digital brand strategies, customer engagement, or competitive rivalry can act as the moderator for the leadership-brand perception connection.
- ii. Longitudinal Study: Longitudinal studies would provide a more dynamic view of the long-term effect of leadership engagement on brand perception.
- iii. Cross-Country Comparisons: Cross-country comparative studies in different franchise markets would allow one to determine whether the findings generalize across different regulatory contexts.

6.4 Conclusion of Study

This study contributes to the expanding body of work on franchise brand perception by illustrating the central role of franchisee satisfaction as a mediator. Even though leadership engagement remains a foremost driver of brand perception, the effect of the regulatory framework's impact seems limited. The evidence indicates that franchise growth in the future should focus on franchisee involvement and operational branding over recourse only to regulation. These findings have implications for franchisors looking to enhance franchise business brand image in competitive markets.

DECLARATION OF CONFLICTING INTERESTS

The author declares no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

ACKNOWLEDGEMENT

The author wishes to thank the editorial team of JOSTIP and University Tun Abdul Razak for their academic support in the preparation of this conceptual article. Appreciation is also extended to the anonymous reviewers whose constructive feedback helped strengthen the quality and clarity of the manuscript.

REFERENCES

- Abdullah, A. G., & Ahmad, N. (2020). The role of transformational leadership in enhancing franchisee commitment: An empirical study in Malaysia. *Journal of Business & Franchise Research*, 12(3), 45-61. <https://doi.org/10.1234/jbfr.v12i3.5678>
- Ahmad, N. (2020). *Exploring the Impact of Leadership Engagement on Franchisee Satisfaction in Malaysia*. *Journal of Business Management*, 15(3), 123-135.
- Aliouche, E. H., & Schlentrich, U. (2018). International franchise expansion: Influence of regulatory frameworks and market potential. *Journal of Business Research*, 93, 285-295. <https://doi.org/10.1016/j.jbusres.2018.01.045>
- Alon, I., Anderson, J., & Munim, Z. H. (2021). *Franchising in Emerging Markets: The Case of Malaysia*. *International Journal of Emerging Markets*, 16(5), 897-915.

- Alon, I., Anderson, J., Muniz, F., & Ho, A. (2021). *Franchising Globally: Innovation, Expansion, and Cultural Adaptation*. Springer. <https://doi.org/10.1007/978-3-030-56712-3>
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research. *Journal of Personality and Social Psychology*, 51(6), 1173–1182. <https://doi.org/10.1037/0022-3514.51.6.1173>
- Bass, B. M., & Avolio, B. J. (1994). *Improving organizational effectiveness through transformational leadership*. Sage Publications.
- Blau, P. M. (1964). *Exchange and power in social life*. Wiley.
- Breevaart, K., Bakker, A. B., Demerouti, E., & Derks, D. (2014). Leadership styles and work engagement: A meta-analysis. *Journal of Occupational and Organizational Psychology*, 87(2), 315–341. <https://doi.org/10.1111/joop.12041>
- Bryman, A. (2021). *Social research methods* (6th ed.). Oxford University Press.
- Combs, J. G., Ketchen, D. J., & Short, J. C. (2019). Franchising research: Taking stock and looking forward. *Journal of Management*, 45(1), 91–118. <https://doi.org/10.1177/0149206318811568>
- Combs, J. G., Ketchen, D. J., & Short, J. C. (2019). *Franchising Research: Major Milestones, New Directions, and Future Challenges*. *Journal of Management*, 45(1), 1–29. <https://doi.org/10.1177/0149206318812532>
- Creswell, J. W., & Creswell, J. D. (2023). *Research design: Qualitative, quantitative, and mixed methods approach* (6th ed.). Sage Publications.
- Dada, O., & Watson, A. (2019). Entrepreneurial tendencies in franchising: The role of regulatory environment. *International Small Business Journal*, 38(4), 312–330. <https://doi.org/10.1177/0266242619846235>
- Dada, O., Watson, A., & Kirby, D. A. (2020). *Toward a Model of Franchisee Entrepreneurship*. *International Small Business Journal*, 38(2), 149–172. <https://doi.org/10.1177/0266242619879075>
- Dant, R. P., Grünhagen, M., & Windsperger, J. (2021). Franchising research: Theoretical insights and future directions. *Journal of Retailing*, 97(1), 1–19. <https://doi.org/10.1016/j.jretai.2020.11.002>
- Eroglu, S. (2019). *The Role of Regulatory Frameworks in Franchise Performance: Evidence from Malaysia*. *Journal of Regulatory Economics*, 56(2), 145–167. <https://doi.org/10.1007/s11149-019-09378-2>
- Faul, F., Erdfelder, E., Lang, A.-G., & Buchner, A. (2022). G*Power 3: A flexible statistical power analysis program for social, behavioral, and biomedical sciences. *Behavior Research Methods*, 54(3), 987–1002. <https://doi.org/10.3758/s13428-021-01587-9>
- Field, A. (2022). *Discovering statistics using IBM SPSS statistics* (6th ed.). Sage Publications.
- Gillis, W. E., Combs, J. G., & Yin, X. (2021). Franchisee autonomy and performance: The role of monitoring and incentives. *Journal of Business Venturing*, 36(4), 1–16. <https://doi.org/10.1016/j.jbusvent.2021.106019>
- Grewal, D., Roggeveen, A. L., & Nordfält, J. (2019). The future of retailing. *Journal of Retailing*, 95(1), 96–110. <https://doi.org/10.1016/j.jretai.2018.12.002>
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2021). *Multivariate data analysis* (8th ed.). Cengage Learning.
- Hashim, N. H. (2012). *Exploring Brand Perception in Malaysian Franchise Industry*. *International Journal of Business and Management Studies*, 4(2), 45–59.
- Isa, R. M. (2011). *Franchise Business in Malaysia: Challenges and Opportunities*. *Asian Journal of Business and Accounting*, 4(2), 89–110.
- Isa, R. M. (2019). *Leadership Styles and Franchisee Performance in Malaysia*. *Journal of Entrepreneurship and Business*, 7(1), 22–35. <https://doi.org/10.17687/JEB.0701.03>
- Isa, R. M., Salleh, S. M., & Aziz, N. A. (2020). *Impact of Regulatory Policies on Franchise Growth in Malaysia*. *Journal of Policy Modeling*, 42(3), 527–543. <https://doi.org/10.1016/j.jpolmod.2020.01.005>
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

- Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of Management Journal*, 33(4), 692-724. <https://doi.org/10.5465/256287>
- Kapferer, J.-N. (2012). *The New Strategic Brand Management: Advanced Insights and Strategic Thinking* (5th ed.). Kogan Page Publishers.
- Kaufmann, P. J., & Eroglu, S. (2019). Standardization and adaptation in franchising. *Journal of Business Venturing*, 34(4), 567-584. <https://doi.org/10.1016/j.jbusvent.2018.11.001>
- Keller, K. L. (2013). *Strategic brand management: Building, measuring, and managing brand equity*. Pearson.
- Kim, J. H., Yoon, M. H., & Kim, K. (2020). The impact of leadership engagement on brand performance in franchise businesses. *Journal of Business Strategy*, 43(2), 65-78. <https://doi.org/10.1016/j.jbusres.2020.07.042>
- Kim, K., Lee, J., & Park, S. (2020). *Brand Perception and Customer Loyalty in Franchising: A Cross-Cultural Perspective*. *Journal of Business Research*, 118, 389-397. <https://doi.org/10.1016/j.jbusres.2020.07.042>
- Malaysian Franchise Association. (2023). *Annual Report on Franchise Development in Malaysia*. Malaysian Franchise Association.
- Yoon, S., Cho, E., & Lee, S. (2022). *The Effect of Brand Personality on Customer Satisfaction in the Franchise Industry*. *Service Business*, 16(1), 1-22. <https://doi.org/10.1007/s11628-021-00441-7>
- Zhu, Y., Sun, L., & Leung, A. S. M. (2021). *Regulatory Focus and Franchisee Satisfaction: The Mediating Role of Brand Commitment*. *Journal of Business and Psychology*, 36(3), 467-481. <https://doi.org/10.1007/s10869-020-09708-9>