

Navigating Leadership and Regulation: A Pathway to Brand Excellence in Malaysian Franchises

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ABSTRACT

This research study probes deeply into the detailed manner in which legal frameworks and leadership engagement shape brand perception through franchise operations, with special focus on the Malaysian environment. Anchored on formative theories such as Agency Theory (Eisenhardt, 1989), Social Exchange Theory (Blau, 1964), and Engagement Theory (Kahn, 1990), it discusses the way leadership engagement influences franchise support services to produce franchisee satisfaction. The study also seeks to find out how the regulatory frameworks moderate such relationships (Mohd Isa A. R., 2011). The research combines theoretical insights with practical applications in developing a conceptual framework that shows the means through which effective leadership (Abdullah, 2010) and supportive regulatory environments improve brand perception (Hashim, N., 2012). This study adds to the emergent literature on franchise management with actionable insights for franchisors, policymakers, and researchers seeking to optimize brand value with operational success in a competitive market.

Keywords: Leadership Engagement, Regulatory Frameworks, Brand Perception, Franchise Operations Malaysia, Franchisee Satisfaction, Agency Theory and Innovation in Franchising

1.0 INTRODUCTION

1.1 The Importance of Brand Perception in Franchise Operations

Brand perception is a critical determinant of success in the competitive landscape of franchise operations. It shapes customer trust, franchisee satisfaction, and overall brand equity, directly influencing the long-term viability of a franchise system (Hashim, 2012). In Malaysia, where the franchise industry continues to grow, maintaining a strong and positive brand perception is essential for franchises to thrive in an evolving and highly regulated market (Mohd Isa, 2011).

Leadership engagement plays a pivotal role in shaping brand perception by fostering collaboration, inspiring innovation, and aligning franchisee practices with the franchisor's vision (Bass, 1994). Concurrently, regulatory frameworks significantly impact franchise operations, serving as both enablers and barriers to innovation and brand consistency (Frazer, 2012). The interplay between leadership and regulatory environments creates a unique dynamic that influences the overall success of franchise operations.

1.2 Research Objectives and Conceptual Framework

The purpose of this study is to investigate how regulatory frameworks and leadership involvement mediate brand perception in franchise systems. Precisely, the research addresses the following objectives:

- I. To analyse how leadership engagement impacts franchisee satisfaction and brand perception.
- II. The role of regulatory frameworks as a moderator in the relationship between leadership engagement and brand perception.
- III. To develop a conceptual framework, which integrates leadership, regulatory influences, and brand outcomes.

Grounded in Agency Theory (Jensen, M. C., & Meckling, W. H., 1976), Social Exchange Theory (Blau, 1964), and Engagement Theory (Kahn, 1990), the study proffers a conceptual framework that charts the paths from leadership engagement to brand perception through innovation-enabling climates and mitigation of operational barriers. This framework highlights how efficient leadership and supportive regulatory environments spur franchise success, specifically in Malaysia.

1.3 Significance of the Study

The paper fills a significant knowledge gap regarding the interaction between leadership and regulatory settings in shaping brand perception and contributes to the growing body of research related to franchise management. According to the work of (Abdullah, 2010), it is indicated that leadership involvement is highly instrumental in promoting innovation and improving organizational performance in franchise operations. The regulatory environment in which operations occur, such as Malaysia, also plays a decisive role in the development and operational effectiveness of franchises, according to (Mohd Isa A. R., 2011).

This conceptual study provides valuable insights for franchisors to improve operational practices, for policymakers to create enabling regulatory frameworks, and for researchers interested in investigating new dimensions in franchise innovation and management. For example, according to (Hashim, N., 2012), the development of trust and satisfaction within the franchise system is crucial for brand equity enhancement. Again, autonomy-control balance is necessary for innovation, as seen by (Savatic, D., & Whyte, J., 2005).

The article unfolds as follows: The subsequent section discusses the theoretical underpinning of leadership engagement and innovation in franchise operations, followed by an assessment of the Malaysian regulatory environment. A conceptual framework is proposed thereafter, relating leadership, regulatory influences, and brand perception. The article concludes with practical implications and directions for future research, aligning with the broader objectives of franchise management and innovation research (Combs, J. G., & Ketchen, D. J., 2003).

2.0 LITERATURE REVIEW

2.1 The Role of Leadership in Driving Innovation

Leadership is one of the strong pillars of success in franchise operations, impacting operational efficiency and brand perception. Of the different leadership styles, transformational leadership has indeed been very effective in promoting innovation and improving brand perception. Transformational leaders inspire their teams with a compelling vision, foster intellectual stimulation, and build strong relationships through individualized consideration (Bass, 1994). In franchise settings, leaders in such companies enable their franchisees to innovate and adapt practices while aligning with the franchisor's standards of the brand, reinforcing brand consistency and adaptability.

Transformational leadership acts as a catalyst in overcoming these barriers, considering that Malaysian franchises face special challenges in terms of the stringent regulatory framework and diverse consumer expectations. It is through this kind of leadership that leaders can get franchisees to innovate to meet local market demands without

compromising on the brand's identity as a whole.

2.2 Linking Leadership with Agency Theory

Agency Theory provides a useful framework for understanding the franchisor-franchisee relationship—that is, the principal-agent relationship. The latter inherently has problems related to goal incongruence and information asymmetry, which negatively impact operational efficiency and innovation. According to (Jensen, M. C., & Meckling, W. H., 1976). Leadership engagement can help mitigate these challenges.

Transformational leaders could resolve goal mismatch by explicitly communicating a common vision in which the interests of the franchisors and franchisees align. They reduce information asymmetry by regularly communicating, training programs, and support systems, enabling franchisees to make better decisions. It gives a supportive environment for the franchisees to take risks in innovating, which all ends in improving brand perception

2.3 The Role of Social Exchange Theory in Franchise Innovation

Social Exchange Theory (SET) underlines the need for trust, mutual respect, and reciprocity in organizational relationships (Blau, 1964). In franchise operations, the level of trust between franchisors and franchisees lays the very foundation for collaborative innovation. This trust is enhanced through leadership engagement in terms of demonstrating a commitment to franchisee success, offering consistent support, and acknowledging contributions to innovation.

For example, franchisors who reward franchisees for introducing successful localized marketing strategies not only reinforce reciprocity but also encourage a culture of continuous improvement. By fostering psychological safety, transformational leaders enable franchisees to share ideas and take creative initiatives without fear of negative repercussions (Edmondson, 1999). This trust-driven environment enhances both franchisee satisfaction and brand perception.

2.4 Leadership Engagement in Action: A Conceptual Framework

Building on the insights from Agency Theory (Jensen, M. C., & Meckling, W. H., 1976) and Social Exchange Theory (Blau, 1964) (Emerson, R. M., 1976), the conceptual framework integrates leadership engagement as a mediating factor that drives innovation and brand perception. Transformational leadership creates an innovation-enabling climate characterized by psychological safety (Edmondson, 1999), open communication, and collaboration. This climate helps franchisees navigate barriers such as resource limitations and regulatory constraints (Combs, 2011), leading to improved operational outcomes and enhanced brand equity (Keller, 2013)

Leadership engagement itself, especially transformational leadership, according to (Bass B. M., 1985) ; (Burns, 1978); (Yukl, 2010), is a key driver of innovation and brand perception in franchise operations. Addressing goal misalignment by sharing visions and building relationships based on trust, according to (Blau, 1964); (Emerson, R. M., 1976), leaders create an environment conducive to creativity and adaptability. By integrating theoretical insights from Agency Theory and Social Exchange Theory, this work provides a robust framework of understanding how leadership is so crucial to navigate the multi-dimensional franchise management challenges.

3.0 LEADERSHIP AND REGULATORY FRAMEWORKS: THE MALAYSIAN FRANCHISE CONTEXT

3.1 The Regulatory Landscape in Malaysian Franchise Operations

The franchise industry in Malaysia operates within a unique regulatory framework designed to ensure consistency, protect franchisees, and maintain consumer trust. The regulatory environment is governed by the Franchise Act 1998, and it mandates that franchisors adhere to a number of requirements, such as the registration of franchise agreements, compliance with operational standards, and the protection of intellectual property. According to (Mohd Isa A. R., 2011). although these regulations provide a robust foundation for maintaining brand integrity, they also pose challenges to innovation and operational flexibility.

For franchisors, there is a need to balance navigating these regulations with the need for adaptability to dynamic market demands. Franchise operation leaders have to be very active in ensuring compliance and at the same time fostering innovation. Effective leadership can dampen the challenges brought about by regulatory constraints through fostering creative problem-solving and leveraging resources to meet both legal and operational requirements.

3.2 Challenges in the Malaysian Regulatory Framework

Several challenges within Malaysia's regulatory environment impact franchise operations:

- I. Administrative Burdens: Compliance with the Franchise Act involves extensive documentation and periodic reporting, which can create operational inefficiencies.
- II. Inflexibility: Stringent regulations limit the scope for franchisees to try out innovations localized for specific market needs.
- III. Resource Constraints: Smaller franchise operations may lack the financial or technological resources to simultaneously comply with regulations and pursue innovation (Frazer, 2012).

These challenges often lead to a tension between maintaining brand consistency and encouraging franchisee autonomy. Leadership engagement is critical in resolving this issue by creating a supportive environment in which franchisees may innovate within regulatory constraints.

3.3 Opportunities within the Regulatory Framework

Despite these challenges, Malaysia's regulatory framework also presents opportunities for franchise operations:

- I. Brand Trust: Strict compliance requirements enhance consumer confidence in franchise brands.
- II. Standardization: Regulations ensure a certain quality can be maintained uniformly across all outlets of the franchise-a fact that is important to help improve brand perception.
- III. Innovation Incentives: Policymakers have introduced initiatives, such as tax incentives and training programs, to support innovative practices in the franchise sector (Hashim, 2012) Leaders who actively engage with these opportunities can transform regulatory compliance from a constraint into a strategic advantage, strengthening brand perception and driving operational success.

3.4 The Moderating Role of Regulatory Frameworks

The regulatory environment of Malaysia is considered a moderating factor in the analysis of the relationship between leadership engagement and brand perception. Although

leadership engagement encourages innovation and alignment, the actual impact of such initiatives depends on the extent of flexibility and support offered by the regulatory mechanism.

3.4.1 Key Moderating Effects:

- I. Facilitating Compliance-Driven Innovation: Emphasizing collaboration and resource-sharing allows leaders to help franchisees navigate regulatory requirements in support of innovation without sacrificing compliance.
- II. Reducing Resource Constraints: Support mechanisms through regulation, like funding to small enterprises, act to magnify the level of leadership engagement by lessening the financial constraints facing the franchisees.
- III. Reinforcing Brand Consistency: Leadership strategies aligned toward operational goals at par with regulatory standards strengthen the overall brand perception, which can be trusted by consumers.

For instance, transformational leaders who give emphasis on training and communication (Bass B. M., 1985); (Yukl, 2010) can arm franchisees with the tools needed to meet regulatory expectations while exploring innovative practices. This two-way focus will not only enhance operational efficiency but also contribute to a stronger, resilient brand image (Keller, 2013).

Malaysia's regulatory framework presents both challenges and opportunities for franchise operations (Combs, J. G., & Ketchen, D. J., 2003). While strict compliance requirements can stifle innovation, effective leadership engagement enables franchisees to navigate these constraints and capitalize on opportunities. By acting as a bridge between regulatory expectations and operational goals, leaders play a pivotal role in enhancing brand perception (Keller, 2013) and ensuring the long-term success of franchise systems in Malaysia.

4.0 AN INTEGRATED FRAMEWORK FOR ENHANCING BRAND PERCEPTION IN FRANCHISES

4.1 Introduction to the Conceptual Model

The intricate nature of franchise operations necessitates an astute realization of how leadership engagement and regulatory frameworks interlink in the shaping of brand perception. This integrated framework synthesizes insights from Agency Theory, Social Exchange Theory, and Engagement Theory to illustrate the pathways through which transformational leadership and supportive regulatory environments drive franchise success. The model places leadership engagement as a mediator and regulatory frameworks as a moderator to bridge these elements to brand perception through innovation-enabling climates and reduction of operational barriers.

4.2 The Conceptual Model

The proposed framework consists of four interconnected components:

- I. Transformational Leadership Engagement
Role: Leaders inspire franchisees by providing a clear vision, fostering trust, and encouraging creativity. Transformational leadership creates a psychologically safe environment where franchisees feel empowered to innovate and align their operations with the franchisor's brand standards (Bass B. M., 1994).
- II. Innovation-Enabling Climate

Characteristics: Psychological safety, collaboration, and adaptability are critical features of an innovation-enabling climate (Edmondson, 1999). Such an environment allows franchisees to experiment with localized solutions and share best practices, enhancing both operational efficiency and brand perception.

III. Regulatory Frameworks as Moderators

Influence: Regulatory frameworks shape the extent to which leadership engagement translates into positive brand outcomes. Supportive regulations can enhance consistency and trust, while restrictive ones may require leaders to find creative solutions to maintain compliance without stifling innovation (Mohd Isa A. R., 2011).

IV. Brand Perception Outcomes

Results: Enhanced brand perception is achieved through improved franchisee satisfaction, customer trust, and market adaptability. These outcomes strengthen the franchise's competitive position and ensure long-term sustainability (Hashim, 2012)

4.3 Practical Implications

The framework offers actionable insights for both franchisors and policymakers:

1. For Franchisors

- I. Leadership Development: Franchisors should invest in training programs that equip leaders with transformational skills to inspire and engage franchisees.
- II. Fostering Innovation: Creating platforms for franchisee collaboration and feedback can help identify innovative practices that align with brand values.
- III. Navigating Regulations: Leaders must develop strategies to address regulatory challenges, such as forming compliance task forces or engaging with policymakers to advocate for franchise-friendly policies.

2. For Policymakers

- I. Flexible Regulations: Policymakers should consider the dynamic nature of franchise operations and design regulations that encourage innovation without compromising compliance.

- II. Supportive Ecosystems: Developing initiatives such as grants or tax incentives for innovative franchises can promote growth and brand consistency.
- III. Stakeholder Collaboration: Regular consultations with franchisors and franchisees can ensure that regulations are both practical and effective.

4.4 Visualization of the Framework

The framework can be visualized as a flow diagram with the following structure:



Figure 1 diagram Integrated Leadership and Regulatory Framework for Enhancing Brand Perception

This diagram emphasizes the sequential and interconnected nature of the components, illustrating how leadership engagement and regulatory frameworks converge to enhance brand perception (Bass B. M., 1994); (Mohd Isa A. , 2011). This integrated framework highlights the critical interplay between leadership engagement, regulatory frameworks, and brand perception. By fostering innovation-enabling climates (Edmondson, 1999); (Newman, A., Donohue, R., & Eva, N., 2017) and effectively navigating regulatory challenges (Frazer, 2012), franchisors can strengthen their brand's value and resilience. Policymakers, in turn, have a critical role in fostering an ecosystem that promotes long-term growth and innovation in the franchise business (Hashim, N., 2012). This approach not only adds to the scholarly debate on franchise management, but it also gives practical assistance for industry stakeholders by (Blau, 1964); (Jensen, M. C., & Meckling, W. H., 1976).

4.5 Key Conceptual Contributions.

This study underscores the pivotal role of leadership engagement and regulatory frameworks in enhancing brand perception within franchise operations, particularly in the Malaysian context. Drawing from Agency Theory (Jensen, M. C., & Meckling, W. H., 1976), Social Exchange Theory (Blau, 1964), and Engagement Theory (Kahn, 1990), the conceptual framework highlights the interconnected pathways through which

transformational leadership fosters innovation (Bass B. M., 1994), mitigates operational barriers (Frazer, 2012); (Mohd Isa A. R., 2011), and aligns franchisee practices with overarching brand goals (Hashim, 2012). Regulatory frameworks act as both enablers and barriers, moderating the impact of leadership engagement on innovation outcomes and brand perception (Frazer, 2012); (Mohd Isa A. , 2011).

4.5.1 The Conceptual Contributions underscore that:

- I. Transformational leaders inspire trust and foster a sense of safety, enabling franchisees to innovate and align with organizational goals (Bass B. M., 1994); (Edmondson, 1999).
- II. These climates allow employees to experiment, share ideas openly, and overcome barriers, enhancing operational efficiency (Newman, A., Donohue, R., & Eva, N., 2017); (Lee, 2020)."
- III. Regulatory Frameworks significantly moderate the relationship between leadership and brand outcomes, underscoring the need for flexible and supportive policies. While rigid regulations can hinder innovation, supportive frameworks amplify leadership engagement's positive impact on brand outcomes (Frazer, 2012).
- IV. Brand Perception Outcomes, including customer trust, franchisee satisfaction, and market adaptability, are enhanced when leadership engagement and regulatory support are effectively aligned. The synergy between leadership and regulatory frameworks ensures stronger brand loyalty, franchisee satisfaction, and competitive positioning in dynamic markets (Hashim, 2012)."

4.5.2 Theoretical and Practical Contributions

From a theoretical perspective, the study contributes to the literature by integrating multiple frameworks, including Agency Theory (Jensen, M. C., & Meckling, W. H., 1976), Social Exchange Theory (Blau, 1964), and Engagement Theory (Kahn, 1990), to develop a robust conceptual model that links leadership engagement, regulatory frameworks, and brand perception. The framework advances the understanding of how leadership styles, such as transformational leadership (Bass B. M., 1994), and regulatory environments (Mohd Isa A. , 2011); (Frazer, 2012) shape franchise innovation and brand equity.

4.5.3 Practically, the findings offer actionable insights for franchisors and policymakers:

- I. For Franchisors: Leadership training programs focused on transformational leadership can enhance franchisee collaboration, adaptability, and satisfaction. Transformational leadership training equips franchisors to inspire franchisees, fostering collaboration and adaptability while aligning localized innovations with brand standards (Bass B. M., 1994); (Blau, 1964). Developing platforms for franchisee feedback and innovation can foster alignment with brand standards while enabling localized adaptations. Feedback mechanisms enable franchisees to contribute to brand strategies, ensuring localized adaptations complement overarching brand objectives (Hashim, N., 2012)."
- II. For Policymakers: Flexible regulatory frameworks that balance compliance with innovation can support franchise growth. Policymakers can encourage innovation in franchises by implementing regulations that allow flexibility while maintaining compliance (Mohd Isa A. R., 2011). Initiatives such as tax incentives or grants for innovative franchises can further strengthen the ecosystem. Supportive initiatives,

like tax incentives and grants, create a conducive environment for franchise innovation and growth, bolstering the ecosystem's sustainability (Frazer, 2012)."

4.6 Future Research Directions

While this study provides a strong conceptual foundation, empirical validation of the framework is necessary to fully realize its potential. Future research could explore the following areas:"

- I. **Quantitative Validation:** Conduct empirical studies to test the proposed relationships between leadership engagement, innovation-enabling climates, regulatory frameworks, and brand perception. Empirical testing of these relationships can validate the theoretical assumptions and provide measurable insights into leadership and innovation dynamics."
- II. **Comparative Studies:** Examine how the interplay between leadership and regulatory frameworks varies across different industries or geographic regions. Comparative analyses can reveal industry-specific or regional variations, enriching the generalizability of the framework.
- III. **Longitudinal Analysis:** Investigate the long-term impact of leadership engagement on brand perception and franchisee satisfaction. Longitudinal studies can provide deeper insights into how leadership impacts evolve over time, particularly in dynamic franchise settings.
- IV. **Innovation Metrics:** Develop and test specific metrics to evaluate the effectiveness of innovation-enabling climates in franchise settings. Customized metrics will allow precise measurement of innovation outcomes and their alignment with organizational goals.

5.0 CONCLUSION

This study presents a comprehensive investigation of the dynamic interplay of leadership engagement, regulatory frameworks, and brand perception within Malaysian franchise operations. By integrating insights from Agency Theory, Social Exchange Theory, and Engagement Theory, this research proposes a conceptual framework that underlines the mediating role of leadership and the moderating influence of regulatory environments. Key findings emphasize that transformational leadership is especially crucial in the creation of innovative environments characterized by trust, psychological safety, and flexibility. The leaders that emphasize collaboration, effective communication, and training will nurture franchisees who can effectively innovate within regulatory constraints while aligning with overall brand goals; such a dual focus reinforces both operational efficiency and brand resilience.

The Malaysian regulatory environment is both a challenge and an opportunity, where the franchisor has to balance compliance with innovation. Strong leadership overcomes resource constraints and encourages creative problem-solving, thereby turning regulatory challenges into strategic advantages.

5.1 Theoretical Contributions

The integration of Agency Theory, Social Exchange Theory, and Engagement Theory offers a robust conceptual foundation for understanding leadership's impact on innovation and brand perception.

The framework advances the discourse on franchise management by emphasizing the

interconnected roles of leadership and regulatory frameworks in driving operational success and brand equity.

5.2 Practical Implications

1. For Franchisors:
 - Invest in leadership development programs emphasizing transformational leadership to foster franchisee collaboration and adaptability.
 - Develop mechanisms for feedback and innovation that align franchisee practices to brand standards while allowing for localized adaptations.
2. For Policymakers:
 - Develop flexible regulatory frameworks that foster innovation while ensuring compliance is not compromised.
 - Provide incentives through grants and tax breaks that encourage innovative practices within the franchise ecosystem.

5.3 Future Research Directions

Empirical research will be necessary to confirm the framework presented here and to examine its generalizability across industries and national settings. Longitudinal studies might examine the longer-term effects of leader engagement on franchisee outcomes, and comparative studies might highlight industry-specific differences. A final area of potential development involves the creation of metrics to measure innovation-enabling climates that could further enhance the practical utility of the framework.

5.4 Final Remarks

This research contributes to the increasing volume of franchise management knowledge by bridging the gap between theoretical insights and practical applications. It offers actionable strategies for franchisors and policymakers in pursuit of operational efficiency, innovation, and strong brands that can be both robust and resilient. These findings emphasize how synergistic leadership and supportive regulatory policies play a key role in steering the complexities of franchise operations to ensure sustained growth and competitive advantage within and beyond Malaysia.

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