**Entrepreneurial Dynamics: Investigating the Success Factors in Start-Ups and Franchises in Egypt**

# ABSTRACT

This study embarks on a comprehensive comparative analysis of start-up ventures and franchise operations within Egypt’s burgeoning pharmacy industry, with a key focus on delineating the challenges and success determinants inherent in each business model. Adopting a mixed-method research design, the study utilizes surveys and questionnaires to extract empirical data on pivotal variables such as customer satisfaction, brand image, relationship quality, and trust, thereby evaluating their collective influence on the overarching success of the business entities under scrutiny. This analysis is instrumental in delineating the stark operational contrasts between start-ups and franchises: while the latter leverage pre-established brand images and time-tested operational paradigms, the former grapple with the foundational challenges of building brand recognition and instilling customer trust.

A critical facet of this research is the exploration of communication's role in fortifying open innovation performance during business negotiations, particularly within the start-up milieu. This insight is invaluable, underscoring the significance of strategic communication in cultivating customer loyalty and trust, which are paramount in the nascent stages of business development.

In summation, the research offers profound insights into the disparate operational dynamics characterizing start-ups and franchises in Egypt. It presents a nuanced understanding of the unique challenges and opportunities intrinsic to each business model, thereby emerging as a crucial academic resource for entrepreneurs, business strategists, and policymakers. This study not only illuminates the pathways to business success in the competitive Egyptian pharmacy sector but also contributes significantly to the broader discourse on entrepreneurship and business strategy in emerging markets.

***Keywords****: Franchisee entrepreneurs; Start-ups; Customer satisfaction; Pharmacy industry.*

# 1. INTRODUCTION

## 1.1 Research Background and Motivation

The role of small businesses in Egypt has become increasingly important in fostering socio-economic regional development to promote national economic growth. Given the significance of small businesses in accelerating economic growth, it is essential to compile baseline data on their features, including their business difficulties and business characteristics, to aid in effective planning and monitoring. The government will concentrate on leveraging the economic strength of the region to support the sustainable growth of metropolitan areas through the creation of five regional cities, including Cairo, Giza, Alexandria, Al-Alamain, and El-Gouna. The formation of small businesses must be vigorously encouraged and supported across a variety of economic sectors and social groups in order to accomplish the goal. Policymakers and academics have generally come to view entrepreneurship as advantageous to the socioeconomic development of regions and countries over the last few decades, largely because new businesses generate employment, introduce innovations to the market, and boost overall industrial productivity through increased competition. Most investigations across a range of scientific fields have discovered empirical proof of entrepreneurship's large beneficial macroeconomic impact (e.g. Atems and Shand 2018; Audretsch and Keilbach 2004a; Fritsch and Mueller 2004, 2008). However, multiple empirical studies demonstrate that, under some circumstances, the macroeconomic impact of entrepreneurship can also be detrimental (e.g. Carree and Thurik 2008; Andersson and Noseleit 2011; Fritsch and Mueller 2004, 2008). Early empirical research on the macroeconomic effects of entrepreneurship demonstrated that elements such as industrial affiliation (Fritsch 1996), the level of development of the nation, and the local density of business owners (Carree et al. 2002) significantly influence the effects of entrepreneurship. The macroeconomic impact of entrepreneurship is shaped by a complex web of interrelated determinants, which has grown over the past ten years as researchers have discovered a wide range of additional relevant determinants (such as survival rates of new firms, institutional and cultural settings, entrepreneur motivations, and qualifications).

With regard to the three sections of Small businesses’ qualities based on start-up focuses, i) Awareness ii) Motivation, and iii) contributions to small businesses’ success, we specifically explore crucial elements utilizing Questionnaires. Although pertinent research has not specifically addressed how to improve communication during corporate negotiations, this study highlights the significance of it in open innovation. We discovered that communication, particularly customer-oriented communication, directly influences open innovation performance. Startups must be willing to adjust their knowledge goods, such as candidate substances, during the communication process of business talks in order to meet the needs of the clients. We performed a survey to find the elements that improve open innovation performance through business negotiations in Egypt, and then we looked at the promotion techniques that these firms might use when selling knowledge products through licensing. History demonstrates that a weak economy fosters entrepreneurship, which results in a sharp rise in the number of new start-up enterprises. But what if you're a diligent worker with little business expertise or funding? Although you are eager and driven to work hard, you need a plan to direct your efforts. Then franchising might be a wise choice for you. Speaking of franchises, there are always higher chances to succeed as it also has its already established business model. Large-Scale Marketing - A lot of franchise brands are well-known and present across the country. Franchise owners demand that franchisees contribute to a national "marketing budget" that is used by the parent company to fund system-wide marketing campaigns. Finding investors, developing business and marketing plans, and most importantly turning an idea into reality can be a lengthy and exhausting process. Since there is no tested formula, starting a firm is often risky due to lack of Support and Training - For managing and operating a profitable firm, there is no support or training accessible. Additionally, it might be challenging to remain persistent and motivated in trying circumstances.

Franchise ownership appears to be the less difficult choice. It won't be necessary to set up the firm entirely alone.

Egypt possesses numerous natural advantages, such as its advantageous position in relation to other nations, its rich cultural legacy, its sizable and expanding populace, and its developing pharmaceutical sector, which offers excellent about for both domestic and international investment and growth.

Given that the Misr Pharmaceutical Company (Holdi Pharma) , which at the time was regarded as the first national facility, was founded in 1934, the pharmaceutical industry is among Egypt's oldest strategic industries.

The goal of attaining medical self-sufficiency has received a lot of attention from Egypt, which has also implemented policies that centre on the development of pharmaceuticals at different industrial stages, including raw materials, basic chemicals, manufacturing, packaging, marketing, selling, and exporting.

## 1.2 Research Question and Purpose

This research is designed to compare franchise and start-up businesses and pick which one is capable of staying more in the market, is easier to work with, and has to chance to get famous quickly.

Some of the research questions are as follows:

Research question 1: Do you think being close to your franchisor has any impact on performance

Research question 2: Given the resources are you willing to open your new store under their franchise system or have your own store?

Research question 3: Does dealing with legal issues make it harder to start your own company and Are you willing to continue the business relationship with this franchise system?

Research question 4: Are you satisfied with your relationship quality with key business partners How reliable is your franchisor, how much confidence do they have in their promises?

Research question 5: Did you deal with any issues concerning profit at the beginning of starting your own company and how close are you with your franchisor?

Research question 6: Does having a well-renowned brand image already help in alluring customers and Are you willing to encourage others to join this franchise system?

# 2. LITERATURE REVIEW

## 2.1 Theoretical Framework

The theoretical framework section will provide a broad explanation of the theory used in this study to find a definition that fits this topic; The Effect of relationship quality trust on overall Satisfaction and intention to remain with the Moderating Role of Brand Image at businesses, which will be explained below:

Brand Image

Relationship Quality Trust

Customer Satisfaction

Intention to Remain

H1

H3

H4

H2

Figure 2.1 Theoretical Framework Diagram

To perform a survey we discussed some of the factors that affect the business to find out which is the best kind of business and find the elements that improve open innovation performance through business negotiations in Egypt.

## 2.2 Franchisor’s Brand Image

A strong brand image might help channel members see brand risk more similarly. Brand perception varies among participants. Building a good brand is therefore essential for franchisors. Traditional corporate marketing involves the use of advertising and sales promotions. Sales of consumer goods are mostly influenced by mass media advertising, particularly television commercials and newspaper ads, with internet advertising's significance having sharply increased recently.

However, for small businesses, it’s somewhat challenging, starting small is more effective than gradually expanding outward. It’s critical to sit down and develop a marketing plan that will successfully target your target market. A one-size-fits-all strategy cannot be used to sell a new company. Initially by knowing your market by connecting with your audience and knowing who the actual ideal customers are related to your business. Another thing is setting up an online presence and making sure people find you through social media. Finally creating a winning reputation for your small business by using practical strategies, helping customers establish a positive perception of the company.

A successful reputation management strategy won't materialize immediately. Small business owners must be persistent, vigilant, and adaptable when implementing the approach. Being proactive rather than reactive is necessary to build a good reputation. , The majority of hotels are aware that, regardless of the promotion plan, if a candidate substance has a high level of novelty, it may be marketed with ease.

**H1**: *The better the focal firm’s brand image, the greater extend of relationship quality trust.*

## 2.3 Intention to Remain

The franchisor's brand image is one of the most crucial factors that must receive the best care if the franchise business is to remain sustainable. Building a strong brand reputation can boost franchisee confidence and, in addition, have a good effect on their intention to stick with the franchise system. Similar to how a strong franchisor brand might convince a potential franchisee to buy and sign a franchise agreement. Morrison (1997) proposed the idea of "intention to remain in franchise system" (ITR), which has four dimensions: "thinking of quitting," "intention to search," "assessment of alternative intentions to quit," and "subsequent turnover." Additionally, Chiou et al. (2004) discovered that trust had a favorable, significant impact on franchisees’ intention to stay in the franchise system.

For small businesses, however, the decision to stay in business depends on their level of market stability, success, and favorable conditions, as well as how firmly they adhere to their objectives. Because the unpleasant truth is that you will eventually become frustrated. Not everything will always turn out well. A highly motivated individual, rather than intelligence or aptitude, is what it takes to thrive in business. You won't be driven to bring the startup where it needs to go if you aren't inspired. Any business runs on enthusiasm. When you have motivation, you don't get depressed when your statistics are depressing, you don't get anxious when clients don't show up, and you don't get affected by the fact that you don't have any business contacts.

**H2**: *The better the focal firm’s brand image, the greater extend of intention to remain.*

## 2.4 Relationship Quality Trust

Trust appears to play a key role in stimulating organizational learning and creating competitive advantages. Davies et al. (2011) stated trust can be defined as a franchisee's confidence in accepting a calculated level of risk with the franchisor, allowing franchisees to cope with vulnerability in their relationships with their franchisors. This calculation of trust is based on criteria of trustworthiness. Competency and integrity as potential criteria. The importance of franchisee trust is that it is likely to be reciprocated by the franchisor, leading to direct salutary effects within the relationship. Mutual trust reduces the costs arising from the distractions of close monitoring designed to prevent opportunism. Previous studies tended to consider trust as a multi-dimensional concept, there is no general agreement about the number and nature of its dimension. On the opposite side, speaking of small businesses, the matter is not the same, they focus more on showing generosity with customers, co-workers, and employees. People need to see what is in it for them so they can return the favor. They should be open and deal with any issues directly so they can gain confidence from the other party which can be customers, suppliers, and partnerships.

**H3**: *The better the focal firm’s relationship trust quality, the greater extend of customer satisfaction.*

## 2.5 Overall Satisfaction

Business-related satisfaction is related to the relationship with the other party and to the degree of fulfillment and contentment with each other which is able to predict business performance, measure business performance concerning system stability, free ride behaviors, turnover rates, and levels of conflict finally leads to a high corporation which also leads to positive post engagement behavior.

 Entrepreneurship is now a major force behind economic development, job creation, stability, prosperity, and advancement (Gieure et al., 2019). By fostering employment, innovation, competitiveness, and welfare, it is seen as an effective method for fostering equitable and sustainable development (Herman, 2019). Governments and institutions have demonstrated increasing interest in supporting entrepreneurship (Gieure et al., 2019; Voda & Florea, 2019), and research on what motivates people to engage in entrepreneurial activity has been the subject of study for several decades (Nowiski et al., 2019).

**H4**: *The better the focal firm’s intention to remain, the greater extend of customer satisfaction.*

# 3. METHODELOGY

## 3.1 Research Design and Data Collection

This investigation is exploratory. Through self-administered online structured survey questionnaires, primary data has been gathered. Data is gathered through surveys and questionnaires. There is only one study in terms of time. The findings demonstrate that franchisors have a more beneficial and significant impact on entrepreneurs than those beginning their own businesses.

This study employs the survey approach, which makes use of the interactions between exogenous and native variables as well as the factors that affect them. The study's sample includes both franchisees and new business owners. The people participating in this study are from Egypt. All survey items are scored using a five-point Likert scale.

## 3.2 Sample

This study used self-administered questionnaires to collect data. The questionnaire was adapted from previous studies and responses were measured using a five-point Likert scale. On this scale, respondents are asked to rate their agreement or disagreement with a statement, with 1 indicating "strongly disagree" and 5 indicating "strongly agree".

 The questionnaire consists of two parts. The first part aims to collect profile information about the respondents, including gender, age, length of stay, and level of education. This demographic information helps provide context for analyzing survey responses and understanding possible differences based on different respondent characteristics. The second part of the questionnaire contained items that asked respondents to rate the items using a Likert scale. These items may relate to the most important structures or variables of interest in the study. By rating the items on the Likert scale, respondents provided their subjective opinions or perceptions related to those specific statements or constructs.

According to the information provided, the research questionnaire included a sample size of 198 respondents. Here's a breakdown of the sample demographics:

Geographical distribution: Most respondents were from Cairo with 62 respondents (31.3%). This suggests that the sample is largely representative of the Cairo population. Gender distribution: There were 111 female respondents (56.1%) and 87 male respondents (43.9%). Age Distribution: There wasn’t a fixed age scale: respondents were between 17 to 70 years old. Most of them were between 36 to 45 years old which is 28.3%. This means that the sample mainly consists of middle-aged people. Job Distribution: The majority of the sample (42 (21.2%)) were those working in the business sector. This suggests that the sample consists mainly of people employed in the business sector.

Table 3.1 Sample’s Characteristic

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristic | Item Description | Number | Proportion |
| City | Alexandria | 54 | 27.3% |
| Cairo | 62 | 31.3% |
| Dahab | 10 | 5.1% |
| Elgouna | 16 | 8.1% |
| Hacienda | 2 | 1.0% |
| Hurghada | 19 | 9.6% |
| Marassi | 3 | 1.5% |
| North coast | 8 | 4.0% |
| Sahl hasheesh | 4 | 2.0% |
|  | Sharm el sheikh | 20 | 10.1% |
| Business | Franchise | 99 | 50.0% |
| Start-up | 99 | 50.0% |
| Gender | Male | 87 | 43.9% |
|  | Female | 111 | 56.1% |
| Age | 17-25 | 62 | 31.3% |
| 26-35 | 23 | 11.6% |
| 36-45 | 56 | 28.3% |
| 45-50 | 39 | 19.7% |
|  | 50-70 | 18 | 9.1% |

Table 3.1 Sample’s Characteristic (continued)

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristic | Item Description | Number | Proportion |
| Job | Business | 42 | 21.2% |
| Care giver | 1 | 0.5% |
| Doctor | 2 | 1.0% |
| Engineer | 12 | 6.1% |
|  | Medical representative | 4 | 2.0% |
|  | Nurse | 3 | 1.5% |
|  | Pharmacist | 18 | 9.1% |
|  | Student | 13 | 6.6% |
|  | Others | 4 | 2.0% |
|  | Business Owners | 99 | 50.0% |

It is significant to remember that these demographic traits offer information about the makeup of the sample and ought to be taken into account when analyzing the study results. Further influencing the results' applicability to a wider setting could be the sample's representativeness with respect to the intended audience.

## 3.3 Variables and Measurement

**Relationship quality trust**: Their willingness to stick with the same provider despite the availability of other options represents their dedication to their association. According to Kuhn and Mostert (2016), a higher quality of relationship will influence customers' decisions to stick with the company and build strong, committed relationships with higher levels of relationship loyalty. According to Samiee et al. (2015), relationships are ever-evolving, so it's important to have an understanding of what it takes to ensure successful long-term business relationships. This understanding is based on the idea that satisfied and committed customers are more likely to remain loyal and make repeat purchases.

**Intention to remain:** Customers who have high perceptions of relationship intentions, according to Kumar, Bohling, and Ladda (2003), place a high value on maintaining their relationships with service providers and will take action to establish, preserve, and improve those relationships. Customers' relationship intentions, according to Kühn and Mostert (2016), significantly predict their level of satisfaction, trust, and loyalty to a business.

**Brand image:** Measurement, derived from Ladhari et al. (2011), is predicated on favorable perceptions and experiences linked to the company's brand image, including whether the enterprise has been successful in cultivating a favorable impression, building a positive reputation among customers, setting itself apart from rivals, being viewed as appropriate, and providing unique experiences for its visitors. These elements support the company's positive and robust brand image.

**Overall satisfaction:** This result supports the claim made by Ying et al. (2018) that consumers evaluate their overall satisfaction with a service encounter in a loving manner, providing crucial information that is evaluated in the business sector. Furthermore, this finding supports the claims by Kühn and Mostert (2016) that relationship intentions have been taken into account as a variable that affects customer satisfaction with service quality. Furthermore, the results align with the theories put forth by Park et al. (2019), which suggest that high familiarity customers report higher levels of satisfaction when they receive excellent service in a commercial environment.

Table 3.2 Variable Indicator and Source

|  |  |
| --- | --- |
| **Contract & Source** | **Variable indicator** |
| **Brand image (BI)**Ladhari et al. (2011) | BI1. the company identifies a clear mission statementBI2. The company builds your core valuesBI3. The company respects its commitment to its customersBI4. The company identifies its targetBI5. the company ensures that its products / services are accessible to its customersBI6. The company seems to be environmental responsible BI7. The company Seems like an excellent company to work for.BI8. The company Seems to treat its people well  |
| **Intention to remain (IR)** Kumar, Bohling, and Ladda (2003) | IR1.An environment with open trust which generates an ambience of open communication IR2.The company invests in leadership which continues to build and develop into more disciplinesIR3. Employee retention and job satisfaction should be on each organization's priorities IR4. I think that I made the correct decision to use the service of the hotel. |
| **Relationship quality trust (RQT)**Kuhn and mostert (2016) | RQT1. View potentially high-risk actions as prudent because of the belief that their partners will not act opportunistically.BI2. In my opinion, this business has a good image in the minds of consumers.RQT2. resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partnersRQT3. they encourage marketers to work at preserving relationship investments by cooperation with exchange partners; |
| **Overall satisfaction (OS)**Ying et al., (2018) | OS1 .The customer service representative resolved the issue to the satisfactionOS2. I The customer representative seems knowledgable and helpful OS3. the customer service representative seems polite and friendly 0S4.The customer service representative seems well trained |

# 4. RESULT

##  4.1 Scale Reliability and Measurement Validity

 The value of the Cross-loading factor must be greater than the other values, which helps to determine whether the construct is sufficiently discriminative by comparing the loading value with the expected construct. By default, each constructed value must be greater than 0.5. Upon examining Table 4.1, it becomes evident that certain variables within it exhibit values that do not surpass the threshold of 0.5. These factors, namely brand image 2 factors (BI5 and BI7), none in relationship quality trust factors, intention to remain 1 factor (IR1), as well as overall satisfaction 2 factors (OS3 and OS4). These 5 factors are deemed invalid due to their relatively weaker correlation coefficients and will be eliminated and then re-calculated to get the final value for each variable.

Table 4.1 Exploratory Factor Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **BI** | **RQT** | **IR** | **CS** |
| **BI1** | **0.762** | 0.224 | 0.157 | 0.107 |
| **BI2** | **0.771** | 0.193 | 0.247 | 0.099 |
| **BI3** | **0.719** | 0.141 | 0.192 | -0.007 |
| **BI4** | **0.607** | 0.124 | 0.111 | 0.053 |
| **BI5** | **0.538** | 0.402 | 0.180 | 0.266 |
| **BI6** | **0.627** | 0.497 | 0.546 | 0.566 |
| **BI7** | **0.502** | 0.099 | 0.119 | 0.085 |
| **BI8** | **0.618** | 0.098 | 0.265 | -0.012 |
| **RQT 1** | 0.355 | **0.826** | 0.390 | 0.724 |
| **RQT 2** | 0.312 | **0.720** | 0.430 | 0.432 |
| **RQT 3** | 0.343 | **0.652** | 0.465 | 0.469 |
| **IR1** | 0.367 | 0.193 | **0.516** | 0.124 |
| **IR2** | 0.265 | 0.384 | **0.751** | 0.480 |
| **IR3** | 0.344 | 0.542 | **0.764** | 0.412 |
| **OS1** | 0.327 | 0.493 | 0.401 | **0.716** |
| **OS2** | 0.361 | 0.696 | 0.441 | **0.825** |
| **OS3** | 0.145 | -0.134 | -0.100 | **-0.319** |
| **OS4** | 0.539 | -0.085 | 0.001 | **-0.200** |

Notes: BI: Brand image; RQT: Relationship quality trust; IR: Intention to remain; OS: Overall satisfaction

The value of the cross-loading factor is useful for knowing whether a construct has adequate discriminant, namely by comparing the loading value on the intended construct, it must be greater than the other values. By default, the value for each construct must be greater than 0.7. Based on Table 4.2 the value of cross-loading in each construct has a value of more than .7. This shows that the manifest variables in this study have properly explained the latent variables and proved that all of these items are valid.

Based on the results of the re-calculation the loading factor in Table 4.2, the item values generated by the brand image, overall satisfaction constructs have met the standard values of convergent validity because all factors are worth more than 0.7, thus, it can be concluded that all constructs are valid.

Table 4.2 Re-Calculation Exploratory Factor Analysis

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **BI** | **RQT** | **IR** | **CS** |
| **BI1** | **0.813** | 0.678 | 0.601 | 0.604 |
| **BI3** | **0.841** | 0.669 | 0.654 | 0.628 |
| **BI4** | **0.742** | 0.575 | 0.550 | 0.472 |
| **BI5** | **0.592** | 0.433 | 0.323 | 0.411 |
| **BI6** | **0.793** | 0.598 | 0.712 | 0.688 |
| **BI7** | **0.732** | 0.643 | 0.620 | 0.597 |
| **BI8** | **0.753** | 0.551 | 0.605 | 0.554 |
| **RQT 1** | 0.627 | **0.832** | 0.564 | 0.777 |
| **RQT 2** | 0.618 | **0.775** | 0.538 | 0.536 |
| **RQT 3** | 0.598 | **0.715** | 0.611 | 0.559 |
| **IR1** | 0.632 | 0.578 | **0.818** | 0.616 |
| **IR2** | 0.558 | 0.529 | **0.797** | 0.590 |
| **IR3** | 0.681 | 0.647 | **0.777** | 0.525 |
| **OS1** | 0.657 | 0.597 | 0.619 | **0.808** |
| **OS2** | 0.597 | 0.745 | 0.580 | **0.844** |

To measure the reliability of constructs in PLS-SEM using the SmartPLS application, it is used in two ways, Cronbach’s alpha and composite reliability. As can be seen in the Table 4.3, in reliability tests using Cronbach's alpha, most of the variables have values greater than 0.6. Hulin, Netemeyer, and Cudeck (2001) showed that a Cronbach's alpha value ranging between 0.6 and 0.7 is an acceptable level, and a value of 0.8 or more is considered a good level, but a value higher than 0.95 is not necessarily good. According to Hair et al. (2014), the acceptable levels of AVE and composite reliability are 0.5 and 0.7, respectively and it can be seen at table 4.3 the AVE and composite reliability variables have values greater than 0.5. Therefore, it can be concluded that the variables tested are valid and reliable for structural model testing.

The outer-loading factor was used to assess the convergent and discriminant validity of the constructs, Fornell-Larcker suggest the value for each construct must be greater than 0.7. Based on Table 4.3 the value of outer-loading in each construct has value of more than 0.7, it can be concluded that all constructs are valid.

Table 4.3 Scale of Reliability

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables**  | **Measurement Item**  | **λ** | **Cronbach's alpha** | **Composite reliability**  | **Average variance extracted (AVE)** |
| **BI** | BI1 | 0.813 | 0.883 | 0.902 | 0.572 |
| BI3 | 0.841 |  |  |  |
| BI4 | 0.742 |  |  |  |
| BI5 | 0.792 |  |  |  |
| BI6 | 0.793 |  |  |  |
| BI7 | 0.732 |  |  |  |
| BI8 | 0.753 |  |  |  |
| **RQT** | RQT1 | 0.832 | 0.832 | 0.811 | 0.601 |
| RQT2 | 0.775 |  |  |  |
| RQT3 | 0.715 |  |  |  |
| **IR** | IR1 | 0.818 | 0.826 | 0.840 | 0.636 |
| IR2 | 0.797 |  |  |  |
| IR3 | 0.777 |  |  |  |
| **OS** | OS1 | 0.808 | 0.778 | 0.818 | 0.683 |
| OS2 | 0.844 |  |  |  |

The mean values for each item are listed in Table 4.4 as well as each standard deviation. From the results of the Fornell-Larcker criterion in Table 4.4, it shows that the AVE value is all fulfilled.

Table 4.4 Descriptive Statistic and Correlation Matrix of Variable

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Mean | Standard deviation | BI | RTQ | IR | CS |
| BI | 3.609 | .898 | *.76* |  |  |  |
| RQT | 4.278 | .511 | .470 | .78 |  |  |
| IR | 4.163 | .679 | .476 | .535 | .*80* |  |
| OS | 4.301 | .563 | .485 | .770 | .570 | .*83* |

Note: The root of average variance extracted values are italicized on the diagonal

A bootstrap procedure was performed to assess the significance of the effects between variables. Bootstrap uses all original samples for later resampling. To find out whether a hypothesis is accepted or rejected can be done by paying attention to the significance value between constructs, t-statistics and p-values. In this way, the measurement estimates and standard errors are no longer calculated with statistical assumptions, but are based on empirical observations. In the bootstrap resampling method in this study, the hypothesis is accepted if the significance value of the t-value is greater than 1.96 and or the p-value is less than 0.05.

The Figure 4.1 to Figure 4.3 below are the t-statistic test results for testing the significance of latent variable indicators in the second-order structure.

## 4.2 Result

β = 0.476\*\*\*

t =6.491

Brand Image

Relationship Quality Trust

Customer Satisfaction

Intention to Remain

H1

H3

H4

H2

β = 0.485\*\*\*

t =5.012

β = 0.689\*\*\*

t =11.921

β = 0.142\*

t =1.960

**Full Model**

##

Figure 4.1 Result of SEM Structural Model

Based on the path coefficient results in the plot of Figure 4.1, it can be seen that all items are statistically significant with respect to their respective structures. These items had t-statistics greater than 1.96 and p-values less than 0.05. It can be concluded that relationship quality trust indicators plays a vital roles in the construction of intention to remain, brand image, and customer satisfaction. This finding supports the proposed hypothesis.

β = 0.784\*\*\*

t =7.811

Brand Image

Relationship Quality Trust

Customer Satisfaction

Intention to Remain

H1

H3

H4

H2

β = 0.791\*\*\*

t =7.298

β = 0.617\*\*\*

t =6.884

β = 0.271\*

t =2.520

**Franchise Model**

Figure 4.2 Result of Franchise SEM Structural Model

Based on the path coefficient results in the franchise model plot in Figure 4.2, these items had t-statistics greater than 1.96 and p-values less than 0.05. It can be concluded that relationship quality trust indicators plays a vital roles in the construction of intention to remain, brand image, and customer satisfaction. This finding supports the proposed hypothesis.

β = 0.593

t =1.054

Brand Image

Relationship Quality Trust

Customer Satisfaction

Intention to Remain

H1

H3

H4

H2

β = 0.331

t =0.836

β = 0.680\*\*\*

t =7.655.

β = 0.079

t =0.723

**Start-up Model**

Figure 4.3 Result of Start-up SEM Structural Model

Based on the path coefficient results in the start-up model plot in Figure 4.3, it can be seen that most of the items are not statistically significant with respect to their respective structures. These items don't have t-statistics greater than 1.96 or p-values less than 0.05. It can be concluded that relationship quality trust indicators don't play a vital role in the construction of intention to remain, brand image, and customer satisfaction.

Overall, the results confirm the importance of the hypothesized relationship between relationship quality trust, overall satisfaction, brand image, and intention to remain.

The first hypothetical statistical analysis shows that brand image has a significant effect on relationship quality trust which leads to overall satisfaction. The t-statistic for the CSR construct is 4.377, above the critical value of 1.96, and the p-value is 0.000, below the significance level of 0.05. Therefore, based on these results, we can conclude that brand image has a significant impact on relationship quality trust which affects overall satisfaction in full model.

Statistical analysis supports the second hypothesis that brand image has an effect on intention to remain which affects overall satisfaction in full model. The brand image construct has a t-statistical value of 1.675, which is lower than the critical value of 1.96, and a p-value of 0.094, which is more than the significance level of 0.05. Therefore, based on these results, we can conclude that brand image doesn’t have a as a significant impact on overall satisfaction in full model.

Statistical analysis supports the third hypothesis that brand image has an effect on overall satisfaction. The t-statistic for brand image construction is 5.147, above the critical value of 1.96, and the p-value is 0.000, below the significance level of 0.05. Therefore, based on these results, we can conclude that brand image has a significant impact on relationship quality trust which affects overall satisfaction in the franchise model.

Furthermore, the statistical analysis supports the fourth hypothesis that brand image has an impact on overall satisfaction. The t-statistic for the CSR construct is 2.282, greater than 1.96, with a p-value of 0.023, indicating that brand image has a significant impact on overall satisfaction in franchise model.

The fifth hypothesis that brand image doesn’t have an impact on overall satisfaction, is also supported by the statistical results. The t-statistic for construct was 0.837, which is lower than 1.96, with a p-value of 0.403., more than the significance level of 0.05, indicating a non-significant effect of brand image on overall satisfaction for the startup model.

The sixth hypothesis that brand image doesn’t have an impact on overall satisfaction, is also supported by the statistical results. The t-statistic construct was 0.668 which is lower than 1.96, with a p-value of 0.403., more than the significance level of 0.504, indicating a non-significant effect of brand image on overall satisfaction for the startup model.

## 4.3 Mediating Effect

Table 4.5 Mediating Effect

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Path analysis | Mean | S.D. | Confidence Intervals | T-Value | P-Values |
| BI → RQT → CS(Full Model) | 0.334\*\*\* | 0.076 | (0.154, 0.455) | 4.377 | 0.000 |
| BI → IR → CS(Full Model) | 0.068 | 0.040 | (-0.010, 0.148) | 1.675 | 0.094 |
| BI → RQT → CS(Franchise Model) | 0.488\*\*\* | 0.095 | (0.256, 0.634) | 5.147 | 0.000 |
| BI → IR → CS(Franchise Model) | 0.212\* | 0.093 | (0.006, 0.376) | 2.282 | 0.023 |
| BI → RQT → CS(Start-up Model) | 0.225 | 0.269 | (-0.413, 0.430) | 0.837 | 0.403 |
| BI → IR → CS(Start-up Model) | 0.047 | 0.070 | (-0.120, 0.158) | 0.668 | 0.504 |

Note: S.D.= Standard Deviation

# 5. CONCLUSION

The economic stability and prosperity of rich and emerging nations alike depend on the emergence of new firms. Despite the fact that three-quarters of Egypt's people believe there are good chances to launch new enterprises, the nation has recently seen weak entrepreneurial growth.

The study findings conclude from the computation and data processing results that the franchisor's brand image plays an important role in franchisee trust, particularly in the franchisor-franchisee relationship, which contributes significantly to the development of franchisee confidentiality, and has an impact on franchisee intention to stay in the franchise system.

The franchisee can start and run his business successfully at a relatively low risk and failure rate compared to the small business owner, it becomes clear from comparing the franchising business and the small business. With a strong brand, they can enter the market with ease. They can easily obtain high-quality materials as a franchisee because the franchisor has the authority to negotiate a better deal for them. One benefit of opening a franchise is that it typically has a lower failure rate than starting a brand-new independent small business. This is due to the fact that franchisees could directly benefit from the established product and brand name developed by the franchisor's ongoing marketing effort, as opposed to starting a new business, which requires learning through mistakes (Volery & Schaper, 2007). The parent company, which has already addressed the majority, if not all, of the problem areas in its systems and procedures, has lower risks of franchising a business (DiNatale, 2008).

## 5.1 Theoretical Implication

Time and energy savings for developing products and marketing. The ability to save a lot of time and effort on researching, creating, and managing a new system is the second benefit of franchising a business (Seid & Thomas, 2006). It is not necessary to start from nothing. No goodwill needs to be built because the business already exists, and everything is set up to run it (Strauss, 2005). Franchisees could easily launch their own businesses by receiving a license from their franchisors to market their products carrying a brand that consumers are already familiar with (Buy a franchise: Advantages and disadvantages of franchising). This is because the brand, trademark, and reputation of the products are already present. However, because there is less competition in advertising and marketing for private businesses, he must put forth more effort to build the initial brand and increase product awareness. Additionally, the private owner has little leverage to secure a low price, but he can deliver a high-quality product made from more expensive materials. In addition, the franchisee makes substantial financial investments and obtains short- or long-term bank loans to operate the company, in contrast to a private business owner who operates a cash-only operation.

## 5.2 Practical Implication

The study's findings support the idea that, in some cases, a franchised business may not be preferred over a private one. It demonstrates how a franchisee may be constrained by such codes of conduct when operating his business and how flexibility in business management is essential for survival.

He is unable to escape some forms of control and requirements that the franchisor has outlined. The owner of a small business, in contrast, has control over his own company because he can set the rules himself. All hypothesis is supported, Initially, we asked both parties about the environmental conditions coming to the conclusion that the franchise environment is easier and more comfortable to deal with as people already know the brand, quality so they won’t be exploring the brand for the first time however what challenged them is the staff working and how skilful they are to attract the customers to this branch. So what matters the most is their communication skills, and how to keep the brand in a safe image.

Then focusing on just franchisees, we found out that their brand image helped them in attracting customers, especially those who have been shopping online due to geographical issues or pandemic issues. No challenges were faced at all except that some questions were if they have their own rules and regulations would it be easier but reaching a conclusion that being comfortable with your franchiser and having good relationship quality and good communication skills makes them want to be part of the system.

On the other hand, starting up your business, in the beginning, can be demanding more time, money, and fame. Also concerning legal issues, you have to deal with area policy, copyrights, and trademarks. Also concluding that It takes a minimum of 3 years until a recognizable profit to the organization is counted.

## 5.3 Limitation

This study primarily used quantitative research methods because of the nature of the research questions and the small number of responses. Most of the time, the survey used in this study didn't produce statistically significant results. Instead, their survey produced a sample of varied case studies from which they could draw conclusions. The results of the case study studies are constrained by the case study sample size, despite the fact that they were rigorously conducted and validated. Such a small sample size could not accurately reflect the population.

To address these shortcomings, a more in-depth investigation is advised. Our analysis could be expanded with the aid of future research, which could significantly improve our comprehension of the study. The database's exclusivity to Egypt is another significant drawback. Additionally, the database did not include information about operating versus non-operating partners in the ownership category, which concludes that it takes a minimum of 3 years until a recognizable profit to the organization is counted which would have allowed for a more accurate comparison between franchises and new businesses.

## 5.4 Future Studies

Future research could compare a wider variety of business types in order to include and classify different business types. Comparable categories of non-retail businesses could be used to describe retail businesses. To determine whether the results are comparable internationally and whether we can generalize the variables used across countries, the results with Egyptian firms could be compared with samples in other nations. We may be able to learn how to increase the survival rates of these types of businesses and which type has the best chance of succeeding in emerging versus industrialized economies by comparing the characteristics of industrialized and emerging nations.

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# APPENDIX

**SURVEY**

===========================================================

This questionnaire is part of a study entitled A Practical Guide to Probing Issues Faced by Start-Ups Brought into Comparison with Franchisee. Please respond to each statement/question below by ticking (**)** in the available answer choices column.

Thank You

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Description** | **Strongly not agree** | **Not agree** | **Neutral** | **Agree** | **Strongly agree** |
| 1 | **Brand Image (BI)** |  |  |  |  |  |
| BI1 | The Company Identifies a clear mission statement |  |  |  |  |  |
| BI2 | The Company Builds your core values |  |  |  |  |  |
| BI3 | Respects its commitments to customers. |  |  |  |  |  |
| BI4 | The company identifies its target customer  |  |  |  |  |  |
| BI5 | Ensures that its products and/or services are accessible for all its customers |  |  |  |  |  |
| BI6 | Seems to be environmentally responsible. |  |  |  |  |  |
| BI7 | Looks like a good company to work for. |  |  |  |  |  |
| BI8 | Seems to treat its people well. |  |  |  |  |  |
| **2** | **Intention to Remain (IR)** | **Strongly not agree** | **Not agree** | **Neutral** | **Agree** | **Strongly agree** |
| IR1 | An environment with open trust which generates an ambience of open communication  |  |  |  |  |  |
| IR2 | The company invests in leadership which continues to build and develop into more disciplines |  |  |  |  |  |
| IR3 | Employee retention and job satisfaction should be on each organization's priorities  |  |  |  |  |  |
| **3** | **Relationship Quality Trust (RQT)** | **Strongly not agree** | **Not agree** | **Neutral** | **Agree** | **Strongly agree** |
| RQT1 | view potentially high-risk actions as prudent because of the belief that their partners will not act opportunistically. |  |  |  |  |  |
| RQT2 | resist attractive short-term alternatives in favour of the expected long-term benefits of staying with existing partners; |  |  |  |  |  |
| RQT3 | they encourage marketeers to work at preserving relationship investments by cooperation with exchange partners; |  |  |  |  |  |
| **4** | Overall Satisfaction (OS) | **Strongly not agree** | **Not agree** | **Neutral** | **Agree** | **Strongly agree** |
| OS1 | The customer service representative resolved the issue to the satisfaction |  |  |  |  |  |
| OS2 | The customer representative seems knowledgable and helpful  |  |  |  |  |  |
| OS3 | the customer servic representative seems polite and friendly  |  |  |  |  |  |
| OS4 | The customer service representative seems well trained  |  |  |  |  |  |
| OS5 | The customer service representative resolved the issue to the satisfaction |  |  |  |  |  |