

ORGANIZATIONAL TRUST AND INNOVATIVENESS IN FRANCHISING FIRMS: THE MEDIATING ROLE OF ORGANIZATIONAL AUTONOMY

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Abstract: While much research has explored the relationship between organizational trust, autonomy, and innovation, less attention has been paid to these issues within franchise systems. Considering the mediating role of organizational autonomy (AU), the main objective of this study is to identify the impact of organizational trust (TR) on organizational innovativeness (IN) in franchise companies. A survey of 150 franchise companies was conducted, and structural equation modeling (SEM) was applied to test direct and indirect effects of organizational trust on innovativeness, with organizational autonomy as a mediator. The findings revealed that the organizational innovativeness of franchise companies can be enhanced by implementing organizational trust. In addition, organizational autonomy can be beneficial for innovativeness within the franchise system and acts as a mediator in other organizational relationships. The paper emphasizes the unique aspects of organizational innovation in franchising firms, which is crucial for both academics and practitioners in the field.

Keywords: organizational autonomy; organizational innovativeness; organizational trust; mediator; mediation.

1 Introduction

At present, the competitiveness of each firm is significantly affected by the fundamental shift in the global business landscape connected with the aftereffects of the pandemic, geopolitical conflicts, and technological advancements. These changes and their challenges are forcing companies to look for new ways to stay competitive, and innovation has become a key factor in this process. Extensive research has demonstrated that innovation is closely linked to the competitiveness and sustainable development of enterprise (Yang et al., 2023; Brancati et al., 2022; Rambe & Khaola, 2022). It was confirmed that firms that create a conducive environment for innovation and promote innovativeness are more competitive in both the local or global market (e.g. Rambe & Khaola, 2022; Kubickova et al., 2023; Ključnikov et al., 2021).

Initially, innovation was considered a technical term for developing new products, services, or technologies, and technological innovation has been identified as one of the key drivers of firms' performance and competitiveness (Li et al., 2019). However, over time, the concept of innovation has expanded and now encompasses many managerial domains and features. One of them is organizational innovation. The research studies confirmed the impact of organizational innovation on firm performance (Bočková et al., 2019; Mai, et al., 2022) and competitiveness (Zhu & Cheung, 2017; Azeem et al., 2021). Previous research has been intensively devoted to investigating the connection between innovation and various organizational factors, such as trust, autonomy, leadership, organizational culture, and working conditions. Of the organizational factors mentioned, trust and autonomy are key factors because they create an environment that is supportive of innovation (Park & Kang, 2024). Numerous studies support this notion, for instance, Cera, et al. (2023) confirmed the positive impact of organizational trust on open innovation in SMEs. Similarly, Sankowska & Paliszkievicz (2016) found a significant positive relationship between the various dimensions of institutionalized organizational trust and innovation. Based on a survey of 214 respondents in the ICT and pulp and paper industries in Finland, Ellonen et al. (2008) analyzed the effects of interpersonal and

impersonal organizational trust on organizational innovativeness. They found that the impersonal form has an important role in determining organizational innovativeness. Different results are presented by Hwang et al. (2022), who studied the impact of trust on the performance of innovation in clustered small and medium enterprises in Korea, however, were not able to confirm this impact.

Similarly, the topic of job autonomy has also been discussed in the context of innovation. For instance, the impact of job autonomy on the innovative behavior of individuals has been highlighted in the studies of Orth & Volmer (2017), and Albort-Morant et al. (2020). A statistically significant effect of strategic thinking on organizational innovation, with a moderating effect of autonomy to enhance this effect, was confirmed by Bakir & Al Shibly (2023). One of the few examples would be the work of Jankelova (2022), who found out that the link between entrepreneurial orientation and organizational innovativeness in medium and large companies in Slovakia is strongly mediated through the trust and job autonomy variables.

Previous research has shown that organizational trust and autonomy can influence innovation, but most studies focus on traditional firms or SMEs. Research conducted within franchise systems in the areas of autonomy, trust, and innovation is even rarer, which highlights the innovative nature of this study. The literature surrounding this subject is not extensive, and the available studies do not provide a comprehensive overview of the topic. For instance, the study by Colla et al. (2019) analyzed the impact of franchisee autonomy in human resource management and marketing decisions and network innovativeness on the franchisee relative performance of 226 franchisees in France. Similarly, Watson et al. (2020a) identified several selected organizational and relational factors that influence franchisee engagement in innovation.

Given the pivotal role of organizational factors such as trust, and autonomy in fostering innovation processes, examining these elements together in the context of franchising is crucial. A deeper understanding of how trust and autonomy interact within the franchise systems can enhance collaboration, motivate franchisees, and ultimately drive innovation. Ignoring these factors may hinder innovation development in franchising. While there is a growing body of literature dealing with organizational innovation where trust and autonomy play an important and mediating role, in the context of firms, SMEs, network cooperation, and specific economic sectors, most prior studies do not focus specifically on franchising firms. Stated represents a significant research gap in existing research. This study aims to fill this research gap by examining how trust and the mediating role of autonomy can enhance organizational innovativeness in franchising, providing a deeper understanding of these dynamics in a franchise context.

This research can provide important insights for franchise managers, who are looking for ways to increase the innovation capacity of their business by building trust and providing autonomy to franchisees. The contribution of the paper is therefore supplementing theoretical knowledge with an indication of the importance of building an organizational trust within cooperation for the organization that conducts innovative activities within the network, and based on this knowledge, to determine the practical implications for both franchisors and franchisees to increase their competitiveness.

This paper is structured as follows. The literature review gives explanations of three main constructs of this study in Section 2. The methodological part in Section 3 clarifies the explanation of research approaches, procedures, and used methods. Section 4 presents the results and discussion of our research findings. Finally, the summarization of the main findings related to the mediation effect of organizational autonomy between

organizational trust and organizational innovativeness is presented in Section 5.

2 Literature Review and Hypotheses Development

Franchising is a stable system and business relationship between the franchisor and the franchisee under one brand. The owner of the brand and business model transfers them to the franchisee for a fee, together with all associated trademarks, goods, or systems. Franchising is based on good relations between the franchisor and the franchisee, and consistent business strategies, competent leadership, and effective communication guarantee the involvement of all parties. At the heart of franchising is a franchise agreement defining the franchisor's relationship with its franchisees, designed to ensure consistency and quality, ensuring a certain level of trust in the products and services they provide. The importance of leadership in the growth of trust and loyalty in franchise partnerships is indicated by cultivating values such as reliability, honesty, credibility, and mutual understanding in organizations. The honest and trustworthy relationship between the franchisor and the franchisee leads to a well-managed franchise system, where most decisions are made by consensus.

A key component of a successful franchising system is the ability to foster collaboration (Kremez et al., 2020), coordination (Hadjielias et al., 2021), and cooperation (Yakimova et al., 2021) between franchisor and franchisee, as these elements are crucial for building trust and achieving shared goals. In the literature, these components within the organization are intensively explored (e.g. Castañer & Oliveira, 2020). Collaboration within the organization is defined as synergy between teams aimed at performing a specific task and refers to members of a given hierarchical level from different functional areas (Lin et al., 2015). Collaboration within an organization is often analyzed as a multi-dimensional construct that includes many specific areas, such as collaborative relationships, collaborative leadership, communication and information sharing, trust building, and collaborative decision-making (Fanousse et al., 2021). According to Castañer & Oliveira (2020), coordination is a procedural process involving communication and information exchange that ensures the integration, and distribution of tasks, and resources between partners. They define cooperation as a multifaceted concept encompassing attitudes, behaviors, and outcomes, with a primary emphasis on behavior (Yakimova et al., 2021).

Furthermore, collaboration, coordination, and cooperation play critical roles in the creation of new knowledge as a part of the social process. The social capital built in this way affects the efficiency of the organization, serving as a contribution to the joint creation of knowledge and innovation. Knowledge creation is the spontaneous result of interaction and collaboration between networks of individuals, workgroups, and organizations where members with different backgrounds, and resources discover innovative opportunities to gain a competitive advantage or adapt to existing conditions (Al-Omouh et al., 2020; and Lemańska-Majdzik, 2023). This is of particular importance when it comes to cooperation within the organization.

Social capital includes social interaction, mutual trust, and understanding, a shared vision and norms that allow members of an organization to successfully work together to achieve a goal. It is commonly believed that innovation requires the use of knowledge of various actors, and social capital enables this application. Hence, a positive relationship between social capital and innovation is often indicated (Watson et al., 2020a). The existence of trust between the members of the organization improves communication and cooperation as well as the efficient use of resources, which stimulates innovation (Ozgun et al., 2022).

Developed social capital makes it possible for employees to access and exchange a wide range of information, ideas, and perspectives through collaborative networks, which increases the

level of innovation. Social capital has a direct impact on the processes of connection and exchange and provides easy access to the most valuable resource, which is information. Internal cooperation is therefore a precursor of innovation, which entails the integration of intangible resources, basic research, and development based on cooperation networks (Kakakhel & Khalil, 2022). Trust in colleagues encourages the sharing of knowledge and ideas. Social capital has an impact on innovation, and the importance of collaborating for the firm's ability to radically innovate is emphasized in particular (Dost & Badir, 2019).

The role of social capital in fostering innovation also aligns closely with the collaborative dynamics of franchising systems, where both franchisors and franchisees actively contribute to the innovation process through shared knowledge, trust, and effective cooperation.

The development of the franchising system depends heavily on innovation, with creativity being essential not only for franchisors but also shared responsibility of franchisees. Franchisees and franchisors collaborate and actively participate in the innovation process (Karmeni et al., 2018). Achieving a competitive advantage in today's rapidly changing environment requires the ability to identify and leverage intangible assets created by both internal and external stakeholders. Effective knowledge management is also critical, enabling the flexible allocation of resources to adapt to environmental changes.

The growth of the franchisee largely depends on the employees who manage and monitor daily operations. Therefore, the innovativeness of franchisee organizations is a highly valued attribute within the system. Ideas generated at this level are often supported by franchisors with appropriate resources and rewarded, fostering a culture of shared innovation and continuous improvement. (Lee & Yoo, 2019). Being competitive requires constant development of the offer that will meet the requirements of customers. Therefore, the franchisor must be the creator of a system that disseminates and implements best practices, while supporting an innovative and constantly improved organizational culture. To achieve this, the franchisor needs the cooperation of all stakeholders of the ecosystem and suppliers, especially franchisees, whose employees, based on trust and cooperation, will build a system conducive to innovation (Hizam-Hanafiah et al., 2023).

Referring to authors Wang and Chen (2020) the concept of organizational innovativeness can be described in three broad streams: as a product of the search for better practices among neighboring organizations and their introduction into the central organization, which brings new changes in the organizational routines; as the changes in any non-technical aspects, which are considered as the administrative or managerial activities; and as changes in several aspects: knowledge management, structure and enterprise's relationship with other firms or public institutions or methods that aim to improve enterprise's use of knowledge, quality of goods and services, or efficiency of workflows.

The development and operation within the franchising system have a bidirectional impact on the franchising actors. Between franchisor and franchisee exist various interactions, interdependence, and constraints, while the franchisor can influence franchisees' commitment and behavior. Collaborative relationships in this system can be formed only through continuous communication, which Kang & Jindal (2018) considered the key driver of the franchising relationship. Effective communication is an element that builds trust in the franchising system (Abdul Ghani et al., 2022). Fernández-Monroy et al. consider communication as the precursor of trust. At this individual level, trust is understood as a state in which a person trusts a specific person or group of people with specific characteristics concerning a specific item. In this case, we are talking about the so-called relational trust, which is a narrower concept than generalized trust in others. It should be noted, however, that relational and generalized trust are causally

related. Jang and Park stated that trust consists of a willingness to rely on partners, believing that the partner is honest, and the partner will fulfill its obligations, and performing actions with long-term interest, trusting belief, and trusting intention. Hence, the relationship between cooperation, which includes as well as intra-organizational cooperation, and trust is visible.

The topic of trust is part of organizational theories and in the context of cooperation and collaboration is investigated in the form of organizational trust (Guinot et al., 2021). Organizational trust is considered the foundation of long-term employee-employer relationships. It can be defined as a willingness to be vulnerable to the actions of the other party, based on the expectation that the other party will perform a certain action important to the relying party regardless of the ability to monitor or control the other party. Organizational trust is treated as a form of social capital, as it translates into many benefits, such as reducing transaction costs in the organization or increasing cooperation among employees. In addition, trust reduces oversight costs, reduces opportunistic behavior, supports organizational innovation, and provides the organization with unique competitiveness. It is indicated that trust affects not only outcomes but also relationship processes, such as the quality of interactions (Silva et al., 2023). Organizational trust is linked to the individual's strong sense that the organization in which the individual is a member will be beneficial in all aspects. Organizational trust is perceived in two ways, firstly as trust within a given organization, and secondly as trust in the leaders of that organization. Organizational trust is an organizational attribute that has a positive social connotation, which facilitates the implementation of tasks in organizations. At the same time, the role of leaders in building organizational trust is emphasized, from which the entire process of strengthening trust within organizational structures begins (Ilyas et al., 2020).

We generally recognize that when individuals can be trusted, transaction costs are lower, and collaboration in different areas becomes more frequent. This also applies to innovative activities. There is evidence of the role of relational trust and cooperation in the innovation process of firms, as well as of the positive relationship between universal trust and firm-level innovation (Bischoff et al., 2023).

Trust plays both universal and context-specific roles in the innovativeness of enterprises. In the innovation process, trust is essential due to the inherent risk and uncertainty, which determine the effectiveness of creating and implementing innovative ideas. These risks often manifest as opportunistic behaviors, errors, technological failures, and organizational or financial problems. In such contexts, trust enables organizations to share information and collectively solve problems, thereby facilitating effective innovation management. At the same time, the decision on whom to trust will be dictated by the individual's perception of whether the individual is trustworthy, i.e., whether they can help in the project due to their competence and whether they show kindness and honesty to keep their word, fulfill obligations and respect mutual - agreed guidelines and rules (Shazi et al., 2015). Innovation requires trust that increases organizational commitment and performance and, as a result, the likelihood of successfully developing new ideas or products. It should be noted that organizational trust develops over time and on many levels. Trust can be related to the individual (individual trust), the organization itself (organizational trust), or, more generally, to social institutions or business structures (institutional trust). The existing interaction of these three levels in the processes of strengthening intra-organizational trust and the role of the trust environment in relation to the innovativeness of the organization are also indicated (Harrer et al., 2023).

An important element that builds on trust and plays a crucial role in fostering innovation and adaptability in the franchising system is autonomy. Autonomy is the extent to which employees can decide for themselves how to perform their tasks, including control of time and methods. Autonomy is seen as a motivator for organizational performance, as greater role flexibility associated with autonomy leads to a greater perception of

responsibility for work performance, prompting employees to take more responsibility for processes in their organization, which has a positive effect on motivation. Autonomy is a situational work resource, and trust on the part of superiors allowing for independence in performing tasks plays a role as a motivational mechanism generating increased engagement and commitment.

Organizational autonomy means providing employees with freedom in activities for the organization, strengthening their independence and self-organization, developing creativity, and using their individual potential in innovative activities. This requires a policy of empowerment, trust, and open communication, unlimited access to resources of knowledge and information, and authorization to operate without constant supervision. By providing the employee with autonomy at work, leaders confirm their trust in the employee who can work effectively without strict restrictions from superiors. Autonomy is treated as a necessary element that encourages members of the organization to actively engage in entrepreneurial and innovative activities. Autonomy can be a success factor if employees feel the trust of leaders to act without constraints and consent, which encourages them to deviate from established practices and make changes flexibly. Autonomy is, therefore, a key driver of flexibility, and indirect innovation, in response to changes in the environment and market signals. Autonomy allows for faster reconfiguration of operations, as individuals have the freedom to use their human capital in a way that helps the company adapt to changes and respond to the needs of its markets and the actions of rivals (Hughes & Morgan, 2007).

Autonomy requires a high level of personal fit with the organization to bring out the individual's personal strengths and ensure a high level of psychological security. Unleashing the full potential of autonomy depends on whether the individual acts of their own free will, as threats and stressors such as fear of failure and judgment are eliminated. On the other hand, in an environment with low fit and low trust in the organization, independent actions are a source of stress, generating frustration and increasing the fear of failure. Autonomy is a determinant of action, innovation, and success, provided that the employee trusts that the organization will act in their best interests, and then will be able to develop and achieve benefits. However, not every employee is sufficiently adapted to the organization so autonomy provides a sense of comfort, and trust from the organization is not a source of stress (Sørli et al., 2022).

Based on the arguments stated above, we propose the following research hypotheses:

H1: There is a significant positive relationship between Organizational Trust (TR) and Organizational Innovativeness (IN).

H2: There is a significant positive relationship between Organizational Trust (TR) and Organizational Autonomy (AU).

H3: There is a significant positive relationship between Organizational Autonomy (AU) and organizational innovativeness (IN).

H4: Organizational Autonomy (AU) mediates the relationship between Organizational Trust (TR) and Organizational Innovativeness (IN).

Figure 1 shows the proposed research framework for examining four aspects of this study: the influence of TR on IN and AU (H1+; H2+), the influence of AU on IN (H3+), and the influence of TR on IN through the mediator AU (H4).

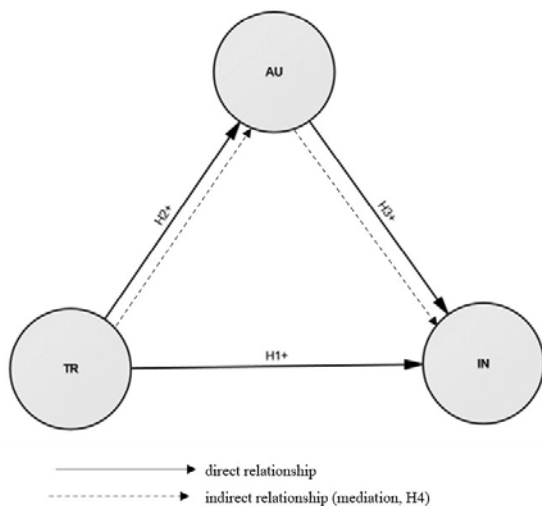


Figure 1: Proposed research framework.

Source: own research

3 Research methodology

Structural equation modeling (SEM) was used to test the proposed research model using IBM SPSS 25.0 and IBM SPSS Amos 26. We used Confirmatory Factor Analysis (CFA) and mediation analysis to evaluate the proposed research model with direct, indirect, and total effects. An innovative approach in the study was the use of an employee approach, while most research in the area of organizational variables uses a managerial approach. Therefore, in practice, employee research will allow to gain access to knowledge unavailable to managers. The tool for data collection was based on a previously designed and validated questionnaire.

Sample Selection and Data Collection

The data was collected by distributing a questionnaire survey to a purpose-random selection sample of franchise systems. To determine the required sample size for a study that uses SEM, we carried out the calculation of minimum sample size to detect the specified effect, and the minimum sample size required given the structural complexity of the model using the free online calculator of Soper (2023). The following necessary parameter values were used for the calculation of the required sample size: anticipated effect size (0.3), desired statistical power level (0.8), number of latent variables (16), and probability level (0.05). The results showed the following parameters required: a minimum sample size to detect the effect = 119 and a minimum sample size for model structure = 123.

The survey was preceded by a pilot study on a group of 10 franchise systems to check the correctness of the survey and the transparency of its content. The obtained data were arranged, analyzed, and interpreted, and the results were compiled in the form of a research report. The final study ultimately covered 14 large franchise systems, from which a total of 150 questionnaires were obtained and included in the further analysis.

The respondents' opinions were obtained in the form of subjective assessments using a 5-point Likert scale (from 1 – totally disagree to 5- totally agree).

Measurement of Constructs

The variables were built for the survey as a result of a literature review (Hughes & Morgan (2007); Celep & Yilmazturk (2012); Sankowska & Paliszkiwicz (2016)). Three multi-item constructs were developed: Organizational Trust (TR), Organizational Autonomy (AU), and Organizational innovativeness (IN). Each construct consisted of four items, questions that referred to actions/activities at the following levels: individual, group, organizational, and inter-

organizational. This study uses AU as a mediator. We want to examine if the construct TR has an indirect effect through AU to construct IN. And if a direct relationship between the independent variable (TR) and dependent variable (IN) in the presence of a mediator (AU) exists.

Data management

In our research, the preliminary step was to examine data to make sure there were no errors, outliers, or respondent misconduct. As a result of this examination, 20 questionnaires were discarded.

To reach the main aim of this paper, Structural Equation Modeling (SEM) as an important statistical tool to investigate mediation effects (Cheung and Lau, 2007) was adopted. It is a tool with better investigation of latent variables with multiple indicators (Holmbeck, 1997).

The mediation analysis with SEM was performed using AMOS IBM software. Approach to SEM in which the measurement model fit and construct validity are first assessed using CFA, including an assessment of the significance of relationships (Hair et al., 2010). It is necessary to assess the adequacy of the measurement model by examining measures of fit indices, factor loadings, construct reliability, and validity.

For the model improvement, it was necessary to draw covariances between error terms of the same construct and check the Standardized Residual Covariances, based on which results the inappropriate items were deleted. The structural model was tested only after adequate measurement and construct validity were established (Hair et al., 2010).

Finally, the mediation analysis was conducted using bootstrap analysis in AMOS, and the results were further evaluated within the framework of the four-step approach proposed by Baron and Kenny (1986).

Following Kline (2023), Hair et al. (2010), Byrne (2010), Hulin et al. (2001), and Bagozzi and Yi (1988) this study follows the next rules: Factor loading whose value was <0.50 was deleted. The overall measurement and structural model fit was assessed by model fit measures: Chi-Square (CMIN), Chi-Square/df (CMIN/DF), CFI (Comparative Fit Index, ≥ 0.9), GFI (Goodness of Fit Index, ≥ 0.9), TLI (Tucker-Lewis coefficient, > 0.90), RMSEA (Root Mean Square Error of Approximation, <0.05 (good fit); $<0.08 - 1$ (reasonable fit)), and SRMR (Standardized Root Mean Square Residual, <0.08 (acceptable fit)).

For a measure of the internal consistency of a group of items (constructs), Cronbach's alpha was used. Cronbach's alpha ranges between 0 and 1. The accepted value of Cronbach's alpha for identification, if a construct is reliable, is a value greater than 0.70. A value of 0.80 or higher indicates a very good level of reliability. However, values higher than 0.95 are not necessarily good, since they might be an indication of redundancy (Hulin et al., 2001).

Composite reliability (CR) is a measure of internal consistency in scale items (Netemeyer et al. 2003). The accepted value of CR according to Hair et al. (2022) is a value of 0.60-0.90, whereas values between 0.70 and 0.95 are considered satisfactory to good.

Average variance extracted (AVE) is the metric used for evaluating a construct's convergent validity. An acceptable value of AVE is 0.50 or higher indicating, that the construct explains at least 50% of the variance of its items (Hair et al., 2018).

The mediating effect of AU was primarily tested using the bootstrapping procedure in IBM SPSS Amos 26, following Preacher and Hayes (2004). The results were also evaluated within the framework of the four-step approach proposed by Baron and Kenny (1986). In this study, the 95% confidence

interval of the indirect effects was obtained with 5000 bootstrap resamples.

4 Results and Discussion

CFA was computed to test the measurement model using two major steps. As the first step, the analysis of the goodness of model-fit measures (Tab 1) was performed. Within the second step, the reliability and validity of the measurement's model

constructs (Tab. 2) were assessed. The model-fit measures (Tab. 1) and the results of constructs' reliability and validity (Tab. 2) were used to assess the model's overall goodness of fit and all values were within the theory's respective common acceptance levels (Kline (2023), Hair et al. (2010), Byrne (2010)). Hence the measurement model of the study met the acceptable fit and the final (structural) SEM model was used for mediation analysis.

Table 1: Model fit indices.

Index	Level of acceptance	Measurement model fit (3F/9I) ^a
RMSEA	<0.05 (good fit) <0.08 – 1 (reasonable fit)	0.067
GFI	≥0.90	0.945
CFI	≥0.90	0.972
NFI	≥0.90	0.930
TLI	>0.90	0.957
Chisq/df (PCMIN/DF)	<3.00	1.584
SRMR	<0.08	0.056

^a F- factors, I – items

Source: own research.

The three-factor model (Organizational Autonomy, Organizational Innovativeness, and Organization Trust) with nine observed variables (AU2, AU3, AU4, IN1, IN2, TR1, TR2, TR6, TR7) yielded a good fit for the data obtained through the questionnaire survey. Items AU1, IN3, IN4, TR3, TR4, TR5, and TR8 were removed, because without their deletion, the results led to a decrease in composite reliability or average variance extracted and they didn't reach the recommended value (Hair et al., 2016).

The items in the analysis related to TR focused on four main key aspects of trust within the franchise company. Specifically, they examined managerial trust in employees; employees' trust in managers; interpersonal trust at the individual level; and the overall level of trust among employees within the organization.

The items related to IN were linked to two aspects: the support and recognition of employees' innovative activities aimed at improving processes, expanding operations, and enhancing organizational performance; and the formation of teams and

groups structured to maximize innovation in their contributions to the organization.

The AU in this study is represented by three key aspects: the formation of teams or groups with the freedom to independently execute tasks for the organization; organizational structures that support the development of autonomy and self-reliance within the organization; and autonomy in the actions of employees and managers that extends beyond the organization, enabling independent collaboration with partners and institutions.

Table 2 summarizes the results of CFA employed in AMOS IBM and SPSS IBM. The results indicated that all standardized factor loadings ranged from 0.55 to 0.93, whereas a factor loading of each item ≥0.50 is used to confirm a satisfactory fit (Bagozzi & Yi, 1988). Cronbach's alpha for each construct in the study was found to be over the required limit of 0.70, and ranged from 0.75 to 0.84, above the 0.70 benchmark (Hulin et al., 2001). Moreover, the values of AVE and CR exceed the acceptable levels of 0.50 and 0.60 (Hair et al., 2018; Hair et al., 2022).

Table 2: Summary of the CFA report

Construct	Item	Factor loading	AVE	CR	Cronbach's alpha
Organizational Autonomy	AU2	0.734	0.595	0.807	0.784
	AU3	0.973			
	AU4	0.547			
Organizational Innovativeness	IN1	0.640	0.638	0.773	0.745
	IN2	0.931			
Organizational Trust	TR1	0.613	0.556	0.832	0.835
	TR2	0.705			
	TR6	0.785			
	TR7	0.858			
Acceptance level		>0.50	≥0.50	0.60-0.90	>0.70

^a F- factors, I – items

Source: own research.

The final SEM model and the relationships between variables are shown in Figure 2, together with the results of suitability (Fit indices).

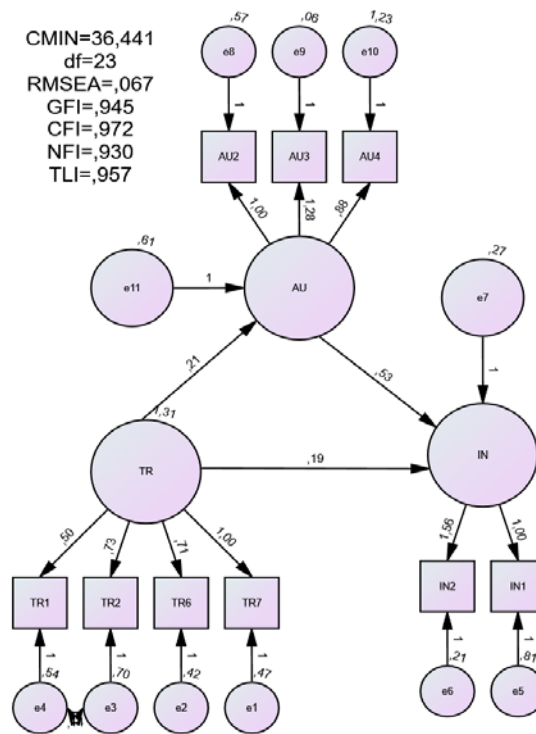


Figure 2: Final SEM model with Fit indices.
Source: own research

Table 3 presents the results of the first three steps of the four-step approach of Baron and Kenny (1986) to evaluate the mediation process.

Table 3: The results of hypotheses H1, H2, H3 testing.

Hypothesis	Regression Path	Beta	SE	t	Sig.	Decision
H1	TR → IN	0.377	0.095	3.974	***	Supported
H2	TR → AU	0.212	0.072	2.942	0.003	Supported
H3	AU → IN	0.532	0.112	4.753	***	Supported

*** $p < 0.05$

Source: own processing.

To obtain the results in Table 3, we followed the four-step procedure.

Within the first step we assessed the association between the independent variable (TR) and the dependent variable (IN). As shown in Table 3, the relationship was a significant and direct ($\beta=0.377, p<0.001$). **The hypothesis H1 was supported.**

The second step tested the relationship between the independent variable (TR) and the mediator (AU). The results showed a positive and significant relationship ($\beta=0.212, p=0.003$). **The hypothesis H2 was supported.**

The third step assessed the relationship between the mediator (AU) and the dependent variable (IN). The results confirmed a significant positive relationship as shown in Table 3 ($\beta=0.532, p<0.001$). **The hypothesis H3 was supported.**

In the fourth step, the mediation analysis was conducting. According to Baron and Kenny (1986), all three previous steps must show significant results to meet the preconditions for testing mediation. As shown in Table 3, these preconditions were fulfilled. In this step, both constructs (TR and AU) were taken as the independent variables, and IN was taken as the dependent variable. The results of this step are presented in Table 4.

Table 4: Mediation analysis summary (H4).

	Direct effect	Indirect effect	Confidence interval		p-value	Conclusion
			Lower Bound	Upper Bound		
TR → AU → IN	0.192 (0.003)	0.113	0.051	0.318	0.005	Partial mediation

Source: own research.

The results of the mediation analysis (Table 4) indicate that TR has both direct and indirect effect on IN through the mediating variable, AU. The results revealed a significant direct effect ($\beta=0.192, t=2.942, p=0.003$) and significant indirect effect on impact of TR on IN that was positive ($\beta=0.113, t=3.128, p=0.005$) with a 95% confidence interval [0.051, 0.318] that does not include zero. These findings confirm a partial mediation. Hence, AU partially mediated the relationship

between TR and IN (Table 4). **The hypothesis H4 was supported.**

The results of hypotheses testing, as presented in Tables 3 and 4, confirmed all the hypotheses proposed in this research. Overall, the organizational innovativeness of franchise companies can be enhanced through the implementation of organizational trust, and the promotion of organizational autonomy.

Previous research has provided cutting-edge empirical evidence of a link between widespread trust between individuals and organizational innovation, with the link strengthening for small and medium-sized enterprises (Sankowska & Paliszkievicz, 2016; Jankelova, 2022) or link with a firm's performance (Minarikova et al., 2020). Some authors (Chams-Anturi et al., 2020; Hariputra et al., 2024) emphasized the high correlation between organizational trust and business performance, which has important implications for enterprise managers. Consequently, organizational trust can be essential to the success of an organization and can generate innovative behaviors (Ma et al., 2022) that foster overall business development and competitiveness. Understanding the essence of business helps SMEs to adequately develop an interest in innovation and increase the performance of enterprises (Dvorsky et al., 2023). It is also often indicated in the literature that organizational trust inseparably contributes to the development of the enterprise because it stimulates intra-organizational cooperation, which is crucial for maintaining a competitive advantage. Organization members must trust each other to develop their collaborative relationships. Within an organization, innovation is conditioned by the ability of managers to build trusting relationships with employees. However, innovation is associated with organizational changes, which naturally cause defensive reactions of the organization's members against new ways of doing things. Therefore, it is emphasized that organizational trust is necessary to anticipate reasonable and positive reactions of others to attempts at innovation. Lack of trust evokes defensive reactions that inhibit collaboration, commitment, and organizational learning, creating a barrier to creating organizational value through the adoption of innovation (Mitcheltree, 2021).

Organizational autonomy represents a foundational construct in management that contributes to innovativeness and competitiveness. The knowledge about organizational autonomy is fragmented, and the theoretical perspectives applied to specific questions vary widely and tend to omit the multilevel nature of this construct (Arregle et al., 2023). Autonomy can be enhanced by encouraging employees to pursue learning and growth in their roles and by offering them greater opportunities to take ownership and lead themselves in their work tasks (Alshamsi et al., 2020). Individuals with high motivation and commitment responsible for finding and commercializing innovations are strongly motivated by the possibility of working in project teams with high autonomy and freedom in the allocation of time and tasks (Corsino et al., 2019), as well as participating in achieving competitiveness and performance (Cochet et al., 2008). Autonomy at the team level encourages collaboration and creativity, leading to more effective problem solving and innovation implementation. According to Hughes & Morgan (2007), autonomy is a key prerequisite for the flexibility of organizations, which allows them to respond to a dynamic environment and changing market demands. This ability to respond to external conditions was also confirmed in our study, where organizational autonomy significantly influenced organizational innovativeness.

Studies of innovation within franchising are limited, and studies of franchisee innovation are rare (Watson et al., 2020a). The studies of organizational innovativeness in franchise systems connected with trust and autonomy are limited and rare.

Our results showed that trust can bring advantages for innovativeness within the franchising system. Although franchisees are independent owners, and not employees, often with their entrepreneurial ambitions, they are contractually obligated to adhere to the business template provided by the franchisor (Watson et al., 2020a). Despite this fact, our results confirmed the earlier general assumptions in the literature that the autonomy of work, which provides individuals and teams with freedom of creativity and invention, is indicated as a factor supporting innovative activity and entrepreneurial cooperation (Guzmán et al., 2019). Autonomy suggests support (by the franchisor) for independent thinking and action by individuals or

teams within the organization, where autonomous decision-making is encouraged (Watson et al., 2020b).

5 Conclusion

The conducted research confirmed the importance of organizational trust in building the innovativeness of franchise organizations. Despite the high specificity of managing the franchisee's company, which must comply with the franchise agreement, it has been shown that organizational trust encourages franchisees to undertake innovative activities.

The authors also confirmed the dependence of organizational innovation on effective organizational autonomy, which was used as a mediating factor in this study. Organizational autonomy is a factor rarely studied in the literature, due to the assumptions about the limited autonomy of the franchise company. In this study, however, we decided to demonstrate the importance of organizational autonomy for the innovativeness of a franchising company, which positively determines it, even if the framework of the franchisor-franchisee agreement creates restrictions in this area.

This study provides practical implications for practitioners in franchise systems, who should focus on building trust-based relationships with their franchisees and fostering autonomy to encourage innovative practices. These findings contribute to the literature on organizational behavior by highlighting the role of trust and autonomy in driving innovation in franchise systems.

This study is limited by its cross-sectional design, as the the research sample consists of franchises from various sectors, and different types. Future research could explore the role of trust and autonomy in enhancing innovation with a focus on a specific industries or a types of franchise system. Nevertheless, this study provides valuable insights into the dynamics of trust, autonomy, and innovation within franchise systems.

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Primary Paper Section: A

Secondary Paper Section: AE, AH