



Influence of Regulatory Framework on Franchise Management Capabilities and Operational Performance of Healthcare Entrepreneurship in Kenya

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Abstract

This study examined the moderating influence of the regulatory framework on the relationship between franchise management capabilities and operational performance of healthcare entrepreneurship in Kenya. The study adopted pragmatist philosophy and a sequential mixed-methods design with a target population comprising 11,150 health entrepreneurs, from which a sample of 386 respondents was selected using multistage sampling (stratified random and purposive sampling). Data were collected through a structured questionnaire and interview guide and analysed using SPSS and NVIVO to obtain both descriptive and inferential statistics, thematic results, respectively. Results show regulatory framework significantly moderated the relationship between management capabilities and operational performance of health care entrepreneurs. The implication is that the regulatory framework strengthens franchise management capabilities in the operational performance of healthcare entrepreneurship. The regulatory framework provides clarity, legal protection, and enforcement mechanisms that strengthen compliance, ensuring franchisees and franchisors operate within defined standards. While the existing legal framework offers clear guidelines on rights, obligations, and intellectual property protection, concerns about enforcement and compliance complexity are critical. Thus, the study recommends the strengthening and enforcement of the regulatory framework to ensure compliance and adherence, and that franchise businesses need to invest in continuous training programmes to ensure that staff are updated on regulatory changes and best practices. Finally, strategic partnership and collaboration between regulatory agencies and franchise operators is recommended, aimed at promoting compliance, efficiency, and business growth of the parties involved.

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Introduction

Franchising is a business model that allows entrepreneurs (franchisees) to adopt a proven business model developed by a franchisor, thereby reducing the risks of establishing new ventures (Dyer & Singh, 2021; Stanworth et al., 2019). The model provides franchisees with established operational frameworks, brand recognition, and support systems, enabling them to focus on business



development and customer service rather than building operations from scratch (Ojobor, 2019; Orgonáš & Reháč, 2021). Reports show that the arrangements are a significant entrepreneurial pathway that contributes substantially to national economies, including up to 17% of the U.S. GDP (Dant et al., 2021). These benefits make franchising a popular growth and survival strategy across industries, with franchise businesses often demonstrating higher survival rates compared to independent start-ups (Schweiger et al., 2020; Zimuto & Maritz, 2019). Franchising may be traced back to 1851 when the Singer Sewing Machine Company pioneered the model, followed by Coca-Cola and global fast-food brands such as McDonald's and KFC in the mid-20th century. Over the years, the model has extended beyond retail and hospitality to regulated sectors such as healthcare, where entrepreneurs are expected to benefit from operational manuals, quality assurance structures, and compliance support.

Over time, franchising has evolved beyond a purely commercial or transactional arrangement into a strategic partnership framework that fosters mutual value creation between franchisors and franchisees. The transformation reflects a shift from the traditional focus on brand replication and profit generation to the development of collaborative networks that emphasise knowledge-sharing, capability building, and sustained operational excellence (Gillis et al., 2020; Dyer & Singh, 2021). Modern franchising systems increasingly rely on relational governance, anchored on trust, communication, and joint problem-solving aimed at enhancing performance and innovation across units (Farooq, 2019; Kim & Tiwana, 2022). Inter-firm cooperation enables both franchisors and franchisees to leverage shared expertise, technological advancements, and market intelligence, thereby achieving greater strategic flexibility and adaptability in dynamic business environments (Giménez & Novo, 2020).

In Kenya, franchising continues to expand across sectors, including fast-food, retail, banking, and consultancy services (Malinda, 2019; World Bank, 2020). Supported by the Kenya Franchise Association and the International Finance Corporation, the model has been formalised to create awareness and guide entrepreneurs in franchise opportunities. Healthcare franchising is evident in initiatives such as Equity Afia, Tunza Clinics, and Child and Family Welfare (CFW) facilities (Nyaga & Okeri, 2020; Wafula et al., 2020). Performance of these outlets demonstrates how franchising expansion enhances access to healthcare, particularly in underserved and hard-to-reach areas, while improving service quality and entrepreneurial sustainability. By leveraging management capabilities, franchised healthcare providers are considered better positioned to deliver consistent quality compared to independent facilities (Mutua, 2020). They are considered essential for maintaining operational consistency, service quality, and brand integrity across geographically dispersed outlets.

The success of the aforementioned healthcare franchises depends not only on the overarching brand and resources but also on internal management capabilities (Callaci, 2021; Giménez & Novo, 2020). For instance, Equity Afia, launched in 2015, is estimated to have expanded to over 100 clinics nationwide by 2024, providing standardised and affordable outpatient services through operational routines that emphasise consistency, training, and continuous knowledge-sharing (Wafula et al., 2020). Similarly, Tunza Clinics continue to integrate reproductive health, family planning, and maternal health services through a franchise system that equips providers with business and clinical management skills, thereby strengthening service delivery and patient satisfaction. These models demonstrate how structured franchise management frameworks can enhance efficiency, scalability, and quality assurance in healthcare entrepreneurship.



Notwithstanding these developments, empirical evidence linking the moderating influence of the regulatory framework on the relationship between franchise management capabilities and the operational performance of healthcare entrepreneurship in Kenya remains limited. Most existing research conceptualises franchising primarily as a risk-reduction or business expansion mechanism (Ojobor, 2019; Orgonáš & Reháč, 2021), without adequately exploring regulatory frameworks that determine franchise success. Arguably, there is limited analysis of how regulatory frameworks contribute to measurable improvements in operational performance outcomes such as efficiency, quality consistency, and financial sustainability. This represents a conceptual and empirical gap in the Kenyan context, where healthcare franchises play a growing role in addressing access and quality challenges despite literature emphasising franchising as a business replication mechanism rather than a capability-driven management model (Callaci, 2021; Gillis et al., 2020; Giménez & Novo, 2020). The purpose of this study was to examine the moderating influence of the regulatory framework on the relationship between management capabilities and operational performance of health care entrepreneurs in Kenya.

Theoretical Review

The study was anchored on two theories, namely Agency Theory and Relational View Theory. A brief on these theories is provided.

Agency Theory

The Agency Theory, developed by Jensen and Meckling in 1976, focuses on relationships where one party (the principal) delegates responsibilities to another (the agent). In franchising, the franchisor acts as the principal and the franchisee as the agent. Agency Theory posits that information asymmetries and misaligned incentives may create inefficiencies, but these can be reduced through monitoring systems, incentives, and clearly defined routines (Fama & Jensen, 1983). In the context of healthcare entrepreneurship in Kenya, Agency Theory helps explain why knowledge-sharing routines, such as training, managerial knowledge transfer, mentorship and coaching, are crucial for minimising agency costs. Healthcare franchisors delegate brand authority and operational responsibilities to local entrepreneurs, but without effective knowledge transfer, franchisees may deviate from expected standards, compromising both service quality and compliance (Alon, 2018). Critics, however, argue that the theory oversimplifies franchising as a contractual relationship and underestimates relational dynamics such as trust and long-term collaboration.

Relational View Theory

The Relational View Theory argues that competitive advantage can emerge from inter-firm collaborations through what are called *relational rents*, joint value created through partnerships that firms cannot achieve independently. These rents often arise from knowledge-sharing routines, trust, and the integration of complementary resources. In healthcare entrepreneurship, particularly in Kenya, relational competencies enable entrepreneurs to access franchisors' expertise, technologies, and standardised processes, thereby enhancing efficiency and service quality. For instance, networks such as Equity Afia and Tunza Clinics demonstrate how franchisors and franchisees co-create value by institutionalising training, compliance, and operational routines. Nevertheless, scholars caution that relational advantages are not automatic. Power asymmetries, opportunism, and regulatory burdens may constrain knowledge flows and limit performance outcomes (Reimers et al., 2022). Thus, while the Relational View strengthens understanding of how healthcare entrepreneurs can benefit from knowledge-sharing, its predictions must be evaluated against contextual realities in Kenya.



Method

Research design

The study adopted a pragmatic philosophy because it emphasises empiricism and objectivity, thereby enabling the testing of hypotheses regarding the influence of the Regulatory Framework on Franchise Management Capabilities and Operational Performance in Healthcare Entrepreneurship in Kenya. In terms of research design, the study employed a sequential mixed-methods design. The design was selected because it enabled the integration of qualitative insights into a primarily quantitative framework, allowing numeric results to be interpreted with contextual depth. Given the nature of the information sought and the target population, as explained below, the study sites were the offices of the target respondents.

Study population

The target population consisted of 11,150 health entrepreneurs licensed by the Kenya Pharmacy, Medical and Dentist Practitioners Council (KPMDDPC), and the respective board members. This population was categorised into two, namely the target population for quantitative and qualitative data. On one hand, the target population for the quantitative data comprised of pharmacists, dental practitioners, psychiatrists & mental health professionals, radiologists & imaging specialists, medical doctors, and laboratory technicians. On the other hand, the target population for qualitative data comprised the facilities' board members.

Sample size and sampling

This research study used multistage sampling (stratified random and purposive) to account for respondent categories in the population. Yamane’s (1967) sample size determination formula was used, yielding a sample of 386 respondents. The study employed proportionate allocation of the sample size to ensure that the sample size for each stratum was proportional to its size in the population, as summarised in Table 1.

Table 1: Sample Size Distribution

Categories	Population	Sample
Pharmacists	2650	89
Dental Practitioners	1800	61
Psychiatrists & mental health professionals	780	26
Radiologists and Imaging Specialists	1670	56
Medical Doctors	2400	81
Laboratory Technicians	2200	73
Total	11,500	386

Data Collection and Analysis

The study relied on primary data collected through structured questionnaires and an interview guide administered to the sampled respondents. The questionnaire consisted of closed-ended questions, which utilised nominal and Likert scales. Nominal scales captured demographic information, such as age, gender, and job title, providing context for interpreting the findings, while a five-point Likert scale measured both the independent and dependent variables, enabling quantitative analysis. In addition, an interview guide was used to gather detailed information from the directors of the sampled entrepreneurs to support the quantitative data. The tools were pre-tested to assess their reliability and validity using Cronbach’s alpha. Cronbach’s alpha coefficients for both the independent and dependent variables exceeded 0.70, confirming acceptable internal consistency reliability. The Statistical Package for the Social Sciences (SPSS, version 28) was used to analyse quantitative data, while NVIVO was used to analyse qualitative data. Descriptive statistics included



percentages, mean, and standard deviation. Inferential statistics included statistical tests and linear regression analysis. Prior to model estimation, diagnostic tests were conducted to ensure robustness and validity, including tests for linearity, normality, and heteroscedasticity.

Ethical considerations

Ethical approval was sought and secured from both the Institutional Science and Review Committee (IERC) and the National Council of Science, Technology and Innovation (NACOSTI) {(USIU-A/IERC/US394-2024; NACOSTI/P/25/414658)} before piloting the instruments. Piloting was conducted on elements included in the target population but not part of the sample. This was carried out among 39 healthcare entrepreneurs, representing 10% of the unit of analysis, who were not part of the sample. The instruments' reliability was validated using Cronbach's alpha, with all variables and constructs reporting values above 0.7. Whereas the questionnaire, together with the ethical approval letter and research permit, was emailed to the identified respondents, who were requested to respond and revert, interviews were conducted in person by the researcher and trained research assistants.

Results

The results are reported starting with the respondents' demographic characteristics, followed by descriptive statistics, statistical tests, and, finally, regression and analysis of variance.

Demographic Characteristics of the Respondents

The demographic profile of respondents indicates a relatively balanced gender distribution, with 52.6% male and 47.4% female, suggesting that both genders are fairly represented in healthcare entrepreneurship. In terms of age, the respondents are well distributed across age brackets, with the largest group aged 21–30 years (26.7%), followed closely by 41–50 years (25.3%) and 31–40 years (24.9%), while 23.2% were aged 50 years and above. The distribution reflects a mix of young, mid-level career, and experienced healthcare entrepreneurs. Educational level indicates that the majority of respondents hold higher education qualifications, with 24.2% holding Master's degrees and 22.8% Bachelor's degrees, while 18.9% hold certificates, 15.1% hold diplomas, and 18.6% hold PhDs. This demonstrates that most participants are educated, which may enhance their capacity to engage in franchise management capabilities and understand regulatory frameworks. Regarding job position, the largest category was staff (29.8%), followed by owners (26.0%), managers (23.5%), and partners (20.7%). The findings suggest that the study captured perspectives not only from senior decision-makers (owners, managers, and partners), but also from frontline employees, who, it may be argued, are directly involved in implementing operational processes and interacting with patients.

Descriptive Statistics, Regulatory Framework, Management Capabilities and Operational Performance

In terms of descriptive statistics, the results show varying levels of agreement among respondents on various indicators of how the regulatory framework affects the relationship between management capabilities and operational performance, as summarised in Table 2 by mean scores and standard deviations. The current legal framework for franchising, which provides clear guidelines for the rights and obligations of franchisors and franchisees, recorded the highest mean score of 3.66 and a standard deviation of 1.13, indicating moderate agreement with some variability. This was followed by adequacy of legal framework in regulating fees, royalties and financial obligations of the franchisees (3.58), a legal framework that ensures transparency in franchise agreements, protecting the interests of both franchisors and franchisees. Other notable results, as reflected in the table, are in terms of standard deviation, which is more than one (1), reflecting variability in terms of how the regulatory framework moderates the relationship between management capabilities and operational



performance of health care entrepreneurs. The variability could be attributed to differing legal frameworks governing various categories of entrepreneurs in the health sector.

Table 2: Regulatory Framework and Operational Performance

Regulatory Framework	Mean	Std. Deviation
The current legal framework on franchising provides clear guidelines for the rights and obligations of franchisors and franchisees.	3.66	1.13
The legal framework assures transparency in franchise agreements, protecting the interests of both franchisors and franchisees.	3.54	1.06
The legal framework provides effective mechanisms for resolving disputes between franchisors and franchisees.	3.53	1.09
The legal framework adequately regulates the fees, royalties, and financial obligations of franchisees.	3.58	1.16
The legal framework ensures the protection of franchisors’ intellectual property rights, including trademarks and trade secrets.	3.47	1.11
The legal framework is flexible and adaptable to emerging trends and changes in the franchising business environment.	3.55	1.09
Franchisors and franchisees find it easy to comply with the legal requirements set by the franchising regulatory framework.	3.46	1.10
The legal framework incorporates adequate consumer protection measures within the franchising business model.	3.44	1.07
The legal framework effectively enforces franchise contracts and penalises breaches by either party.	3.35	1.12
Composite	3.51	1.10

Thematic analysis of the qualitative data revealed instances in which entrepreneurs adopted various strategies to ensure compliance with regulatory frameworks designed to maintain high operational performance. Results show that many respondents leveraged digital solutions to streamline compliance processes and minimise risks. For instance, respondents noted that they had integrated regulatory checklists into their respective systems, automating compliance alerts, and that staff continue to participate in regular training to stay updated on relevant regulations. In addition, they observed that they could conduct mock inspections to pre-empt gaps, which significantly reduced non-compliance fines. Similarly, they also noted the use of a compliance dashboard to track regulatory updates.

Ensuring up-to-date certifications and data security were also key focuses, with respondents noting that staff certifications were tracked via a digital portal to prevent licensing lapses and that automated record-keeping ensured compliance with patient data protection laws. According to respondents, digital tools had simplified regulatory audits, with digital patient logs streamlining audits by respective regulators, while documentation checklists reduced audit discrepancies. Additionally, the implementation of compliance strategies addressed quality-control and counterfeit drug risks, with respondents noting that digital prescription tracking minimised the risk of counterfeit drugs. They opined that the use of automation, digital tracking, and proactive training strengthened compliance efforts, thereby reducing regulatory risks while enhancing operational efficiency in healthcare enterprises.



Diagnostic Tests

Before conducting regression analysis, various tests were performed, including tests for normality, linearity, and homoscedasticity, among others. As shown in Figure 1, the data appear nearly normally distributed, as indicated by the bell-shaped curve overlaid on the histogram. This suggests the responses provided were more closely related to the fewer responses at the extremes. This seems to support the mean scores, indicating that respondents agreed on most of the areas under consideration.

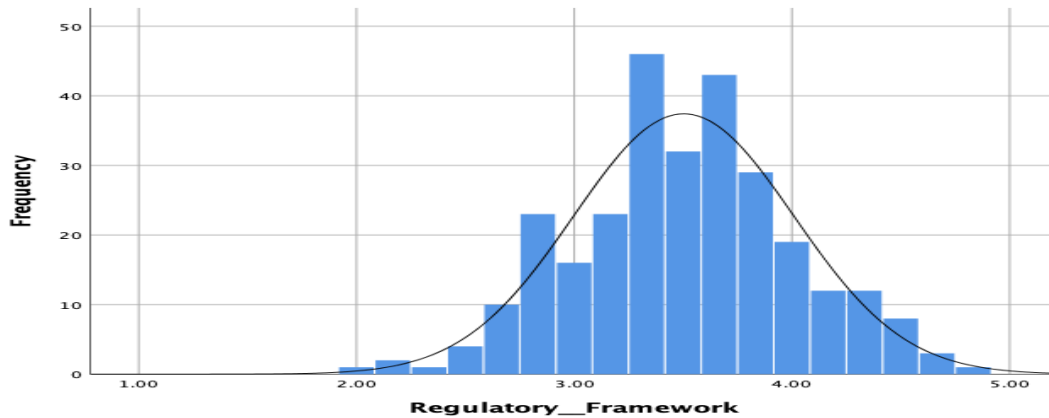


Figure 1: Normality Test for Regulatory Framework, Management Capabilities and Operational Performance

The scatter plot was constructed to present the regression standardised residuals against operational performance, which aided in assessing the assumption of homoscedasticity in regression analysis. The results suggested homoscedasticity, meaning the variance of the errors remains constant across all levels of operational performance. Correlations among franchise management capability, regulatory framework, and operational performance were examined, with results indicating a strong positive relationship among these variables. Results also showed that the regulatory framework was highly correlated with operational performance ($r = 0.831, p < 0.01$), and franchise management capabilities showed a strong positive correlation with operational performance ($r = 0.805, p < 0.01$). Regulatory framework and franchise management capabilities are strongly correlated ($r = 0.856, p < 0.01$), implying that well-established regulations are associated with franchise management.

Inferential Statistics: The Moderation of Regulatory Framework on the Relationship between Management Capability and Operational Performance

The stepwise regression results in Table 3 indicate that both franchise management capability and the regulatory framework significantly contribute to explaining variation in operational performance, as summarised in Table 2. In the table, model 1 includes only franchise management capability as a predictor, explaining 64.8% of the variance in operational performance ($R^2 = 0.648$), with an adjusted R^2 of 0.646 and a standard error of 0.21811. This suggests that franchise management capability alone has a strong predictive effect on operational performance. The introduction of a regulatory framework contributed towards improvements in the results as reflected in Model 2. Introducing the regulatory framework as an additional predictor increased R^2 to 0.723 (72.3%), with an adjusted R^2 of 0.721 and a standard error of 0.1937. The improvement in R^2 indicates that the regulatory framework adds explanatory value, reinforcing its moderating role in strengthening the relationship between franchise management capabilities and operational performance.



The ANOVA results in Model 1 only have franchise management capabilities that is significant ($F = 520.252, p < 0.001$), while the sum of squares (24.749) is larger than the residual sum of squares (13.463) an indication that a substantial portion of the variance in operational performance is explained by franchise management capabilities. In Model 2, the regulatory framework is introduced as a predictor, and the results indicate a significant effect ($F = 368.197, p < 0.001$). Although the F-value decreased relative to Model 1, the regression sum of squares increased to 27.631, while the residual sum of squares decreased to 10.581, indicating that the inclusion of the regulatory framework improves model fit. The P-values in both models are 0.000, indicating that the predictors significantly contribute to explaining operational performance. Overall, the results confirm that both franchise management capabilities and the regulatory framework play a significant role in predicting operational performance, with the regulatory framework strengthening the model’s explanatory power.

Table 3: ANOVA for Moderation of Regulatory Framework on the Relationship between Franchise Management Capability and Operational Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	24.749	1	24.749	520.252	.000b
	Residual	13.463	283	0.048		
	Total	38.212	284			
2	Regression	27.631	2	13.815	368.197	.000c
	Residual	10.581	282	0.038		
	Total	38.212	284			

a Dependent Variable: Operational Performance

b Predictors: (Constant), Franchise Management Capability

c Predictors: (Constant), Franchise Management Capability, Regulatory Framework

The coefficient estimates from the stepwise regression model provide evidence of the regulatory framework's influence on the relationship between franchise management capabilities and operational performance. The constant value ($B = 1.468, p = 0.000$) suggests that in the absence of franchise management capabilities, operational performance maintained a significant base value. Franchise management capabilities had a significant positive influence on operational performance ($B = 0.581, p < 0.001$), and a high standardised coefficient ($\beta = 0.805$). The regulatory framework shows a positive and significant influence ($B = 0.385, \beta = 0.531, p < 0.001$) on the relationship between management capabilities and entrepreneurs' operational performance. The t-values for franchise management capability (5.775) and regulatory framework (8.763) provide further evidence that the regulatory framework significantly moderated the relationship between franchise management capability and the operational performance of healthcare entrepreneurship.

Table 4: Coefficients of Franchise Management Capability, Regulatory Framework and Operational Performance

Model		Unstandardised Coefficients		Standardised	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.468	0.091		16.208	.000
	Franchise Management Capability	0.581	0.025	0.805		
2	(Constant)	1.275	0.083		15.293	.000
	Franchise Management Capability	0.253	0.044	0.35		
	Regulatory Framework	0.385	0.044	0.531		

a Dependent Variable: Operational Performance



Thematic analysis of the qualitative results revealed that the regulatory framework in Kenya ensures quality standards and credibility, although imposing financial and administrative burdens. According to the respondents, compliance with the Kenya Medical Practitioners and Dentists Council licensing requirements, though time-consuming, promotes quality and in the process builds patient confidence, trust and credibility. For instance, compliance with patient safety laws has contributed in part to facility upgrades and eventually improved service quality. They noted that adherence to regulations has led to the streamlining of operations, compliance with billing standards and simplified reimbursement, albeit with staff retraining needs. Additionally, respondents observed that regulatory adherence fosters operational efficiency and risk management, noting that compliance, for instance, with the Pharmacy and Poisons Board's (PPB) inspections improved storage standards, while compliance with biosafety level standards minimised lab-acquired infections. Respondents noted that compliance also helps businesses avoid legal risks, including penalties, while regulations introduce financial and administrative challenges, they ultimately promote quality, safety, and efficiency in healthcare entrepreneurship.

Discussion

Results showed that respondents agreed the legal framework for franchising provides clear guidelines for the rights and obligations of franchisors and franchisees. This supports Czakon (2010), who observed that the network of franchisors and franchisees gains from increased market power, access to resources, learning, and efficient coordination. As noted by Michael (2000), patrons tend to spread goodwill amongst establishments that operate under the same brand name. This implies that the opposite might also be true, with a bad reputation for one location affecting a franchisee that uses the same trademark elsewhere. Respondents agreed that the legal framework ensured transparency in franchise agreements, protecting the interests of both franchisors and franchisees. This supports Fulop and Forward (1997), who contended that research on the subject of franchisee autonomy demonstrates that most franchisees have no desire for autonomy because they selected the franchise option in order to work in a collaborative environment under the protection of a sizeable corporation.

Respondents agreed that the legal framework provides effective mechanisms for resolving disputes between franchisors and franchisees. According to Sanghavi (1998), communication gaps between parties are a common source of problems, and he suggests that close attention to the nature and spirit of the franchise agreement can mitigate such friction. Results also showed that respondents agreed that legal framework adequately regulates the fees, royalties, and financial obligations of franchisees. This supports the Kenya Law Reports (2020) and the Trademarks Act, which established criminal liability for forging or falsely applying for a registered trademark and prescribed fines, imprisonment, and forfeiture of goods upon conviction. Additionally, the Act allows legal proceedings in the High Court for passing-off involving unregistered marks and for infringement involving registered marks. Findings further showed that respondents moderately agreed that the legal framework protects franchisors' intellectual property rights, including trademarks and trade secrets. In agreement with these findings, Syekei et al. (2020) noted that Kenya lacks a specific protection regime for image rights or business processes.

On the contrary, as per the Kenya Law Reports (2020), Trademark owners are entitled to various remedies, including damages, injunctive relief, and notably, an account of profits. Infringement of copyright is also actionable in the High Court, with remedies such as damages, injunctive relief, and again, an account of profits. Other remedies include the delivery up of infringing copies or articles used to make them, or an award calculated on a reasonable royalty. In addition, respondents agreed that the legal framework adequately protects franchisees' rights and interests in the franchising



relationship. Results showed that respondents agreed that the legal framework is flexible and adaptable to emerging trends and changes in the franchising business environment. In correspondence with these findings, Fladmoe (1996) noted that entrepreneurs can enter the business world for less money by becoming franchisees, providing them with a standardised business system, tested operating procedures, a product or service, and a goodwill-associated brand name. Findings showed that respondents moderately agreed that franchisors and franchisees find it easy to comply with the legal requirements set by the franchising regulatory framework. In agreement with findings, Doherty and Quinn (1999) contend that innovation, adaptability, and proactive behaviour are more difficult to produce in hierarchical governance environments, such as franchising networks, than in independent firms. Further, it was moderately agreed that the legal framework incorporated adequate consumer protection measures within the franchising business model. Fulop and Forward (1997) contended that research on the subject of franchisee autonomy indicate that most franchisees have no desire for autonomy because they selected franchise option in order to work in a collaborative environment under the protection of a sizeable corporation.

According to the results, respondents moderately agreed that the legal framework effectively enforces franchise contracts and penalises breaches by either party. Consistent with the results, Rubin et al. (2021) noted that the franchisee does not have the same degree of autonomy as an independent small business owner, even though the franchisee is legally separate from the franchisor. They contended that there is no economic difference between the franchisor and the franchisee, just a legal one. Discussion with entrepreneurs revealed that entrepreneurs have adopted various strategies to ensure compliance with regulatory frameworks while maintaining high operational performance. In line with these findings, Aliouche and Schlenrich (2011) assert that compared to businesses that decide to expand independently, franchising companies minimise agency issues and obtain low-risk or less expensive capital from their franchisees. Similarly, Fladmoe et al. (1995) found that they saved money on monitoring and control expenses by gaining access to skilled, motivated indigenous workers and managers who were more knowledgeable about the local market.

The findings indicated a strong positive influence of the regulatory framework on the relationship between franchise management capability and operational performance. This reinforced the critical role of regulatory structures and effective management in franchise-based healthcare entrepreneurship. The results further suggest that a well-defined legal environment enhances operational efficiency. This aligns with Syekei et al. (2020), who emphasised that Kenya's legal framework, including trademark laws and contractual regulations, provides essential protections for franchisors. The strong relationship further supports the notion that well-structured management practices improve operational efficiency, consistent with Preble (1995), who highlights that franchisors provide managerial assistance and operational support to ensure success.

Regression results revealed that franchise management capability alone explain 64.8% of the variance in operational performance; however, with the introduction of the regulatory framework, the explanatory power improved, reinforcing its moderating influence on the relationship. This is consistent with research by Aliouche and Schlenrich (2011) and Czakon (2012), who argued that regulatory frameworks help franchisors minimise agency issues and obtain low-risk capital from franchisees, enhancing operational efficiency. Franchise management capability significantly predicted operational performance. The influence of the regulatory framework could be argued to underscore its importance in improving franchise operations, consistent with Sanghavi (1998), who argued that clear franchise agreements help mitigate operational inefficiencies.

The findings align with broader literature on franchising, which emphasised that regulatory frameworks enhance operational efficiency by protecting intellectual property, standardising business



practices, and reducing risks associated with independent expansion (Kenya Law Reports, 2020; Fladmoe et al., 2021). However, while regulations provide stability, excessive control may hinder innovation, as noted by Doherty and Quinn (1999). Balancing standardisation with adaptability is crucial, as excessive regulation could restrict franchisee autonomy and limit market responsiveness (Cox & Mason, 2007). Additionally, challenges such as communication gaps and enforcement difficulties remain (Sanghavi, 1998; Welsh et al., 2006).

Conclusion

The study has demonstrated that strong management capabilities drive efficiency and success in franchise operations, with the influence significantly enhanced by a regulatory framework. The regulatory framework provides clarity, legal protection, and enforcement mechanisms that strengthen compliance, ensuring franchisees and franchisors operate within defined standards. While the existing legal framework offers clear guidelines on rights, obligations, and intellectual property protection, concerns about enforcement and compliance complexity are critical. Through triangulation, the findings further underscored that businesses actively leverage digital tools, training, and quality-control mechanisms to navigate regulatory requirements efficiently. Whereas compliance could impose financial and administrative burdens, it ultimately enhances credibility, mitigates risks, and improves service quality. These insights suggest that while regulatory frameworks are essential for sustaining high operational performance, continuous improvements in enforcement and adaptability will be critical in addressing evolving challenges in the franchising landscape.

The study recommends strengthening the enforcement regulatory framework to ensure consistency and compliance can be realised through digital integration and automation, which would also reduce administrative burdens and improve adherence to regulations. Franchises need to consider investing in continuous training programmes to ensure that staff are up-to-date on regulatory changes and best practices. Additionally, regulatory bodies should engage with stakeholders to refine policies that balance compliance requirements with operational flexibility, minimising financial strain on businesses. Finally, fostering collaboration between regulatory agencies and franchise operators can lead to more effective policies that promote both compliance and business growth, ultimately enhancing the overall efficiency and credibility of franchise operations.

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