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ANALYSIS OF FRANCHISING RISK MITIGATION: EVIDENCE FROM MEDIUM SCALE FAST-FOOD INDUSTRIES

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Abstract

Purpose: The purpose of this research is to examine the franchise business risks and their mitigation strategies. The effects of continuous improvement processes on risk identification, assessment, and mitigation are also included in the model

Research design, data and methodology: Data was collected through a survey of 32 franchise businesses. The authors used a qualitative research approach, the data were analyzed using the House of Risk (HOR) approach, which is one of the medium-scale risk management strategies in the fast-food franchise business. The HOR technique is divided into two phases: HOR 1 to identify risk events and priority risk agents based on the Aggregate Risk Potential (ARP) value, and HOR 2 to determine the best preventive action. Results: The results show that based on the HOR1 approach, the cause of the possible risk with the highest ARP value is turnover that is not in accordance with the objectives. Based on the HOR 2 analysis, a possible and effective risk mitigation strategy shows that assistance from farmers to franchisees is a preventive measure for the sustainability of a medium-scale fast-food franchise business. Conclusions: This study contributes to the advancement of knowledge about the relationship between mitigation strategies in franchise businesses.

Keywords: Franchising, Franchise system, Risk, Mitigation Strategy, House of Risk

JEL Classification Code: JEL, D81, F12, L11, M00, Q18

1. Introduction

Many people nowadays choose franchising as a means to establish their own business. Franchising is a good alternative for folks who do not want to start a business from beginning. The company structure is simple to establish, and the products sold are usually well-known to the general population. According to Permendagri No. 71 of 2019, franchises are specific rights that an individual or business can have to a successful business system that can be used by others based on a franchise agreement. A franchise, for example, can be utilized to market proven profitable goods and services. Franchising can be observed as a growth model for already existing businesses that have the growth potential, as well as a model for launching a new business that significantly reduces uncertainty and in certain measure risk (Baresa, et al. 2017). For the past ten years, the Ministry of Trade has maintained track of the number of Franchise Registration Certificates (STPW) issued. Those certificates have been distributed 370 times, with an annual rate of 10.4 percent on average. According to the Ministry of Trade 2020 annual report and the 2016 Central

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Bureau of Statistics census, the franchise sector will develop at a stable rate of 5% per year until October 2021, when the food and beverage service sector would account for 58.37 percent of this business. The retail franchise business sector will account for 15.31% of this business, while non-formal education services will account for 13.40%.

Based on this, it can be stated that the franchise business, particularly in the food industry, is one with several opportunities because the product is something that everyone requires on a daily basis. Fast-food goods, or fast-food processed meat from broilers that has been cooked, are one of the foods that many people seek these days. People that eat fast-food frequently do so because they enjoy the taste, it is convenient, and it is an alternative to other foods

(Prabhavathi, et al., 2014). Fast-food is also popular due to its ease of preparation. This is why it is so popular (Islam, 2020; Chen et al., 2021; Amalia et al., 2021; Singh et al., 2021; Shetu, 2021; Grobbelaar et al., 2021).

It is vital to realize that the franchise management system includes a link between the franchisor and the franchisee. This relationship is built on similar interests, long-term relationships, a diversity of interactions, substantial participation, a system that rules collaboration, and reciprocal benefits (Dada, 2021; Oues, 2021; Hur & Lee, 2021; Domnguez-Falcón et al., 2021; Erceg et al., 2021). These ties are bound to pose hazards to both franchisors and franchisees, and they may have an impact on how the franchise system operates in the future. In the East Java fast-food franchise market, it is vital to recognize and manage these risks. Risk management is a proactive and well-thought-out approach to problem solving and reaction (Mahmood and Shevtshenko, 2015; Bahinipati, 2021; Asrol, M., & Taira, 2021; Hwang et al., 2021; Jedd et al., 2021; Abu Hatab et al., 2021; Wijaya, 2021). The systematic adoption of management policies, procedures, and practices with the goal of analyzing and managing risk is known as risk management (Wissem, 2013). A firm's level of risk and risk management have an impact on its success (Junior and Carvalho, 2013). The House Of Risk (HOR) method is one method for risk management. The House Of Risk (HOR) technique is founded on the assumption that proactive risk management should be able to focus on preventive action, specifically minimizing the possibility of risk agents occurring, which usually prevents some hazards from occurring. To accomplish this, risk events and associated risk agents must be identified (Anggrahini, et al. al., 2015)

The HOR method was used to conduct the analysis in this study, which was divided into two parts, HOR 1 and HOR 2. HOR 1 was performed to identify risk events and risk agent priorities for preventive action based on the Aggregate Risk Potential (ARP) value, and HOR 2 was performed to select preventive appropriate action against potential risk agents indicated in HOR 1. (Pujawan and Geraldin, 2009). Pujawan and Geraldin (2009) The goal of this research is to identify the risks associated with franchising, specifically the risks associated with the relationship between the franchisor and the franchisee, and to determine the most effective preventive action strategy in the fast-food franchise business of processed broiler meat in East Java.

2. Literature Review

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2.1 Previous Research Studies

In order to support the research named "Risk Management for Fast-food Franchise Business Development in East Java," a study and review of past research is required. The following are some previous studies on pertinent themes, as well as analytical approaches used in the research. Santoso (2005) investigated risk management for the long-term development of the fruit agroindustry. The risk analysis performed is related to the risk analysis of raw material procurement, manufacturing processes, and marketing. This risk analysis is carried out with the use of a fuzzy non-numeric multi-person decision making method. According to the study's findings, the raw material procurement factor has the highest risk weight when compared to the other aspects.

Udayana (2010) investigated the risk management of the biodiesel agroindustry based on palm oil. This study's risk analysis focuses on issues of raw material acquisition, processing, and marketing. The Analytical Hierarchy Process (AHP) is employed in this analysis to establish the weight of the different risk values. According to the study's findings, the risk in raw material acquisition carries the most weight when compared to other factors.

Oktavia et al. (2013) conducted study on risk mitigation analysis and techniques in the procurement of goods and services. In this study, the methodologies are merged with one another. An Interpretive Structural Modeling (ISM) method was utilized to study the link between risk and the causes of risk in the procurement of goods and services, while the Analytic Network Process was employed to determine the weight of each risk and its cause (ANP). The House Of Risk (HOR) approach is used to examine the risk management mitigation plan in the procurement of goods and services. The findings of this study indicate that using these integrated methodologies can produce integrated results and is the best solution for risk analysis.

Rokou and Konstantinous (2014) used the Analytic Network Process (ANP) method to conduct research on supply chain risk management. The ANP approach introduced in risk management research enables decision makers to visualize the impact of several criteria on the final findings. Using this strategy makes it easier for all parties concerned to communicate the results.

With study on risk management approaches for the creation of yogurt beverage products by Wahyudin and Imam (2016). This study employs the House Of Risk (HOR) technique in phases 1 and 2. This study's risk analysis process is relevant to marketing and product creation. This study adds a new perspective to technology management studies, focusing on the risk management of food sector product development. The HOR approach can produce results that are extremely useful in identifying risks and generating mitigation plans for each risk.

2.2 **FRANCHISE**

A franchise business or commonly known as a franchise is a business model that is currently being discussed and applied by entrepreneurs. Franchising is a business model in which the franchisor expands his business knowledge, has intellectual rights, and the right to operate in the form of a brand or brand then offers and considers it to the franchisee in the form of fees and royalties (Alon, et al., 2021). The current franchises are very diverse, ranging from product franchises or service franchises such as for example clothing, courier, education, food, beverage franchises and many others, and it is not uncommon to find foreign franchises, so this business model is now the choice for many people. people who want to do business.

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Beshel (2005) explains that a franchise is an agreement or business license between two legally independent parties, namely:

1) Gives a person or group of people (franchisee) the right to market a product or service using the trademark or trade name of another business (franchisor)
2) Grants the franchisee the right to market a product or service using the franchisor's method of operation
3) The franchisee is obliged to pay fees to the franchisor for the rights he receives
4) The franchisor is obliged to provide rights and support to the franchisee

In a franchise agreement, franchisors supply their franchisees with intangible assets such as brands, know-how (knowledge), intellectual property, routine operating activities, and other ongoing support services (Alon, et al., 2021). With the franchise system, we can open a business or business by using a trademark or brand belonging to someone else that already exists, namely by having an agreement letter that has been agreed with the brand owner. This business method can be an option because using an existing brand or brand allows us to more easily develop a business. Baresa, et al., (2017) mention that this franchise can be observed as a growth model for existing businesses that have growth potential.

2.3 **RISK MANAGEMENT**

Mahmood and Shevtshenko (2015), define risk management as a proactive and planned approach to dealing with problems and reacting to the emergence of these problems. This risk management is carried out with the aim that the organization or company can achieve higher effectiveness and efficiency in the company's activities. Meanwhile, Wissem (2013) defines risk management as a systematic application of management policies, procedures and practices to assess and manage risk. Junior and Carvalho (2013) mention that risk management has a relationship with the level of risk and business success. The risk management model for a complex business consists of three independent variables that take into account the risk management process in the business, including:

1. Risk management in process, including identification, analysis, response, and control
2. Size of company/project, including revenue and type of project
3. Indicators of success in the project, including scope, quality, customer satisfaction and team

According to Condamin et al., (2006), risk management is an ongoing process to make and implement decisions that will reduce the level of predictable impact or uncertainty on the entity, namely in terms of the organization's or company's desire to balance the opportunities and threats it faces. The decision-making process is divided into three, including exposure diagnosis, risk management and audit of the risk program. Implementation of decisions in risk management requires every decision maker to ensure proper management.

Meanwhile Covello and Markhofer, 1993 (in Santoso; 2005), in risk management the risk analysis process carried out includes the risk identification process, risk assessment process, and risk evaluation process. Risk identification is a process carried out to find out the causes of risks, conditions and events that could potentially harm the organization or company. Risk assessment is a process that is carried out systematically to describe and quantify a risk. While risk evaluation is a process of activities carried out to provide important information needed in handling a risk. This evaluation process includes alternative collection, alternative evaluation, alternative selection, and alternative implementation. The collection of alternatives is an activity carried out to identify

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alternative strategies in risk management. While alternative evaluation is an activity to assess and compare the available alternatives. Meanwhile, alternative selection is the process of selecting one or more alternatives to be implemented, and alternative implementation is the process of implementing and monitoring the selected alternatives. Figure 1. The following is an explanation of the analysis and control in risk management. and alternative implementation is the process of implementing and monitoring the selected alternatives. Figure 1. The following is an explanation of the analysis and control in risk management. and alternative implementation is the process of implementing and monitoring the selected alternatives. Figure 1. The following is an explanation of the analysis and control in risk management.

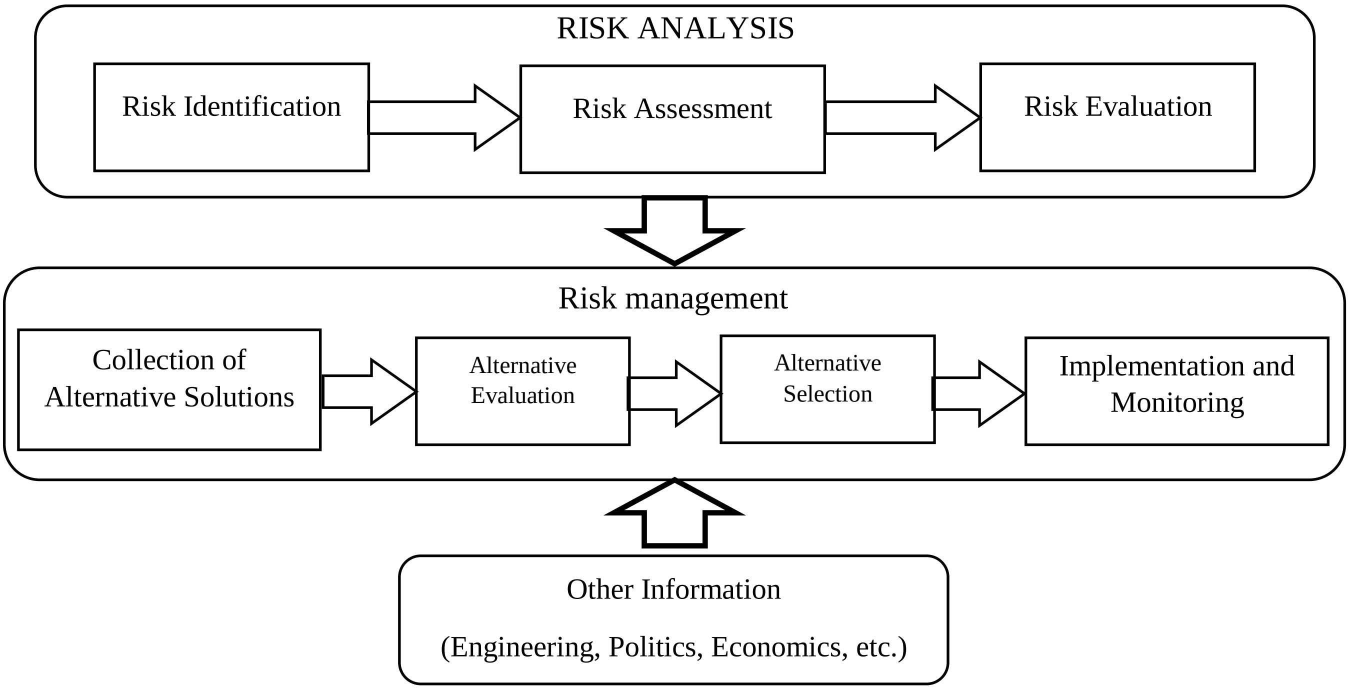

Figure 1. Risk Analysis and Control in Risk Management

2.4 Novelty

The novelties in this research are as follows:

1. The object of research. In contrast to previous studies, this study takes the object of research on fast-food franchise businesses with processed products made from chicken meat from broilers.
2. This research uses a combination of different method approaches, namely by using House Of Risk (HOR), The use of this method approach is integrated with each other

3. Research Methods and Materials

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The study was conducted with a total of 32 respondents who are key informants of business actors on the fast-food franchise business of processed broiler meat in 14 outlet areas in East Java. The selection of the area and the selection of the respondents were done on purpose with specific considerations in mind. Semi-structured interviews were used to collect data, namely by using an instrument in the form of a questionnaire, but also by submitting development questions to obtain more complete data. The research was carried out to identify risks in franchising activities, specifically the risk between the franchisor and the franchisee.

Data analysis in the study was carried out using the 2-phase House Of Risk (HOR) method. HOR phase 1 is carried out to determine the Aggregate Risk Potential (ARPj) obtained from the calculation of severity (Si), occurrence (Oj), and correlation (Rij) between risk event (Ei) and risk agent (Aj), calculated using equation 1.

$$ARPj = Oj \ i \ Si \ Rij \qquad (1)$$

The correlation value (Rij) consists of 3 scales, namely 0 indicating no correlation, 1 indicating low correlation, 3 indicating moderate correlation, and 9 indicating high correlation (Dewi, et al., 2015). Meanwhile, for the impact assessment scale (severity) and probability/occurrence (occurance) using a Likert scale1-5, can be seen in Table 1.

Table 1. Severity and Occurance Rating Scale

Evaluation	Level	Criteria	Description
Severity	1	Very small (Insignificant)	No injury, low financial loss
	2	Minor (Minor)	First aid, moderate financial loss
	3	Medium (Moderate)	Need medical treatment, big financial loss
	4	Big (Major)	serious injury, big financial loss
	5	Huge (Disaster/Catastrophic)	Death, huge financial loss
Occurance	1	Rarely (rare)	Probability < 5%
	2	Very unlikely (unlikely)	Probability between 5% - 25%
	3	It might happen (possible)	Probability between 25% - 50%
	4	It might happen (Likely)	Probability between 50% - 75%
	5	Almost certain (Almost certain)	Probability > 75%

The next step in the risk management process is to identify the mitigation strategy as a risk agent prevention action (Aj) that has been identified in HOR 1. The list of preventive actions is obtained from the results of in-depth interviews and brainstorming with respondents who are fast-food franchise business actors processed with purebred chicken. broilers in East Java. Mitigation strategy action plans and determination of priority strategies are obtained based on the calculation of the total value of the difficulty level ratio (ETDk), by performing the following calculations:

1. Calculate the total effective value of each preventive measure using equation 2.

$$TEk = j \ ARPj \ Ejk \qquad (2)$$

The TEk value is obtained from the calculation of the Aggregate Risk Potential (ARPj) and the correlation value (Ejk) between preventive action and risk agents, which consists of 4 rating scale

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criteria, namely 0.1, 3, 9. Where 0 indicates no correlation, 1 indicates low correlation, 3 indicates moderate correlation, and 9 indicates high correlation. Determination of the scale for each preventive action based on the results of in-depth interviews and brainstorming with respondents who are business actors.

2. Conduct an assessment of the level of difficulty (Dk) to carry out each preventive action using the scale listed in Table 2 below.

Table 2. Scale of Difficulty of Preventive Action

Scale	Description	Implementation Indicator
1	Very easy	Low cost and short time
2	Easy	Low cost but long time
3	Neutral	Neutral
4	Difficult	Expensive cost but short time
5	Very difficult	Expensive and time consuming

3. Calculate the total value of the difficulty level ratio (ETDk) to get the appropriate risk mitigation strategy. Equation 3 is used in calculating ETDk.

ETDk = TEk/Dk (3)

4. Result

4.1. House Of Risk (HOR) Phase 1

Identification of risk events and risk agents obtained from interviews with research respondents who are fast-food franchise business actors in East Java. Based on the results of interviews, there are 4 risk events (risk events) and 6 risk agents (risk causes) identified between the franchisor and the franchisee. In Table 3, it can be seen the identification of risk events and risk agents in the fast-food franchise business in East Java.

Table 3. Identification of Risk Events and Risk Agents in Fast-food Franchise Business in East Java

	Identification	Code
Risk Event (Ei)	Equipment and materials supplied by the franchisor are not functioning properly	E1
	Inability of the franchisee to meet current capital obligations	E2
	Payment of royalties by franchisees is not timely	E3
	Inability of the franchisee to fulfill royalty payment obligations	E4
Risk Agent (Aj)	Equipment sent by the franchisor is defective	A1
	Damage during shipping by the franchisor	A2
	The raw materials sent by the franchisor are expired	A3
	Delay in delivery of raw materials by the franchisor	A4
	Turnover is not as expected	A5
	Financial management indiscipline	A6

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Based on 4 *risk events*(risk events) and 6 risk agents (risk causes) identified in Table 3 above, then a severity (Si) assessment of the risk event is carried out, and occurrence (Oj) assessment of the risk agent, as

well as an Aggregate Risk Potential (ARP) calculation for determine the ranking of potential risk agents. It can be seen in Table 4 regarding the HOR 1 matrix.

Table 4. HOR Matrix 1 Fast-food Franchise Business in East Java

Risk Event (Ei)	**Risk Agent (Aj)**						**Severity (Si)**
	A1	**A2**	**A3**	**A4**	**A5**	**A6**	
E1	1	1	1	3			5
E2					1	1	5
E3	1		1	1	3	3	4
E4			1	1	3	3	4
Occurance (Oj)	3	3	1	1	5	3	
ARPj	27	15	13	23	145	87	

Overall, it can be concluded that the impact (severity) of risk events is large and very large, with severity values of 4 and 5. In the event of a risk that the franchisor's procurement of equipment and materials does not function properly (E1), and the franchisee's inability to meet current capital obligations (E2), both have a very large impact and can result in massive financial losses. This is because, according to respondents, when equipment and materials used to carry out operational activities (for example, fryers that do not comply with SOPs) fail to function properly, it can affect the production and quality of fast-food products, affecting selling power, satisfaction, consumer loyalty, and income earned. Furthermore, if the franchisee is unable to meet the franchisor's current capital obligations, this can result in delays in the supply of raw materials in the form of spices and other ingredients from the franchisor, as well as disruption of the production process, which can have a significant impact on income and financial losses, not only for the franchisee but also for the franchisee. Also a franchisor in the fast-food industry.

The impact of the risk of timely royalty payments (E3) and the franchisee's inability to pay royalties to the franchisor (E4) is significant because it can cause significant financial losses to the fast-food franchise business. Respondents explained that if royalty payments are late, the franchisee will be fined in accordance with the contract, and if the late payment has reached the maximum time limit and the franchisee is unable to pay the royalty, the franchisor will stop supplying materials for business operations. fast-food restaurant chain

The causes of risk (risk agents) in the franchise business were identified as many as six sources of risk with varying frequency of occurrence based on the results of interviews and brainstorming with respondents who are fast-food franchise business actors in East Java. The occurrence value of production defects (A1), damage at the time of delivery by the franchisor (A2), and financial management indiscipline (A6) for equipment sent by the franchisor is 3, indicating that the source of the risk may occur with a probability of 25% - 50%. The source of the risk of raw materials

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sent by the franchisor expiring (A3) and the franchisor's delay in delivering raw materials (A4) has the smallest occurrence value of 1, indicating that the risk source occurs with a probability of 5%. While the source of turnover risk is not as expected (A5) has the highest probability value of 5, it indicates that the source of risk is almost certain to occur with a probability of greater than 75%.

Between the severity of the risk event and the occurrence of the risk agent, there is a correlation value which will then be calculated the value of the Aggregate Risk Potential (ARP) to determine the priority and ranking of the handling or preventive action against the risk agent. The greater the correlation value between the risk event and the risk agent, the more likely it is that the risk agent can cause the risk event to be stronger (Rizqiah, 2017). The results of the HOR 1 matrix analysis in Table 4 show that the ARP values obtained vary. The highest to lowest ARP values and 1st to 6th rank, respectively, can be seen in Table 5.

Table 5. Order of Potential Risk Agents Based on ARP Nilai Value

Code	Risk Agent		ARP	Ranking
A5	Turnover is not as expected		145	1
A6	Financial management indiscipline		87	2
A1	Equipment sent by the franchisor is defective		27	3
A4	Delay in delivery of raw materials by the franchisor		23	4
A2	Damage during shipping by the franchisor		15	5
A3	The raw materials sent by the franchisor are expired		13	6

Based on the results of the ARP calculations, we can conclude that the risk agent with the greatest potential to cause franchising risk (between franchisors and franchisees) in the East Java fast-food franchise business is the acquisition of turnover that is not as expected or targeted because it is based on respondents' exposure. If the monthly turnover does not meet the target, it will cause a delay in the payment of current capital and royalties, resulting in the emergence of very large financial risks. Financial regulatory indiscipline is another potential risk factor, because without it, business actors are unable to manage operational activity plans properly and appropriately, which can lead to the emergence of risks resulting in large financial losses. The third source of risk is manufacturing flaws in equipment sent by the franchisor, because production equipment is one of the most important components in operational activities. When there is a production record on the equipment, it will also cause a record in the resulting product, preventing it from meeting consumer standards and desires. Similarly, risk agents ranked 4, 5, and 6 can cause risks in operational activities, resulting in financial and non-financial losses in the East Java fast-food franchise business. The third source of risk is manufacturing flaws in equipment sent by the franchisor, because production equipment is one of the most important components in operational activities. When there is a production record on the equipment, it will also cause a record in the resulting product, preventing it from meeting consumer standards and desires. Similarly, risk agents ranked 4, 5, and 6 can cause risks in operational activities, resulting in financial and non-financial losses in the East Java fast-food franchise business. The third source of risk is manufacturing flaws in equipment sent by the franchisor, because production equipment is one of the most important components in operational activities. When there is a production record on the

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4.2 House Of Risk (HOR) Phase 2

The next step is to determine preventive actions to mitigate these risk agents based on the order of priority risk agents identified in HOR 1. Risk management is accomplished by selecting the most effective preventive measures for reducing, eliminating, transferring, or accepting risk agents. Preventive measures are identified in the same way that risk events and risk agents are identified, namely by interviewing and brainstorming on respondents who are fast-food franchise business actors in East Java. Based on the results of the interviews, several preventive actions can be taken, as shown in Table 6 below.

Table 6. Identification of Preventive Action in Fast-food Franchise Business in East Java

Preventive Action	**Code**
Quality control when equipment arrives	PA1
Assistance from the franchisor to the franchisee	PA2
Quality control when picking up goods on expeditions	PA3
Quality and quantity control of raw materials upon receipt from the franchisor	PA4
Raw material ordering system scheduling	PA5
Promo support from the franchisor	PA6
Good financial system arrangement	PA7

After identifying preventive measures, obtained 7 actions that can be taken at the fast-food franchise business in East Java as listed in Table 6 above. Then an assessment of the correlation between each risk agent and each preventive action is carried out, an assessment of the level of difficulty for preventive action, calculates the total effective value of each preventive measure, and calculates the total value of the difficulty level ratio so that later the most effective priority preventive action can be identified. that can be done by business actors in the fast-food franchise business in East Java. The results of the HOR 2 analysis can be seen in Table 7 below.

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Table 7. HOR Matrix 2 Fast-food Franchise Business in East Java

Code		**Preventive Action**							**ARP**
		PA1	**PA2**	**PA3**	**PA4**	**PA5**	**PA6**	**PA7**	
Risk Agent	**A1**	9	9	9					27
	A2	9	9	9	9				15
	A3		9	9	9	3			13
	A4		9	9	9	9			23
	A5		9		3	9	9	9	145
	A6		9		3	3		9	87
Tech		378	2790	702	1155	1812	1305	2088	
Dk		2	1	2	1	1	5	2	
ETDk		189	2790	351	1155	1812	261	1044	

Based on the results of the analysis on the HOR 2 matrix, it can be concluded that of the 7 identified preventive actions, the most effective priority preventive action in mitigating the risk of fast-food franchise business agents in East Java is based on the total value of the difficulty level ratio (ETDk), namely the assistance from the third party. franchisor to the franchisee (PA2), then scheduling the raw material ordering system (PA5), controlling the quality and quantity of raw materials (PA4), structuring a good financial system (PA7), controlling the quality when picking up goods on the expedition (PA3), promo support from the franchisor (PA6), and the last one is quality control when the equipment arrives (PA1). The ranking order of these preventive measures can be seen in Table 8.

Table 8. Sequence of Potential Preventive Actions Based on ETDk . Value

Code	**Preventive Action**	**ETDk**	**Ranking**
PA2	Assistance from the franchisor to the franchisee	2790	1
PA5	Raw material ordering system scheduling	1812	2
PA4	Quality and quantity control of raw materials upon receipt from the franchisor	1155	3
PA7	Good financial system arrangement	1044	4
PA3	Quality control when picking up goods on expeditions	351	5
PA6	Promo support from the franchisor	261	6
PA1	Quality control when equipment arrives	189	

Assistance from the franchisor to the franchisee (PA2) is a priority preventive measure and is regarded as the most effective, because assistance to franchisees such as training, inspection, and supervision can reduce the occurrence of errors in operational activities that can later trigger risks. The franchisor provides training to franchisee employees so that later operational activities can be carried out in accordance with SOPs. The presence of franchisor inspection and supervision activities on the franchise's operation or operation to ensure that equipment, supplies, raw material inventory, report records, and other documents are well organized and in accordance with SOPs.

The second priority of preventive action is the scheduling of the raw material ordering system (PA5). According to the findings of interviews with fast-food franchise business actors in East Java, the franchisee typically does not establish a good scheduling system for ordering raw materials from the franchisor in their operational activities. Typically, the franchisee orders raw materials from the franchisor once a month in a relatively consistent amount. During major holidays, however, the number of buyers typically increases, causing franchisees to be unable to meet all consumer demands due to a lack of raw materials. As a result, it is critical that fast-food franchises in East Java implement a good raw material ordering scheduling system. The ordering of raw materials is also linked to the third priority preventive action, which is controlling the quality and quantity of raw materials (PA4). When there is a shortage or damage to raw materials, such as expired, this raw material ordering system can predict it. As a result, there will be no shortage of raw materials in operational activities to meet all product demands from fast-food consumers in the future.

The fourth priority for preventive action is good financial system management (PA7). The franchisee must have a good financial management system and arrangement. If sales and revenue activities do not meet the target, the franchisee must have a plan in place to ensure that the franchise business's finances are not jeopardized. Respondents stated that during major holidays, such as holidays, the income from this franchise business is usually used up to provide THR to its employees, so the money for purchasing raw materials is usually reduced or even non-existent. As a result, it is critical to have a good financial system in place so that franchisees are not financially constrained when purchasing raw materials, paying royalties, and paying employee salaries.

When picking up goods on expeditions (PA3), franchisees must ensure that the goods sent by the franchisor are in good condition and in accordance with the provisions. So that if there is a discrepancy or damage to goods, it can be immediately reported back to the franchisor and handled quickly so that the fast-food franchise's operational activities are not hampered.

The presence of franchisor promotional support (PA6) can have a significant impact on product sales and franchisee income. In addition to holding their own promotions, franchisees are occasionally entitled to receive support and promotional assistance from the franchisor, the benefits of which will be felt by both the franchisee and the franchisor of the fast-food franchise business.

Quality control when the goods arrive (PA1), as well as PA6 precautions, in which the franchisee must always ensure and control every piece of equipment and material received from both the franchisor and other suppliers. The goal is to ensure that the goods and materials are of high quality in accordance with the wishes and applicable standards.

5. Discussion

Franchises in the fast-food industry are a cinch to get up. Franchisees in this situation just need to prepare the location, facility, and cost of obtaining the brand rights in order to conduct the fast-food sales company. The franchisor owns the brand in the franchise business, thus the franchisee and the franchisor agree to buy the rights to the trademark from each other. It has been noted by Nijmeijer et al. (2014) that company design, contract design, conduct of franchisor and franchisee and their interaction as well as system age and unit size all have an impact on franchise business operations. Franchising is a two-way street.

The goal of risk mitigation is to lessen the impact of a risk event that could hurt or jeopardize an organization or corporation by taking proactive and long-term measures. The final step in risk management is to mitigate the hazards that have been identified. An organization's or company's risk mitigation is based on the findings of the risk identification that has been selected and prioritized for further adjustment of the sources (agents) producing the risk with the preventative actions that occur. Establishing cooperative or supplier alliances as a risk mitigation technique If there is enough chicken meat in stock, the supplier can meet the demand of the fast-food franchise industry. The supplier is not obligated to procure chicken meat from third parties if it does not have sufficient stock on hand at the supplier's warehouse to meet the demands of the fast-food franchise. When the raw materials for chicken meat at suppliers are in short supply or the stock is depleted, fast-food franchise firms turn to other suppliers or slaughterhouses to meet their needs. In the event that slaughterhouses or other suppliers are not able to supply them with chicken flesh, then they take it directly to the market. Fast-food franchises don't need to partner with slaughterhouses or poultry producers to meet their fundamental raw material demands because they can easily meet those needs themselves. Neither chicken breeders nor slaughterhouses are ready to sign formal contracts for the supply of chicken meat raw materials, because the fast-food franchise company for ordering chicken meat daily is still relatively tiny, or not more than 50 kg. This is why fast-food franchisees and suppliers should not use the ministry system with a formal contract agreement, according to Al in 2021. A formal contract agreement for the supply of raw materials for chicken meat by both chicken breeders and slaughterhouses is not possible because the fast-food franchise business for ordering chicken meat every day is still relatively small or less than 50 kg. For both fast-food franchisees and suppliers, these are important reasons to avoid the ministerial system with a written contract agreement. Neither chicken breeders nor slaughterhouses are ready to sign formal contracts for the supply of chicken meat raw materials, because the fast-food franchise company for ordering chicken meat daily is still relatively tiny, or not more

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than 50 kg. Fast-food franchisees and suppliers should avoid using the ministry system in favor of a formal contract agreement for these reasons, according to Al, 2021.

In addition to determining the number of raw materials required, company's raw material requirements planning is an essential step (Altinay et al., 2013; Christensen et al., 2021; Chacko et al., 2021; Kristianto, F., & Gracia). When raw resources are scarce, the production process suffers, and when raw materials are plentiful, the management and storage of raw materials become more expensive. Planned management of raw materials helps save money and ensures that the manufacturing process runs as smoothly as possible when raw material requirements are planned ahead of time. Using a risk mitigation strategy to plan for raw material needs is a crucial step. Due to a lack of chicken meat stock at suppliers, slaughterhouses, or the market, some fast-food franchise firms may run into raw material difficulties at certain times. On large days, a lot of people consume chicken, which can lead to this problem. It is difficult to place long-term orders in the fast-food franchise sector due to the fact that most suppliers do not serve orders for the long term because they cannot guarantee the availability of chicken meat from the supplier's standpoint.

Chicken meat raw material storage equipment, particularly for fast-food franchises that prepare chicken meat, is an essential piece of equipment. Once they've been transformed into consumable goods, the raw materials can be kept fresh and undamaged using storage equipment. The fast-food franchise business process risks do not prioritize these mitigation techniques. According to the findings, the vast majority of fast-food franchises only have one method of storing chicken flesh. Chicken meat is just one of the many raw materials that can be held in a temperature-controlled storage unit, which can also be used to store other raw materials with the same properties as chicken meat. There are no big volumes of chicken flesh that can be stored on the concurrent storage devices used by fast-food franchises. One of the most common uses is to keep chicken flesh for one-time production purposes (product demand capacity in one day). human resources in the industrial process shift around a lot.

SOPs, obtained from the franchisor and implemented by the fast-food franchise to be applied in all business operations, have been implemented to ensure that its business processes function smoothly and efficiently. Errors and human errors are common in their business operations, even though they have SOPs in place, and the SOP as a whole is often overlooked. Consequently, the product cannot be marketed to meet the needs of the consumer because of a breakdown in the production process. A priority for the fast-food franchise business could be to implement a risk mitigation strategy in order to lessen or even eliminate the impact of the risk on the business's operations.

In today's highly competitive industry, a company's ability to remain afloat on the basis of quality is critical. A product's quality can be described as the sum of all its features that support its ability to meet a specific set of requirements. Quality products are those that are able to satisfy the wants or desires of their customers. A product's quality, according to Derming (1982), is determined by how well it meets the needs of the market or the end user.

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A company's or business unit's ability to comprehend the needs of its customers is critical to its success.

When it came to buying a fast-food franchise, the majority of franchisees chose to go with an established brand (the franchisee) that could suit their customers' expectations. Because of this, they were aware of its existence prior to acquiring the brand rights (franchisee).

Prioritizing product quality throughout manufacturing is a risk mitigation technique for fast-food franchise businesses, as research has already been done on what consumers anticipate from their products to ensure that the products produced meet those expectations. Consumers' perceptions of a product's positive image and brand loyalty can be bolstered by distinguishing features that set it apart from competitors. Priority and importance are attached to this strategy, as there are already established procedures (SOPs) that must be followed to assure product conformity with those established by franchisors. According to a financial perspective,

Restaurants, particularly fast-food franchises, face a unique set of challenges when it comes to keeping their workplaces and retail locations spotless. Because cleanliness is the first thing people notice when they enter a fast-food franchise business, this is critical. Visitors' trust and comfort can be eroded by outlets that appear unkempt and neglected. The opposite is also true: a spotless storefront may entice customers to return for additional purchases or visits.

According to the study's findings, fast-food franchisees place a high value on a clean work environment and retail locations as well. In accordance with SOP, the dining table is sprayed or cleaned prior to and after each visitor's meal to ensure the comfort of the following guest. There are a number of areas that need to be maintained clean in addition to the dining table, including flooring, hand washing facilities, and even visitor restrooms. Consumers can feel more at ease when they eat at a well-maintained restaurant. The significant number of people that visit the outlet for a long time, mostly because they appreciate the products they purchase and converse with coworkers while they are there, proves this level of comfort. Fast-food franchise businesses believe that the cleanliness of their outlets can also boost consumer confidence in the hygiene of their products, which in turn increases customer loyalty. The significant number of customers who stay in the store for an extended period of time is proof of this comfort, as they are taking their time to appreciate the things they have purchased and to catch up with friends and colleagues. Fast-food franchise businesses believe that the cleanliness of their outlets can also boost consumer confidence in the hygiene of their products, which in turn increases customer loyalty. The significant number of people that visit the outlet for a long time, mostly because they appreciate the products they purchase and converse with coworkers while they are there, proves this level of comfort. Fast-food franchise businesses believe that the cleanliness of their outlets can also boost consumer confidence in the hygiene of their products, which in turn increases customer loyalty.

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Cleanliness is one of the most important factors in ensuring a pleasant eating experience for customers. When there is a spike in visitors, the application's human resources are occupied with fulfilling orders. As a result, the dining room table has been utilized, but not quickly cleaned up once it was finished using it. This is a problem for fast-food franchises trying to keep their locations clean. Some customers who are upset by a dirty dining table may summon the cleaning crew right away because they will be using the table at the time of service.

A fast-food franchise firm can mitigate its risk by maintaining a clean work environment and outlets, which is an easy plan to follow. For a clean dining room, it is essential that employees are alert and sensitive to ensure that the table is constantly cleaned after each meal has been had. When it comes to the financial side of things, the execution of the mitigation approach does not necessitate a huge investment that could adversely affect the financial health of the fast-food franchise firm. Customers' loyalty to a retailer and its brand can be strengthened by providing them with a service that makes their lives easier.

Introducing anything new is a form of innovation, and it's intended to be both exciting and valuable. Many goods can be produced fast and efficiently in the food business. Other sectors may try to manufacture identical products, but with different attributes, if a popular product is around. Product innovation in a business unit, whether in the food industry generally or in the food industry particularly, necessitates effective marketing. Reliable marketing is an effective way to get the word out about new products and ultimately persuade customers to try them out.

It's challenging to launch a product innovation in a fast-food chain. This is due to the fact that the items in the fast-food franchise company are dependent on the franchisor. When the franchisor is quick to invent items in response to market needs, the franchisee merely needs to apply what has been defined by the franchisor.

Innovation in franchise business products depends on the franchisor. For this reason, franchisees are not allowed to innovate or update their products. This is why. Patents for product advances and trademarks owned by the franchisor are restricted to the use of franchisees. The greater the franchisor's success in product and marketing innovation, the greater the benefit to franchisees' product sales will be. Product innovation has no financial impact on a franchisee's bottom line because all of the associated research and development expenses are covered by the franchisor. A franchisee is only responsible for sharing sales and profit on the sale of the franchised product. Some franchisees in the study were given the authority to run their own marketing campaigns, but they had to adhere to a set of agreed-upon rules. An endorsement system with significant parties in the area, the delivery of free meals (limited stock) on certain days or moments as well as discount promos to support certain events and so on are examples of marketing innovations. Additionally, according to the person in question, a franchisee's ability to innovate in marketing might lead to increased product sales.

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6. Conclusions and Recommendation

Based on the results of the analysis and discussion described above, it can be concluded that in the HOR1 analysis there are 4 risk events and 6 risk agents with the highest ARP value, namely turnover that is not in line with expectations or targets (A5) so that the cause of the risk becomes a priority for handling activities in the fast-food franchise business in East Java. As for the results of the HOR2 analysis, it can be concluded that there are 7 prevention activities, and the most potential to be carried out is assistance from the franchisor to the franchisee (PA2). This study recommends the importance of a fast-food franchise business to be able to evaluate in the selection of suppliers of chicken meat raw materials. Evaluation is carried out to assess the performance of suppliers who are able to provide raw material for chicken meat in accordance with the quality, quantity, and time of fulfillment of orders for raw materials. Suppliers of chicken meat raw materials who can fulfill orders for chicken meat in accordance with the quality, quantity, and time of fulfillment are a priority for a long-term cooperative relationship. Fast-food franchise businesses can provide training and work motivation for human resources involved in business processes. The training is carried out to improve the ability or expertise of the human resources involved so that they are able to manage business processes starting from the management of raw materials, production processes, and reliable fulfillment of consumer demand to increase the competitiveness of the related franchise business.

There are various limitations to this study. Because data on the amount of franchise implementation and company-specific competitors is restricted, the sample size is tiny, with franchisors comprising 32 samples. Although our study produced statistically solid results, the small sample size weakens statistical inferences and necessitates careful interpretation of the data. Collecting data from a broader range of companies will improve the results' robustness. To perform a more comprehensive analysis of the impact of franchising on competitive circumstances in the future, researchers should include a larger sample, delisted and/or closed over a longer study period.

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