

## Barriers of Supply Chain Management in International Market for Malaysian Food and Beverage Franchisors

*(Halangan Pengurusan Rantaian Bekalan di Pasaran Antarabangsa untuk Francaisor Makanan dan Minuman di Malaysia)*

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### ABSTRACT

*Supply chain management activities are becoming increasingly important to maintain efficient operations for franchisors in international markets. However, there are gaps related to barriers that affect these activities. Thus, the aim of this research is to explore the barriers experienced by Malaysian franchisors. A qualitative approach through four case studies was conducted with Malaysian food and beverage franchisors as part of the methodology section. The themes developed are: (i) complications of supply chain network; (ii) challenges in finding the right supplier; (iii) difficulties in logistics and transportation; and (iv) accessibility of central kitchen location. Theoretically, this study improves the existing literature on franchising international supply chains through Resource Dependence Theory. Practically, this study provides useful guidance to franchisors to find appropriate and good sources and suppliers when they expand into the international market, be a reference to related parties for policy development and coordinate the supply chain management of the franchise system in the international market in an effective and planned manner.*

*Keywords: Franchising business; franchising barriers; supply chain management; logistic and transportation; international franchising.*

### ABSTRAK

*Aktiviti pengurusan rantaian bekalan menjadi semakin penting untuk mengekalkan kecekapan operasi francaisor di pasaran antarabangsa. Walau bagaimanapun, terdapat jurang yang berkaitan dengan halangan yang menjejaskan aktiviti ini. Oleh itu, tujuan penyelidikan ini adalah untuk meneroka halangan yang dialami oleh francaisor Malaysia. Pendekatan kualitatif melalui empat kajian kes telah dijalankan dengan francaisor makanan dan minuman Malaysia sebagai sebahagian daripada metodologi kajian. Tema yang dibangunkan ialah: (i) komplikasi rangkaian rantaian bekalan; (ii) cabaran mencari pembekal yang tepat; kesukaran dalam logistik dan pengangkutan dan; (iv) kebolehcapaian lokasi pusat pembekalan. Secara teorinya, kajian ini menambah baik literatur sedia ada mengenai rantaian bekalan francais antarabangsa melalui Teori Ketergantungan Sumber. Secara praktikalnya, kajian ini memberi panduan berguna kepada francaisor untuk mencari sumber dan pembekal yang sesuai dan baik apabila mereka berkembang ke pasaran antarabangsa, menjadi rujukan kepada pihak berkaitan untuk pembangunan dasar dan menyelaras pengurusan rantaian bekalan sistem francais di pasaran antarabangsa secara berkesan dan terancang..*

*Kata kunci: Perniagaan francais; halangan francais; pengurusan rantaian bekalan; logistik dan pengangkutan; francais antarabangsa.*

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### INTRODUCTION

Since the past decades, franchising has developed into an organization (Grewal et al. 2011). Combs et al. (2004) explained that franchising was one of the rapid growths

of global retailing, and they had also comprehended that the causes of business owner's survival were the key element of studies in entrepreneurship (Michael & Combs 2008; Ramdan et al. 2022). In 2022, franchise growth is predicted to level off, increasing by 2.2 percent

to 792,014 franchise locations, 17,000 more than in 2021. Franchise employment increased by 8.8 percent and added more than 46,000 jobs a month in 2021. Franchise employment is projected to grow at a slightly lower rate of 3.1 percent to a total of 8.5 million jobs, returning to pre-pandemic levels and net profit of up to 300,000 jobs (International Franchise Association 2022; Opincar 2022).

Nowadays, most Malaysian franchisors have started to expand their companies into the world market after reaching saturation in the domestic market. As a successful worldwide business model, franchising has risen in popularity (Abd Aziz et al. 2022; Abd Aziz 2021; Ramdan et al. 2022). Because franchising has become a well-known business platform all around the world, researchers and governments have taken notice. Entrepreneurs who are encouraged to launch a franchise firm have a better chance of surviving in the competitive market (Abd Aziz et al. 2021; Abd Aziz et al. 2019). The Malaysian government has constantly encouraged and promoted franchising (Abd Aziz et al. 2022). This provides a good starting point for entering the Asian market. Malaysia has around 500 franchise brands, with 70 percent of them are home-grown. Food and beverage, retailing, education, beauty, and health care are among the main businesses. The Malaysian government has set big goals for the franchise business, expecting it to contribute 9.4 percent of the country's GDP by 2022 (Malaysia Retail Chain Association 2022; World Franchise Associates South East Asia 2022).

Supply chain management for Malaysian franchisors in the international market is not easy as compared to the home country. This is a restriction regarding hiring local suppliers and only using resources from the country of entry. Therefore, it causes some complexity to ensure that distribution activities go smoothly to franchise outlets in international markets. There are lack of studies done in the field of Malaysian franchisor expansion from other contextual settings, whereas most of the existing studies are only conducted in the Western context (e.g. Alon et al. 2020; Bretas & Alon 2021; Bretas et al. 2021). Scholars have been studying franchising success for decades, yet understanding the causes and consequences of franchising performance remains unclear (Bui 2022). Current researchers should undertake a further research on this essential topic based on geographical extent and sample size to study the current state of supply chain management practise (Chengedzai 2016; Hussein et al. 2017). Parmar and Shah (2016) claimed that identifying the critical barrier alone is not enough for a successful implementation of a supply chain; therefore, further studies are needed to explore this issue. Moreover, Abd Aziz et al. (2020) recommended future researchers to explore other topics, such as the closed loop of supply chains and franchise industry management. Thus, the aim of this study is to explore the barriers faced by Malaysian franchisors when expanding into the international market in terms of supply chain and logistics management.

By looking on international expansion of Malaysian franchising, it is an important phenomenon to be investigated since franchising is one of the sectors that contribute to the country's income. Malaysia is the world's most franchise friendly government in Asia and this country views franchising as an important driver in encouraging the expansion of the industry to other countries (Abd Aziz et al. 2021; Abd Aziz et al. 2019). It is important for any franchisor to know and understand what the barriers in terms of supply chain management that stance a challenge to them as they expand into international markets. This would enable them to formulate strategies and increase their level of survival ability in a competitive international franchising industry (Abd Aziz et al. 2020, 2022).

The organization of this study begins with the literature related to franchising, supply chain management concepts and theories that are employed to support this study. Next, methodology is also discussed. Furthermore, the themes developed have been discussed in detail and supported with further discussion in the next section. Finally, conclusion has been made based on the result of the findings, where research implications are also presented.

## LITERATURE REVIEW

### CONCEPTS OF FRANCHISING

Franchising has been a well-known platform for business development during the last decade (Prihandono et al. 2021). Franchisors have used a variety of techniques to grow their firm into the worldwide market (Abd Aziz et al. 2021; Abd Aziz, Ramdan et al. 2022). Franchisors provide intangible assets such as the brand, know-how, intellectual property, operational procedures, and other continuous support services to its franchisees (Alon et al. 2020; Erceg 2019; Grzeszczyk 2015). In exchange, franchisees pay franchise fees and royalties and provide information about local market condition (Gillis et al. 2020). The franchising system has grown significantly as a commercial and social organisational structure across the world. Its economic and social benefits include outputs and job creation, economic modernization, entrepreneurship development, and social issue resolution (Alon et al. 2020; Naatu & Alon 2019).

Due to the nature of the products and services, franchising is also used in various industries, particularly retail and service chains (Gillis et al. 2014; Gorovaia & Windsperger 2013). The potential expansion of the franchising model, as well as its influence on income, employment, and social goals, is particularly visible in growing and developing countries (Alon et al. 2010; Elango 2019; Naatu & Alon 2019). In the context of the Malaysian economy, franchising has several advantages as it is an entrepreneurial activity that generates income

and creates new job opportunities (Hanafiah 2019; Abd Aziz & Hanafiah 2019).

#### SUPPLY CHAIN MANAGEMENT IN FRANCHISING

Logistics and supply chain management give numerous views, ideologies, and methodologies to many areas of studies because logistics activities have always been crucial to every organisation (Abd Aziz et al. 2020; Ramdan et al. 2021). Logistics is about creating value for the company's customers, suppliers, and shareholders. The value created by logistics activities is measured in terms of time and location (Abd Latif et al. 2021; Abdul Aziz et al. 2021).

The development of the supply chain management perspective is to include an emphasis on responsiveness to logistics management and the supply chain emerges as a fully developed business discipline (Richey et al. 2022). Furthermore, supply chain vulnerability increases with increasing uncertainty, while the vulnerability increases even more if the companies, through outsourcing or external contracting, have become dependent on other firms (Kurniawan et al. 2017; Svensson 2000). When franchisors and franchisees align their supply chain management, they agree with their present distribution of network suppliers, and work together more efficiently and effectively to ensure that the proper product mix is always accessible. Product and information flow, supply and supply discussions with suppliers, distribution processing duties, transit, handling, storage, and assuring overall consistent quality and availability of goods or services are all parts of supply chain management (Jenkins 2020; Marker 2022; Pontius 2022).

#### RESOURCES DEPENDENCY THEORY

Resource Dependence Theory (RDT) was built on the belief that the survival ability of an organization depends on the ability to obtain critical resources from external environment. Organizations will try to reorganize their dependencies by using various strategies to reduce uncertainty in the movement of resources, such as getting involved in collaborative relationships (Jeffrey et al. 2003; Sutton et al. 2021).

Also, firms that hold market power and have control over key resources needed in their supply chains may be able to exploit their power-dependence relationships to ensure that their partners comply with the standard (Pfeffer & Salancik 1978; Pfeffer & Gerald 2003). Moreover, with the increasing impact of the supply chain barrier, the firm will be increasingly motivated to employ the trust substantiation strategies of connecting, such as monitoring the partner and screening the market for potential alternative suppliers to make comparative assessments (Dirks et al. 2009; Heide et al. 2007).

According to Tae Kim et al. (2020), production firms and logistics service providers may improve their logistics service capabilities by building trust,

satisfaction, and dedication to logistics integration. Building strategic relationships for logistics services also aids manufacturing organisations in improving supply chain business and operational performance. Huo et al. (2017) claimed that, the buyer is most likely already contributing more than it receives in terms of complementing resources and competencies in the dyad buyer and supplier relationship (Huo et al. 2017). As a result, from a resource-dependence standpoint, enlisting such a supplier cannot substantively assist the customer in dealing with uncertainty (Xiao et al. 2019).

#### RESEARCH METHODOLOGY

The qualitative technique was used to fill the research gaps in this study because it provides researchers with instruments to analyse the complex phenomena of study within their context, as claimed by (Baxter & Jack 2008). Silverman (2016) claimed that numerous case studies were conducted to offer more comprehensive conclusions than a single case study. This method was chosen because case study is employed when researchers wish to provide an in-depth knowledge of a phenomenon, and they are a common way used to obtain empirical results (Brasileira et al. 2015).

#### SELECTION OF CASES

In order to select informative cases, purposive sampling is suitable to be used (Neuman 2014). Without doubt, Patton (2015) also stressed that purposive sampling is a technique that is commonly used in a qualitative study to identify and select the rich-information cases from inadequate resources. Purposive sampling, also known as purposive and selective sampling, is a qualitative research approach that recruits participants to provide in-depth and comprehensive information regarding the topic under investigation (Ramdan et al. 2020). Additionally, purposive sampling allows researchers to get the most out of a limited population of interest and provide useful study results. Purposive sampling helps the researcher to collect qualitative replies, which leads to more precise study results and greater insights (Gill 2020; Palinkas et al. 2016; Shaheen 2019). For this study, a total of four cases from Malaysian food and beverage franchisors were selected and analysed. Specifically, the criteria of the sample are as follows: (i) Franchisors who had registered their business with Registrar of Franchise, Ministry of Domestic Trade and Consumer Affairs; (ii) Malaysian franchisors who are currently expanding their businesses into international market and (iii) Franchisors who had opened at least one outlet in the international market. These four cases were also chosen to show the different types of industries, as well as the ages, sizes, and types of franchise operations. This is in line with Silverman (2016) who emphasised that selected cases using qualitative methodology

should be theoretically grounded rather than statistical based.

#### DATA COLLECTION

In order to strengthen the reliability of a qualitative study, the researcher can do interview protocol refinement (Harding 2013; Montoya 2016). Therefore, the value of the data acquired from the interview can be increased by the researchers. This study also adopted an in-depth interview to deepen and sharpen the understanding of the complexities of the phenomenon of the study. This method of in-depth interview was used to learn individual viewpoints of one or a few narrowly-defined themes (Brounéus 2011; Seidman 2013).

Also, qualitative researchers use a small, in-depth sample size to gain insights into the dynamics of specific cases (Willig 2013). Likewise, case study is a suitable method when the researcher is clear with the case limitations and pursues to provide an in-depth understanding of the case, as argued by Creswell (2007). In this study, the discussion on protocol was conducted with the participants who were real franchisors, and each interview and discussion took around 30 to 40 minutes. The sessions were recorded under permission by the participants, and the researchers immediately transcribed the data afterwards.

#### DATA ANALYSIS

This study analyses related themes using a thematic analysis approach. Thematic analysis refers to procedures that enable researchers to find and organise essential and relevant themes and subthemes, which may subsequently be utilised as units of analysis (Guest et al. 2020; Javadi & Zarea 2016). Although theme analysis provides flexibility, a rigorous approach to subjective experience is suitable for social work research as a technique of achieving social justice (Labra et al. 2019).

Six stages are included in thematic analysis. The first stage is to transcribe audio recordings of individual or group interviews done as part of a research. Next, the researcher will continue reading the transcript to find the most relevant significance in the participant's testimony of the phenomena being examined. The researcher will utilise the information determined as relevant in the first

phase to develop the initial code at the degree of analysis available. Initially, researchers began collecting data pieces based on imagined equations or patterns, which was referred to as initial code (Braun & Clarke 2014, 2019). Following that, the theme or category is data elements or word sequences that can serve as a synoptic and exact depiction of the sign described by the person interviewed to a phenomenon under investigation. As such, the theme is made up of coded data that has been gathered together based on equations or patterns (Creswell & Poth 2018; Creswell 2007).

A full description of the phenomena explored in the fourth phase necessitates a careful evaluation of the themes found in the third step. Although the fourth stage was recognised as separate and following the third stage, in practice, the researchers are already experienced with thematic analysis and frequently do two phases concurrently. The fifth phase is divided into two major stages. Themes and subthemes are being thoroughly reviewed at the first level. The thematic matrix must be extensively re-analysed to determine the hierarchical connection's validity and validate that the terms presented at both levels correspond to the meaning suggested by the code (Braun & Clarke 2006, 2014). It is essential to double-check the name provided to the theme so that there is no question regarding their honesty. The second stage is interpretative and consists of defining ideas, concepts, and subthemes in the sixth phase of deep analysis. Presentations and conversations that differ from one another are presented in the sixth phase (Labra et al. 2019).

#### RESULTS

For the present study, the interview was carried out by researchers with entrepreneurship and franchising background (see Table 1). These are the profiles of the franchisors who became the participants of this study:

The findings of this study were divided into four groups of themes based on the characteristics of the supply chain management barriers encountered by the Malaysian home-grown franchisors during their development into the international market. It should be emphasised that during the interview talks, four major topics emerged: (i) complications of supply chain

TABLE 1. Profiles of participants

Code	Participant Level	Year of Establishment	Category	Country Expansion
P1	Top Management	1979	Quick Service Restaurant	Australia, Bangladesh, Brunei
P2	Top Management	1981	Quick Service Restaurant	Singapore, Brunei, China, India, Sri Lanka, Bahrain, Kuwait, Qatar, Saudi Arabia, U.A.E, Iran, Syria, Azerbaijan, Maldives, Indonesia, Myanmar, Thailand, Tanzania
P3	Top Management	1997	Casual Dining	Singapore, Indonesia, Thailand, China, Brunei, Cambodia, Myanmar, Maldives, Bangladesh
P4	Top Management	1998	Fast Casual	China, Thailand, Korea, Saudi, Indonesia, Dubai

network; (ii) challenges in finding the right supplier; (iii) difficulties in logistics and transportation; and (iv) accessibility of central kitchen location. The following sections discuss each of the thematic categories:

#### COMPLICATIONS OF SUPPLY CHAIN NETWORK

First and foremost, one of the themes emerged from the data analysis was the complications of supply chain network. Based on the discussions with the interviewees, they also highlighted that supply chains of franchising in the international market are global and complex. For most franchisors, the selection and management of multiple suppliers that can really provide competitive cost with good quality of products and services are sometimes hard to find. In certain conditions, the complexity of supply chain happens in franchising system because of the different goal settings between the franchisor, the master franchisee and the supplier, in which generally occur in terms of cost, customer value and satisfaction, and competitive advantage. These participants highlighted that:

*“Basically... for some flexibility, we allow franchisee to purchase their own... ingredients...to have their own supply chain... need to get our approval of that supply chain. Because we want to uphold the quality... we want to supply everything but sometimes cannot resupplying it... today we have... tomorrow don't have... in the next day we have... that's why we need to basically study their chain before we approve them ...” (P3)*

*“For some countries, they are restricting some raw materials or products to bring in... let's say flour based raw materials... we cannot have a flour based... ... like Indonesia... We cannot bring in our flour based raw materials inside... we have to meet the local requirement. So, they have to check one by one... supply chain quite complex. (P1)*

Beyond manipulating supply chain activities, implementing a globalized supply chain means that franchisors will need to stack and modify their products to accommodate the cultures of different markets. Apart from this, franchisors will also need to consider legal and regulatory issues that can occur when they are working with different international suppliers from different countries. Importantly, by understanding the suppliers' customs and dealing with the differences in quality, these can become a major source of frustration if a proper outsourcing structure is not created by the franchisors in the international market. It should be noted that, while many franchisors expand internationally, doing so will involve more complexities in supply chain management as one of the participants stated:

*“So, the ingredient is from here, but the raw materials are from there... so we have to clearly identify all the*

*supply chain there... for supply the materials... chicken, vegetables... supply the stocks... for all that, we have to identify them over our specification to avoid any issues or problem happen in our supply chain.” (P2)*

#### CHALLENGES IN FINDING THE RIGHT SUPPLIER

The participants described some difficulties in identifying a proper supplier as one of the categories in supply chain complexity, based on the findings of the interview. For any franchising business, maintaining the standard and quality of products or services delivered to the customers is very important, since customers perceive that any franchising outlets in any countries in the worldwide market should have the similar products or services. However, the participants consistently mentioned that some of the outlets in the international market encountered difficulties in getting the same supplier as they did in their home-grown Malaysian market. These participants revealed that:

*“Why we said appointed supplier... ... for chain like us, international... we will have 500 stores globally... right... and we need to really rely to the international supply chain. (P1)*

*“Like Jakarta, our sauce and spices cannot go in... is a custom rule there...probably because... ... We mean in their way; their population is huge... they want us to rely on them to supply... they want us to get the raw materials there... (P3)*

The governments of some international countries also control or prevent Malaysian franchisors from importing raw materials through various mechanism such as licensing requirements. Moreover, the country in international market should be free and transparent in dealing with franchisors in terms of exporting and importing the raw materials, where all of these will be a barrier for them when they decide to expand their businesses in the international market. It was also evident from these participants where the choosing of a non-compliant supplier will generate a problem and will create barriers to the franchisors as this will directly increase the cost of supply chain management particularly, as it will be a burdensome for both parties:

*“When it's come to the raw materials... not all must be supply by the parental company, Malaysia. For example, like vegetable, our franchisee can get it at their own country... certain... ... certain item only like sambal paste...nasi lemak... then curry... that one we have to export there. So that's why it very difficult to maintain that kind of quality and taste even though we supply sambal paste ... because our franchisees may have their own supplier for some raw materials... but it is not the same taste like Malaysia one...because they get the other raw material from other and different supplier in their*

*country...it's not easy to maintain the quality of supplier for each outlet..." (P4)*

#### DIFFICULTIES IN LOGISTICS AND TRANSPORTATION

Based on the findings, the participants agreed that logistics and transportation play a critical role in supply chain management. In most franchising businesses, supply chain management is essentially a balancing act of time versus cost. This is most easily observed in the transportation component, where there are numerous ways to move items from one outlet to another in the international market, and the shipping cost may be well-adjusted by various techniques and evaluated against relative shipping times with foresight. When a franchisor arranges goods to ensure it will reach to the master franchisee in the most time-efficient manner possible in the worldwide market, they can achieve the lowest logistic freight costs. These participants emphasized it, in line with these quotes:

*"There is another issue... we have to take all the things from here and transport there...the cost increasing many times...so it depends on the country also. For example, let's talk about Brunei... Brunei is a master franchisee...for the whole country... we will give them the license to set up their own central kitchen... it is not worth it if we transport everything from here to there because transportation cost... custom issues or all the certifications...this one... that one..." (P2)*

*"We do all the products in the central location and then the franchisee, we send logistically through the trust, we sent to their outlet... so because at the model is easier for franchisee to adapt in their country... only sometimes the challenge is in term of the cost of handling transport... the cost might increase depend on the transportation that we use..." (P4)*

Although most franchising businesses will identify the visibility of transportation supply chain as their primary goal, it might become a barrier if it fails to match the actual strategy for delivering raw materials and inventories to the master franchisee in the international market. The participants stated that franchisors occasionally had problems in establishing proper transportation and logistics visibility. Because supply chain visibility as a process necessitates the integration of the correct system that operates amongst many aspects in the franchise business system, transportation and logistics vision did not receive adequate attention. Different data and information must be used for some of these pieces. Not only this data must be present, they must also work in tandem with all other systems. These participants stated that:

*"We mean sometimes like fisher and so on we will provide them we... .. will provide them with the specifications... they can find it at their home country. If they don't manage to find it in their home country, we have a consolidator and they are able to export to them... but sometimes it quite costly for logistic... the transportation... in certain conditions, sometimes logistic and transportation is considered as barriers..." (P3)*

*"So, it's like win-win situations... right. We cannot like everything 100 percent export from Malaysia... It's going to be more huge cost of logistic and transportation for our franchisee. So, for example like Halal chicken supplier... our bun... our vegetables...some our savoury items... we have to engage with the local supplier". (P1)*

#### ACCESSIBILITY OF CENTRAL KITCHEN LOCATION

Finally, the participants also discovered that the accessibility of central kitchen location is very important in conducting a food and beverage franchise business, particularly in the international market. The failure to choose a strategic location for a central kitchen position will serve as a barrier to the supply chain management. Indeed, franchisors and their master franchisees need a large storage of central kitchen location adjacent to their franchise outlets, combined with accurate inventory control to ensure product availability. These participants revealed that:

*"We have outlet in Europe region, so we have to identify the strategic location for central kitchen... maybe one of the Europe countries... .. to have the central kitchen... to supply all the products" (P1)*

*"Yes... good location including central kitchen... that's why location of central kitchen also important to avoid delays in stock delivery and it will affect the outlet performance too".(P2)*

Undoubtedly, central kitchen location accessibility is usually important for food and beverage franchise business as it has a direct effect on a master franchisee outlet operation's cost, as well as its ability to reduce the cost of managing the supply chain and transportation. Apart from this, the location of the central kitchen will become a barrier if it is placed in non-strategic location and accessible by all-other outlets in that particular country. If the location of the central kitchen is too far, it will increase the costs of handling the distribution of raw materials and inventory for production. From this point, one participant stated that:

*"In international market we do have it...normally our master franchisees have to setup their own central*

*kitchen then they will manage how to send to their outlet... so only we try to work with people that in F&B also ...” (P4)*

## DISCUSSION

The aim of this study is to explore barriers that Malaysian franchisors encounter when expanding into the global market in terms of supply chain and logistics management. This study is based on the experience of Malaysian franchisors where their business has saturated in the local market and has begun expanding into the global market.

According to the respondents, complications of supply chain network are among the barriers confronted by franchisors when they want to expand into international markets. For this reason, sometimes, the causes of complexity rarely come from outside sources. However, many supply chain issues in managing franchise outlets in the international market are derived simply from the way the business works. Indeed, naturally, franchisors and their major franchisees need to rely on suppliers to make the supply process smoother and prevent it from being inefficient. Moreover, Gurtu (2021) claimed that the management of supply chain risks is critical for the firm. It encounters unforeseen obstacles because of the country's economic policies and globalization, which have created uncertainties and challenges for an organization's supply chain. Due to the rise of industrial business networks, firms are continually suffering increased degrees of supply chain disruption in their operations. It is becoming increasingly important for businesses to examine risks in their operations on a regular basis (Abdul Ganiyu et al. 2020; Kirilmaz & Erol 2017). Therefore, we propose that:

P<sub>1</sub> The higher the complexity in supply chain network, the lower the possibility of home-grown franchisors' expansion into the international market.

Next, challenges in finding the right supplier are also a theme discovered in this study. Firms that hold high market power and control over key resources needed in their supply chain are capable to exploit their power-dependence relationships to ensure that their partners comply with the standard (Pfeffer & Gerald 2003). In line with this, Kalargyrou et al. (2018) described that in the franchising supply chain, the franchisee concurrently acts as the employee, owner, and customer. On the other hand, strategic purchasing within the organizations has enabled the firm to obtain the resources required to fulfil their needs. Additionally, strategic purchasing is supposed as a tool for improving organization performance and increasing cost-effectiveness through the minimization of costs (Keitany & Riwo-Abudho 2014). According to Rajah et al. (2018), efficient supply chain management is essential for an organization's existence and success.

As a result, the challenges may differ depending on the country of origin and nature of the industry. To maintain worldwide engagement, an effort to find alternatives will be extensively supported and implemented throughout the business. Past study by Flankegard et al. (2019) discovered that supplier engagement has indicated possible benefits such as faster time to market, cost savings, and higher quality. Internal challenges need the same level of attention as external challenges. Therefore, we propose that:

P<sub>2</sub> Greater challenges in finding the right supplier is negatively related with the expansion of home-grown franchisors into the international market.

Another theme discovered in this study is difficulties in logistics and transportation. To support this, Svensson (2000) argued that the supply chain's vulnerability grows as uncertainty grows, and that the vulnerability grows even more if firms become dependent on other organisations through subcontracting or external contracting. Past study by Arumugam and Ganesan (2019) argued that the main goal of logistics management is to organize transportation flexibility into different categories and activities. In this approach, the importance of this form of flexibility in offering specific strategic logistics decisions for businesses can be determined. The varied characteristics of industrialized and developing countries have resulted in different logistical issues. Three significant urban logistics difficulties in both types of economies are urban expansion, environmental and transportation challenges, and congestion. Besides, an urban logistical challenge analysed in the literature on developing countries is the increase of the fleet and insufficient unloading space, as opposed to the literature on advanced economies, which addresses the challenges of lack of education, regulation, the emergence of new business models, and the accessibility and capacity of logistics networks (Arvianto et al. 2021). Therefore, we posit that:

P<sub>3</sub> The higher the difficulty in logistics and transportation activities, the lower the possibility of home-grown franchisors' expansion into the international market.

Last theme discovered in this study is accessibility of central kitchen location. Aligned to this, franchising businesses rely on factors such as the sustainability of location, convenience, physical environment and service, as well as its perceived customer value and image in order to attract the customers and to improve the business performance (Jaravaza & Chitando 2013; North & Kotze 2004). Also, Chancey et al. (2016) explained that facility location and logistics network planning are well-known, yet critical problems in the effectiveness of the supply chain of a company still exist. Past study by Dareker and Peshave (2016) discovered that a well-designed kitchen saves operating costs and

time, and it is essential for providing a well-organized work environment for commercial food preparation. In the food service sector, service operations management is crucial. Restaurant sought to plan, implement, assess, and improve many parts of service operation on a regular and continual basis (Kanyan et al. 2016). For franchising businesses, it is very important for an outlet to be close to the central kitchen to ensure the supply of raw materials is easier, uninterrupted and can maintain freshness (Abd Aziz 2020; Abd Aziz et al. 2019; Abd Aziz et al. 2020). Hence, we propose that:

- P<sub>4</sub> Good access of central kitchen location is positively related with the expansion of home-grown franchisors into the international market.

#### THEORETICAL IMPLICATION

Based on the findings obtained from this study, theoretical implication is discussed. This study focuses on barriers of supply chain management in the international market for Malaysian food and beverage franchisors. Because only few past studies focus on supply chain management, there are limitations in Resource Dependency Theory to explain how supply chain management is carried out in a franchising system. Resource Dependence Theory is based on the principle that organizations, such as business firms, must conduct transactions with other organizations in their environment to acquire resources. For the most part, Resource Dependency Theory analyses how resources are needed in certain ways and the relationships between parties involved. Thus, findings from this study produce new related themes, namely supply chain networks, suppliers, logistics and transportation, and central kitchen location have contributed to the richness of literature for this theory and may be useful to guide future studies.

#### MANAGERIAL IMPLICATION

For managerial implications, the findings on supply chain management barriers are beneficial for franchisors to understand the international market. Since international expansion is reasonably risky for Malaysian franchisors despite having experience in the domestic market, they need to understand the expected barriers as well. Findings from this study can help franchisors to understand more about supply chain management and planning strategies to find good supplies and suppliers for their business in the international market. Related parties such as government agencies can also use findings from this study to produce policies or guidelines for franchisors who will expand to the international market in terms of restrictions regarding resource supply activities to ensure the smoothness of the supply process of raw materials to the central kitchen. Franchisors can also plan how to plan a good relationship with suppliers to maintain the quality of raw materials supplied, by understanding the findings of this study.

#### CONCLUSION

The franchise supply chain in the international market is complex, and many factors influence it. In brief, this study has highlighted barriers of supply chain management in international market for Malaysian food and beverage franchisors. Franchisors need to understand the barriers related to supply chain management to ensure they can survive in the competitive international market. The findings indicated four themes of barriers in supply chain management which are: (i) complications of supply chain network; (ii) challenges in finding the right supplier; (iii) difficulties in logistics and transportation; and (iv) accessibility of central kitchen location.

Supply chain complexity occurs in franchise systems due to various goal setting between franchisors and suppliers. Additionally, finding a good supplier is also a challenge, in addition to the issue of maintaining the quality and standards of raw materials. The franchisor is fully responsible for ensuring that the stock of raw materials arrives on time. This is to maintain smooth operations and ensure that the supply is not interrupted. New themes resulting from this study enrich Resource Dependency Theory from the perspective of franchising and supply chain management. Practically, this study has provided guidance to existing franchisors as well as prospective franchisors who wish to expand into the international market in the future to plan their resource supply management. It is important for them to clearly understand the barriers that can affect the continuity of supply chain activities, so that their business can survive in the international market.

Since this study uses qualitative methods instead of statistical analysis, generalizations may not be possible. Future studies can conduct similar studies in different franchising businesses to explore more barriers in supply chain management. Moreover, propositions that have been developed can be tested using quantitative methods with larger samples to verify them.

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