

# Fostering Factors of Malaysian Food and Beverage Franchisors' Expansion into International Market

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## Abstract

Franchising has become a well-known platform for business distribution and it also been a strategy for most franchisors to expand their business into international market over the last decade. Nowadays, most Malaysian franchisors have begun to expand their businesses to the international market, after witnessing saturation in the domestic market. Yet, little is currently known about the fostering factors that influencing the franchisor to expand internationally, therefore the objective of this study is to fill the gap through exploring the fostering factors that lead the Malaysian home-grown franchisor expansion into international market. For methodology approach, a series of four multiple case studies through protocol discussion with Malaysian home-grown franchisor was undertaken on food and beverages industry in order to explore the issue highlighted. From the findings, four codes emerge from the inductive inquiry are developed which are: (i) proven business system; (ii) franchisor's brand; (iii) government support agencies and (iv) access to capital resources in order to explain the fostering factors of Malaysian home-grown franchisor expansion. The adopted qualitative methodology provided rich information that will lead the future research. In brief, this study has contributed new knowledge to the existing international franchising literature in relation with the expansion of Malaysian home-grown franchisor into international market and the findings will benefit the future studies.

**Keywords:** Franchising, Home-grown franchising, International franchising, franchising expansion, Malaysia

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## 1. INTRODUCTION

In the modern business world, franchising has experienced a phase of business expansion and continued growth (Mahmood, 2015). Globally, franchising is a platform for business distribution that has developed significantly in these recent times (Hoffman & Preble 2003; Perry & Rajiv 1999). Franchising plays an important role in supporting a nation's economic development supporting economic development by creating employment opportunities, developing the growth of entrepreneurship and enhancing the standards of living (Shumba, Zindiye, & Donga, 2017). According to Grewal, Iyer, Javalgi and Radulovich (2011), franchising is one of the rapid development forms of businesses worldwide and it is valuable for studies in the area of entrepreneurship. Meanwhile, franchising has experienced a global growth since early 1980's and the founder (i.e. franchisor) saw an opportunity to develop the existing business by bringing partners (i.e. franchisees) who will own the business format, which have the access to both human and financial capitals. Furthermore, Shumba, Zindiye and Donga (2017) explained about fast food businesses that have prominent sectors in franchising and thus contribute their important roles in the growth of entrepreneurship worldwide.

Most Asian countries have only started to join franchising actively since the rise of middle-income towards international brands is becoming more valuable. In western countries, franchising has achieved its domestic market saturation while most Asian countries have only started it. In addition, Asian companies are increasingly

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realizing the success of franchising model as a platform to expand themselves internationally since many governments in Asia are putting efforts in supporting these (Hong Kong Trade Development Council, 2014). In Malaysia, franchising industry is achieving a healthy growth. The Malaysian government has focus on franchising industry growth whereby they expect this industry to contribute 9.4 percent to the country GDP and become a franchise hub in the South East Asia region in the coming year of 2020 (Tyre & Han, 2013). Although early franchising was easily identified by their use of franchising as platforms for business format, they can now be found that on many determinants of franchising. Following the growth of franchising in Malaysia, business through franchise system is not a new thing but it has long existed in country (Binh & Terry, 2014). The franchise business is one of the thriving business areas around the world including Malaysia.

On the other hand, most Malaysian entrepreneurs are gradually becoming more interested in franchising concepts such as niche and unique product value propositions (Malaysia-Franchising, 2017). Moreover, The Franchise and Vendors was created in 1999 concurrently with the establishment of Ministry of Entrepreneur and Cooperative Development (MECD) formerly known as the Ministry of Public Enterprises. This division has two units namely the Franchise Unit and the Vendor Unit. The objectives were to increase the participants of entrepreneurs as franchisors, franchisees, master franchisees and develop home-grown franchise businesses (Malaysian Franchise Association, 2018). Although early franchising was easily identified by their use of franchising as a platform for business format, they can now be found on many determinants of franchising. Following the growth of franchising in Malaysia, a business through franchise system is not a new thing but it has long existed in this country (Binh & Terry, 2014). Furthermore, the development of modern home-grown franchises started in 1980's primarily in the sectors of food and beverage (e.g. Marrybrown and Sate Ria). Besides that, Majlis Amanah Rakyat (MARA) was given the initial task to simplify and develop the home-grown franchise development (Malaysian Franchise Association, 2018).

Within the studies on international franchise, there are gaps on unanswered questions and theoretical gaps on why franchisors decide to expand which require further explanation (Rosado-Serrano & Paul, 2017). Madanoglu, Alon and Shoham (2017) suggested the needs to further identify the other factors that may be important in influencing franchise expansion into international market. This study contributes to the knowledge of international franchising empirically by examining the fostering factors of international expansion of home-grown franchise. Despite the various theories in international franchising, there are limitations of theories applied to international franchising in explaining the complex dynamics of global franchise network (Rosado-Serrano, Paul, & Dikova, 2018). Therefore, the study on the franchising can be done for gaining a rich understanding about the phenomena (Combs, Michael & Castrogiovanni 2004). Furthermore, there are lack of studies done focusing on franchising expansion from the contextual setting, while most of the past studies are done in Western perspective (e.g. Lorelle Frazer, Bill Merrilees 2007; Roh 2002; Weaven & Frazer 2007). For this, the researcher recognized that it is motivating to choose Malaysia as a study setting since franchising continues to achieve a healthy growth. This study is important to generate an understanding on the fostering factors that encourage the Malaysian Franchisor to expand their business into international market. Based on these issues, the following broad research question is proposed for the present study:

*“What are the fostering factors for Malaysian home-grown franchise system expansion into the international market?”*

## **2. LITERATURE REVIEW**

### **2.1 Transaction Cost Theory**

Coase (1937) highlighted that there are three main contents of Transaction Cost which are opportunity cost, contract cost and monitoring cost. For opportunity cost, enterprises must identify the potential demand of consumers and guide them to respond in a timely manner. In addition, for the contract cost, franchise firms must investigate the business contract and negotiations before the development because the negotiations cost money, manpower and time (Coase, 1937). Besides that, David and Han (2004) explained that cost monitoring is needed to inspect the enterprise after they have purchased the goods and this is done to run the execution of the cost of contract.

In application of this study to franchising, Hussain, Moritz and Windsperger (2012) found that single unit franchisees are applicable for a franchisor when the environmental uncertainty is high, it also offers greater motivation and entrepreneurial capabilities in exploiting the local market opportunities compared to mini chains.

Another empirical study by Mumdziev and Windsperger (2013) found that the presence of trust in the Transaction Cost model explains the allocation of decisional rights in franchising where it moderates the franchisor's propensity to delegate their decision rights to franchisees. In addition, the environmental uncertainty has negative impacts on the provision rights to the franchisees since franchisors have more control over the local outlets when the local market environment is highly uncertain.

## **2.2 Agency Theory**

Agency Theory defined as an agency or agent hired by one or more party(s) known as the principal(s) under the contract which is compensated by the principle to accomplish the goals desired by the principal Eisenhardt (1989). Franchising is a prominent platform for a company to organize the distribution sector. Scholars develop a model to show partial monitoring whereby a franchisor only monitors a subset of its company/outlet (Cliquet & Pénard, 2012). In addition, Ishak, Chuah, Wei and Rahim Romle (2016) claimed that franchising enables rapid expansion using franchisee resources such as financial capital and managerial talent as the key in forming and supporting the standing market knowledge.

Barthélemy (2011) stated that the prolific practice of franchising by competitors enlightens the variance in focal chain's use of franchising, which is beyond what was clarified by the importance of local managerial inputs and the threat of franchisee opportunism. Furthermore, another empirical study by Gillis, McEwan, Crook and Michael (2011) found that franchisors use multi-unit franchising to reward their franchisees as one of the solutions for franchising agency problem. This study was done on 68 franchising restaurants to support the tournament model and the franchisors seek franchisees with high managerial experiences and they create routines for knowledge sharing by using the multi-unit franchising. Ishak et al. (2016) found that franchising allows rapid expansion using franchisee resources such as financial capital and managerial talent as the key in forming and supporting the standing market knowledge. Moreover, Cliquet and Pénard (2012) developed a model to show the partial monitoring whereby a franchisor only monitors a subset of its companies or outlets.

## **2.3 Resources Scarcity Theory**

Resource Scarcity Theory (RST) was introduced by Rubin (1978) where this theory highlighted that a franchisor contributes more optimal financial resources compared with its franchisee. Past study by Lafontaine and Kaufmann (1994) found that a franchisee also contributes both management and financial capitals, whereby franchising gains advantage over selling company shares. By selling company shares to others, it causes the loss of strategic control, and since investors (franchisees) will be the partners of the business, they have the rights to influence the company's decisions. Furthermore, this theory explains that the franchisor uses franchise system due to zero access on financial resources.

Furthermore, Hsu, Jang and Canter (2010) emphasised that resource constraint is the main reason to start franchising, whereby a firm is involved at the early stages of growth to overcome the capital and managerial constraints but as the firm grows older, the probability of starting franchising will reduce. Furthermore, the capital constraint weakens the firm's ability to maintain expansion with the existing competitive advantage. Thus, resource constraints are the motivation for franchising (Castrogiovanni, Combs, & Justis, 2006). In addition, a past study by Kistruck, Webb, Sutter and Ireland (2011) suggested that undeveloped capital markets can be a strategy to overcome capital constraints that are related with growth in micro franchising. However, they also recommended some possible adaptations to enable mitigation at least to some of the financial resource's challenges. Another study by Combs, Ketchen, Christopher and Short (2011) suggested that managers prefer ownership redirection because it is constrained by economic factors which are further explained in agency and property rights that motivate franchising.

# **3. METHODOLOGY**

## **3.1 Research Design**

For this study, qualitative methodology was adopted as researchers study the phenomena in their natural settings, attempting to make sense or to recognize phenomena in terms of the meanings that are brought to them (Denzin & Lincoln, 2011). Qualitative research is comprised of empirical materials-case study, introspective, life story and personal experience, historical, and observational and visual texts (Denzin & Lincoln, 2011). In addition, case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life

context, particularly when the limits between phenomenon and context are not clearly evident. (Yin, 2014; De Weerd-Nederhof 2001; Eisenhardt 1989). In carrying out this research, the study is positioned at interpretivism paradigm as it holds assumption of contextual multiple realities (Harrison, Birks, Franklin & Mills, 2017). Additionally, it is important for the researcher to understand the meanings, reasons, motives and others subjective experiences which are in time, and context-bound (Hudson & Ozanne 1988; Neuman 2000). Moreover, interpretive researchers believe that reality is in the minds of people which are internally experienced and constructed through social interaction and interpretation. Thus, reality is not subjective, yet it is rather the subjective version of what individuals see it to be (Neuman 2006; Patton 2015).

### 3.2 Database of Cases

Furthermore, the multiple cases were undertaken for this study as Eisenhardt and Graebner, (2007) proposed for multiple cases than single case since because single cases can allow the creation of more complicated theories than multiple cases. Baxter and Jack (2008) highlighted that the strength of case study is that it responds to how and why type of research question which related to qualitative research; hence, case study aims to conduct an intensive study fore deeper understanding. In order to gather the primary sources of relevant data and information about the fostering factors for home-grown franchisors expansion into the international market, the researchers conducted face to face interview sessions with the home-grown franchisors from food and beverage industry. Besides that, the researchers also obtained the secondary data from various sources such a franchising firm's website and some databases from Malaysian Franchise Association (MFA) and Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC).

Furthermore, purposive sampling is suitable for this study as this technique extensively used in qualitative research to identify and selecting the information-rich cases (Patton, 2002). Creswell & Clark Plano (2011) highlighted that purposive sampling also includes identifying and selecting individuals or groups of individuals that are specifically experienced and knowledge with the phenomenon of interest. Thus, for this study, a total of four case studies were selected and analyzed consisting of four Malaysian homegrown franchisors from food and beverage industry. These four cases were selected to provide insights concerning the types of industries, size and age of systems and types of operations. The following table presents the profiles of franchisors, being the participants of this study:

Table 1: Profiles of Participants

Participants	Year of Establishment	Category	Outlets in International Market
Company A (Participant 1)	1981	Quick Service Restaurant	Iran, China, India, Tanzania, Sri Lanka, Azerbaijan, Kuwait, Bahrain, Qatar, Saudi Arabia, United Arab Emirates, Maldives, Indonesia, Myanmar, Thailand, Brunei and Singapore
Company B (Participant 2)	1997	Fast Casual	Singapore, Indonesia, Thailand, China, Brunei, Cambodia, Myanmar, Maldives and Bangladesh
Company C (Participant 3)	2009	Casual Dining	Indonesia
Company D (Participant 4)	2002	Casual Dining	Singapore, Malaysia, China, Indonesia, Sri Lanka, Thailand, Myanmar, Oman, Japan, Bangladesh, Qatar, UAE, Brunei, Maldives, Jordan

### 3.3 Data Collection

Castillo-Montoya (2016) highlighted that the researcher can refine their interview protocol for the purpose to strengthen the reliability in the qualitative study. Hence, the researchers can increase the value of data obtained from the interview session. In addition, Seidman (2013) supported that the purpose of conducting in-depth interview is to gain more on understanding on the participant's experience on the phenomenon of study. Moreover, Creswell (2007) supported that case study is a suitable approach when the researcher has clearly the case with boundaries and pursues to provide in-depth understanding of the cases. For the present study, a protocol discussion was conducted with participants which are franchisor, and each interview and discussion completed in approximately 40-50 minutes. The interview session was conducted in October until December 2019. Besides that, the interview was recorded with the permission of participants.

### 3.4 Data Analysis

For the present study, the data were analyzed by using thematic analysis as it is a method for identifying, analyzing, organizing, describing, and reporting themes emerge from the data (Braun & Clarke, 2006). In addition, the themes were derived inductively, and the researcher started refined the analysis by applying new codes. Furthermore, then the researchers used multiple case study in order to enrich the deeper understanding on the analysis. According to Yin (2013), a multiple case study allowed the researchers to explore differences within the cases and the goal is to imitate the findings across the cases. Also, data analysis was done by using Atlas.ti version 8 software package. This software helped the researcher in readying, organizing, and coding the data (Frieze, 2019) as it has a comprehensive online support guideline to assist the user (Othman, 2019). On the other hand, the researchers also used the constant comparison technique in making data comparison to gradually test the provisional propositions (Silverman, 2016). The participants were selected based on the year being in the franchise industry and number of outlets in international market. Khanifar, Rahmati, Lahoutian, & Haddadi, (2018) claimed that food industry environment is one of the factors that influencing the process of entrepreneurship in food industries.

## 4. FINDINGS

### 4.1 Proven Business System

At the beginning of discussion, the question was centered on the participant's experience on what influence them to expand their business into international market. Based on the discussion, most of the franchisors strongly stated that franchise is a proven business system. Furthermore, they agreed that franchising is a method for business expansion and distributing goods and services by a contract relationship where franchisor grants the right to their master franchisee to conduct a business under their management, trade name, operating system, brand and support. Importantly, most participants agreed that good franchisors will provide a proven business format with initial and continuous support for their master franchisees. Moreover, franchising business format generally assists their franchisee considerably, in running a good business. For example, one participant commented:

*"But I think it's a right structure to move about. Franchising is a good business structure that you can grow, and you can reproduce and sell the idea into a structured systematic business."*

[Participant 1 (P1)]

Indeed, the participants consistently highlighted that the good franchise business system of franchisor will determine the success of their master franchisees outlet. Furthermore, the continuation of franchise business partnership is based on the proven business system provided by the franchisor. Most of the franchisors will guide their master franchisees with their business system and an agreement made. Thus, this will help the master franchisee to perform well in their business. Another participant stated that:

*"So they provide on job training...something like that..because our brand concept is quite simple..we no need to hire a chef..you know all the food...everybody can do as long as they follow the sop and always refer to our systematic and structured system ..."*

[Participant 3 (P3)]

Additionally, one of the participants mentioned that:

*"Franchise is a very effective and systematic system. Our own business is a Malaysian home-grown business... and now with the experience and strength of this brand, we expand overseas and appoint our master franchisee there... with our planned system ... since we are saturated in the local market and now, we have planning to continuous expanding our brand into an international market... .."*

[Participant 4 (P4)]

The participants agreed that franchising is a proven business concept that offer for the systematic system to their potential franchisees. In addition, master franchisee also beneficial from the franchisor's experience and tested operating business system. Hence, this study recommends:

**P1: The higher the proven business system, the higher the tendency of Malaysian franchisors to expand into international market.**

#### 4.2 Franchisor Brand

For this study, our respondents agreed that a good franchisor brand will help to grow their master franchisee business. Notably, when entrepreneurs take a franchise business, they are taking on an established and popular brand name that is already known in the market. Repeatedly, the participants agreed that the strong brand of franchising makes the sense for them to grow and expand their businesses continuously in international market. Besides that, having a strong franchise brand name is paramount for their master franchisee to successful. Prominently, it becomes clear that all participants agreed that their franchisors have already survived decades in their industries and are easily recognized by the customers. All participants also agreed that to make to become successful, the master franchisee need to have interests and passions in selling their franchisor's brands. For instance, the participants stated that:

*"Undoubtedly, in an effort to strengthen the reputation of this company's brand, we are working hard to build our business partner's confidence ... you know it's not easy. It required long time... to expand into the international market, strong and influential brands are very important ... for example our brand is only focused on the Indonesian market because of the similarity of customer acceptance of our products... our menu ... the same Asian flavor ... and most importantly is the brand itself ... but we are slowly looking the potential of market in other countries also..."*

[Participant 2 (P2)]

*"Whereby the we as a parent company... I mean as a franchisor...we puts much cost on market research and development...and tries to uphold the brand reputation and we don't want somebody who only invests money and do nothing about it because we all must grow together with the good brand...our master franchisee...they depend on how well we manage our brand... how we as franchisor make that brand become well-known and popular in their country..."*

[Participant 4 (P4)]

Another participant positively stated that good franchisor will lead for better business expansion. Likewise, good and reputable of franchise brand will create an opportunity for the franchisor as the brand owner to expand into international market by appointing their master franchisee. With that, franchisor can control and monitor their master franchisee and ensure that they compliance with all the brand standard, thus maintaining the identity and quality of that brand.

Additionally, another participant also specified that:

*"Our brand is kind of unique business... because we start with 3 in 1 then suddenly transform into F&B restaurant..."*

[Participant 1 (P1)]

Notably, all the participants expressed that their brand have already survived in the domestic market and because of the well-established of their brand, therefore it also easily identifiable in international market. Consequently, this study suggests:

**P2: The more established the franchise brand, the more likely Malaysian franchisors' expansion into international market.**

#### 4.3 Government Support Agencies

For this study, the respondents also highlighted that support that they gained from the government related agencies are really helpful for franchisor, particularly when they are looking the potential market and country to expand their business. Furthermore, franchisors will benefit from continuous trainings and support provided by government support agencies, where these include guideline, advice and support through international exhibition and trade mission program. Moreover, the participants also stated that getting the information and support from government support agencies is important in franchising business for franchisor to know about international market opportunity, potential investor and good business partner. Importantly, all of participant agreed that these government support agencies playing an important role in creating a franchise-friendly environment. For that, they organize the exhibition and event by in international country to support Malaysian home-grown franchisor find their potential investor and franchisee. During the session, one of the participants described that:

*“In terms of assistance received from the government... .. I would say government support agencies... like MFA, MATRADE ... these bodies help us as a franchisor by organizing an event in other countries... and they will invite us ... we setup the booth there ... such as in FIM exhibition... and from there, it creates an opportunity for us to but the potential franchisee or investor there ...”*

[Participant 3 (P3)]

*“When you ask me about the assistance from government agencies... I can say that by joining some program organized by MATRADE... it make our way easier ... we participate in exhibition last in international country... market... .. MATRADE and MFA really help us... they create the event ... we involve in exhibition... all these indirectly help promote Malaysian brands include our brand”*

[Participant 4 (P4)]

The Malaysian Franchise Association (MFA) was established in 1994 to support the execution of the government’s program in promoting entrepreneurship through franchising. Other than that, Perbadanan Nasional Berhad (PNS) is an agency under the Minister of Finance Incorporated with the mandate to lead the development of franchise industry in Malaysia. The objectives of PNS are to develop the franchise industry and increase the number of franchise entrepreneurs through its expertise by offering quality products and services (Perbadanan Nasional Berhad, 2018). Furthermore, PNS also plays a role in leading the growth of Malaysian franchise industry to achieve their goals to produce more entrepreneurs in franchise businesses worldwide. Moreover, one of the main goals of PNS is to develop home-grown products and market them to the international market. Hence, this study recommends:

**P3: The higher the support provided by the government agencies, the higher the number of Malaysian franchisors’ expansion into international market.**

#### **4.4 Access to the Capital Resource**

In the next discussion, most of the franchisors believed that entering the international market will enable them to have access to the franchisee’s resources such as capital. Prominently, most participants nominated that franchising is a good platform to obtain the expansion capital in the international market because the potential master franchisees are willing to pay in order to buy the trademarks, rights and system from franchisor to open the outlets. Moreover, participants also mentioned that by adopting the franchise business system, it will encourage the franchisor business growth strategy in term of sale, good distribution network and minimizing the franchisor’s capital investment and liability risk. On the other hand, some participants highlighted that capital resource is referred to the goods made by the franchisors and they use it to produce the other goods and services including the tools, machinery, equipment and premise. For instance, one of the participants commented that:

*“Franchising is the good opportunity to expand overseas market... As a franchisor, we had always looking for an opportunity to enter international market but sometimes our ability in term of capital resources is very limited. So, our strategy to expand is by offering our franchise system to the potential franchisee who have that kind of resources...”*

[Participant 2 (P2)]

Furthermore, another participant stated that:

*“Yes...capital is one of the important reasons on why we offer our business system to other franchisees in international market.... potential master franchisee that have the money will looking for franchise business that have a high potential of making high profit... through the inquires, they will be looking for us because our brand is good. Then they willing to invest in this brand...”*

[Participant 3 (P3)]

The participants constantly highlighted that the successful of franchising operation is achieved when franchisor raise capital resources by expanding into international market rather than stay in domestic market. Given this type of mindset, the participants carried the importance of capital resources due diligence prior to expanding their franchise system internationally. During the interview session, some of the participants stated that to achieve the success in the international expansion, it greatly depends on how well the business owner preparation include their capital. In addition, they consistently mentioned that franchising is the good strategy to gain access on capital immediately in order to expand internationally. Therefore, this study posits:

**P4: The more the access to capital resources for Malaysian franchisors in international market, the more their chances to expand into international market.**

## 5. DISCUSSIONS

The result from this study show that majority of participants believe that franchising is the best mode of expansion adopted by any of franchisors in order to expand and operate their business outlet in international market. Franchising system also provide a way and be as strategy for the franchisor to expand in international market with a level of control, low cost and low risk. According to Olotu (2011), franchisors sell a proven franchising business system to franchisees, where franchisees then receive many benefits like attaining rapid expansion with limited financial capital. In addition, franchisees also own and operate a proven business system and procedure while the franchisors provide expertise in such areas of their business. In addition, franchisors provide a proven business system with established system and structured operation procedure for their investors (franchisees) so that the risk becomes lower compared to other types of business (Baresa, Ivanovic, & Bogdan, 2017; Spinelli, Rosenberg, Birley, & Eberhart, 2004). The franchisor depends on their master franchisee to achieve their goals, while a master franchisee will rely on the franchisor in promoting the brand and managerial support. On the other hand, Adeiza, Ismail, and Malek (2017) argued that success for both parties (franchisor and franchisee) are intertwined and this is particularly for systems that are purely franchise.

From this study, it also shows that good reputable of franchisor brand is one of the important factors in encouraging the franchisor to expand their business in international market. Furthermore, Ghantous and Jaolis (2013) supported that in aligning with business practices, franchisor's brand is one of the two fundamental elements of the franchise package where the franchisees invest into and one of the major resources that franchisees pursue when they engage in a franchise contract. An empirical study done by Badrinarayanan, Suh and Kim (2016) emphasised that brand relationship between a franchisor and franchisees is the most important in determining the success of franchising activities. The franchisor depends on investment made by the potential franchisee into their business system and brand in order to expand into international market. Ishak et al. (2016) claimed that franchising enables for rapid expansion by utilizing franchisee resources such as financial capital and managerial talent as key in forming and supporting the standing of market knowledge. As well, Kistruck, Webb, Sutter and Ireland, (2011) highlighted that capital resources can be a strategy to overcome capital constraints that are related with growth in micro franchising. On the other hand, capital resource is referred to the goods made by the franchisors and they use it to produce the other goods and services including the tools, machinery, equipment and premise.

Moreover, government support agencies are important since The Malaysian Government are committed in assisting the Malaysian franchisor to expand their business into international market. According to Awalan (1999), Ministry of Entrepreneurship Development under The Malaysian Government had established the Franchise Development Programme (FDP) at the end of 1992 and it was the main turning point in increasing the growth of franchise sector in Malaysia. In addition, as the major agendas of the National Development Plan, the FDP was adopted in producing more Bumiputera franchisees. Besides that, FDP also play an important role increase the

number of entrepreneurs as franchisor, franchisees and master franchisees and also develop home-grown franchise's product and services. Hence, by gaining the support from Malaysia Franchise Association and other related agencies, they had actively promoting the education programmes such as conference, courses and seminars on franchising (Franchise Development Division 2018). Also, Abioye, Adeniyi, & Mustapha (2017) highlighted that in order for business to grow and sustain the competitive path, business support services are needed.

## 6. CONCLUSION AND LIMITATION

Malaysian food and beverages franchising systems are good example in which the fostering factors that influence the international business expansion of home-grown franchisor can be studied. The present study shows the underlying factors that lead to the expansion of Malaysian franchisor into international market where the access to greater capital resources, franchisor's brand, proven business system and government support agency are the four factors influencing Malaysian franchisor expansion into international market. Resources Scarcity Theory is focusing and confirming that resource is crucial, as stated by this theory. Resource scarcity theory emphasized that firms offer franchises because they lack the managerial expertise and capital required to grow; thus, franchisees can provide both. Maintaining the consistency of the franchise brand is one of the essential tools for a successful business. A franchise brand can be one of the most critical business assets if done correctly. It helps attract and attract prospective franchisees to join the franchisor as a business partner as in line with Agency Theory. The franchise system is proven because the franchisor has solved all the barriers and knows exactly what the franchisee needs to do to be successful, from the beginning of establishing the outlet to maintaining the management of a successful franchise outlet. Transaction cost theory claims that franchise systems can minimize costs through centralized, integrated, and professional management. Undoubtedly, government's role is vital in supporting franchisors in providing financial assistance, training, and promotion services through international exhibitions and trade mission programs. This study makes some significant contributions to the existing literature and theories and thus, also provided the foundation for future research in the context of international franchising study. Additionally, this study also recommended several propositions to be investigated in future franchising research. As this study was conducted using a qualitative methodology and not statistical analysis, generalization may not be claimed (Fingfeld-Connett, 2010). Whilst this paper has highlighted some important considerations, it is important to acknowledge a few limitations whereby the present study focused on one franchise industry only. Thus, it would not yield substantial results. Due to the nature of qualitative study, generalizations cannot be made to the other types of relevant industries of franchising in Malaysian market. Meanwhile this study focused on one industry, similar studies need to be conducted on other category of franchising. Moreover, future researches need to provide empirical data from similar category and apply other methodological approaches. Likewise, the usage of grounded theory methodology helps to enrich the findings, and more studies need to be conducted on the Malaysian home-grown franchise expansion into international market.

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