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DIAGNOSING UNDERPERFORMING FRANCHISE UNITS: A CONCEPTUAL FOUR-DOMAIN MATRIX AND 90-DAY STRUCTURED INTERVENTION FRAMEWORK

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ABSTRACT

Underperformance in franchise units is frequently interpreted primarily as a commercial problem. However, declining sales may represent only the visible symptom of broader weaknesses involving economic viability, operating discipline, leadership capability, or misalignment between franchisor and franchisee.

This article develops the **Franchise Recovery Diagnostic Matrix**, a conceptual framework organized into four diagnostic domains: economic viability, commercial engine, operating discipline, and leadership capability. The matrix is integrated with a ninety-day structured intervention framework divided into three phases: diagnosis and stabilization, execution and capability development, and validation and strategic decision.

The study adopts a qualitative, conceptual, and documentary approach. It combines an integrative review of the literature on organizational decline, turnaround management, franchise governance, performance measurement, and management control with a practice-informed documentary illustration from a Brazilian business-education franchise network comprising more than thirty units during the period examined.

The article's central contribution lies in connecting four root-cause domains to a time-bound managerial process while distinguishing operational improvement from verified economic recovery. The ninety-day horizon is not presented as a guaranteed turnaround period. It is proposed as a structured period for diagnosis, implementation, evidence collection, capability assessment, and strategic decision-making.

The documentary evidence supports the practical relevance of performance monitoring, accountability, training, economic analysis, action planning, and structured intervention. It does not establish causal attribution of financial or operational outcomes to the author or to the proposed framework. Independent longitudinal and multi-case testing is required to assess its predictive and operational effectiveness.

Keywords:
Franchise Recovery; Underperformance; Franchise Governance; Turnaround Management; Organizational Diagnosis; Structured Intervention.

INTRODUCTION

Underperforming units represent a recurring challenge for franchise and multi-unit organizations. Although a franchisor may possess a recognized brand, standardized procedures, training materials, commercial tools, and an established business concept, individual units may still experience persistent difficulties involving sales, profitability, customer retention, team stability, operational consistency, and management execution.

The consequences of poor unit performance extend beyond the individual franchisee. A deteriorating operation may create unpaid obligations, customer dissatisfaction, employee turnover, inconsistent delivery of the brand promise, territorial weakness, conflict between franchisor and franchisee, and reputational risk for the broader network.

A fundamental distinction must be made between **underperformance** and **distress**.

Underperformance refers to a persistent deviation from expected financial, commercial, operational, or governance standards while the business may still possess a credible path to continuity.

Distress refers to a more severe condition in which liquidity, solvency, regulatory compliance, stakeholder relationships, or the ability to meet essential obligations are materially threatened.

A unit may be underperforming without being distressed. A distressed unit, however, generally requires immediate stabilization before ordinary performance-improvement measures can be effective.

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A common organizational response to underperformance is commercial intensification. The franchisee may be instructed to generate more leads, increase marketing investment, expand promotional activity, reduce prices, strengthen sales routines, or pursue more aggressive revenue targets.

These measures may be appropriate when the primary cause is weak demand or poor conversion. They are less effective when the unit suffers from an unsustainable cost structure, inadequate working capital, unreliable performance data, insufficient leadership, inconsistent operational routines, or a mismatch between the operator's capabilities and the complexity of the business.

Treating every performance problem as a sales problem may create activity without recovery. Marketing expenditure may increase without improving conversion. Training may be repeated without changes in leadership behavior. New targets may be established without addressing financial constraints. Action plans may accumulate without execution. Franchisor support may continue indefinitely while the economic condition of the unit deteriorates.

Turnaround research distinguishes among decline, stabilization, retrenchment, strategic repositioning, and recovery. It also indicates that intervention should be matched to the severity and causes of organizational deterioration rather than applied through a generic sequence of activities (Arogyaswamy et al., 1995; Pearce & Robbins, 1993; Robbins & Pearce, 1992; Trahms et al., 2013).

Franchise systems create additional complexity because the franchisor does not ordinarily exercise the same authority over a franchisee that a corporation exercises over an employee manager. The relationship is contractual, relational, economic, and operational.

The franchisor generally defines the brand, operating model, products or services, performance standards, and support structure. The franchisee invests capital, employs personnel, manages local operations, and assumes a substantial portion of the financial risk.

Effective intervention therefore depends on more than the technical quality of a corrective plan. It also requires reliable information, clearly defined responsibilities, operator cooperation, proportional support, documented commitments, and consequences that are consistent with the franchise relationship.

Franchise and management-control research has examined contractual mechanisms, information systems, relational norms, behavior controls, outcome controls, and operator autonomy. Performance-measurement research has also demonstrated that financial outcomes alone are insufficient for managerial diagnosis.

Nevertheless, practitioners still lack a concise framework connecting the principal causes of franchise underperformance to a time-bound intervention and decision process.

This article proposes a four-domain diagnostic model combined with a ninety-day structured intervention framework. Its purpose is not to guarantee that every underperforming unit can be recovered. Rather, it provides a disciplined method for determining the primary cause of deterioration, the feasibility of corrective action, the evidence required to evaluate progress, and the appropriate strategic decision at the end of the intervention period.

OBJECTIVES

The general objective of this article is to develop a conceptual and practice-informed framework for diagnosing and managing underperforming franchise units.

The specific objectives are:

1. To distinguish franchise underperformance from immediate financial or operational distress.
2. To identify the principal root-cause domains associated with persistent unit-level underperformance.
3. To organize those causes into a four-domain diagnostic framework comprising economic viability, commercial engine, operating discipline, and leadership capability.
4. To integrate the diagnostic framework with a ninety-day structured intervention process.
5. To establish managerial decision points for continuation, extension, restructuring, ownership transition, or exit.
6. To distinguish temporary operational improvement from verified and sustainable economic recovery.
7. To provide a conceptual basis for future longitudinal and multi-case testing.

The article addresses the following research question:

How can franchise and multi-unit networks distinguish the principal causes of unit underperformance and organize a ninety-day intervention process that integrates economic diagnosis, commercial correction, operating discipline, leadership development, and structured decision-making?

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METHODOLOGY

This study adopts a qualitative, exploratory, conceptual, and documentary research design.
The framework was developed through an integrative review of literature concerning organizational decline, business turnaround, franchise governance, performance measurement, management control, and organizational capabilities.
The literature review was complemented by a practice-informed documentary illustration based on records associated with a Brazilian business-education franchise network comprising more than thirty units during the period examined.
The author served in a documented corporate franchise and commercial operations capacity from 2023 through November 2025. Available records connect her professional responsibilities to franchisee support, performance monitoring, commercial and operational alignment, action planning, onboarding, training, ownership-transition support, franchise economics, and recovery-related processes.
The documentary materials considered included the following categories:

- performance dashboards and presentations;
- KPI definitions and scoring mechanisms;
- action plans and monitoring records;
- onboarding and training materials;
- franchise-economics and business-model records;
- structured recovery communications;
- and ownership-transition materials.

Documents were considered when they had identifiable organizational provenance, related to the period examined, and provided evidence relevant to performance, recovery, operator development, economic viability, or governance.
Recommendation letters prepared for legal purposes, public interviews primarily intended to demonstrate professional visibility, unsupported personal recollections, undated records, duplicate materials, and documents unrelated to the research question were excluded from the scientific basis of the article.
The analysis followed five principal stages.
First, recurring causes of organizational decline and franchise underperformance were identified in the literature.
Second, the documentary mechanisms were classified according to their principal managerial function.
Third, the observed issues were consolidated into four diagnostic domains:

1. economic viability;
2. commercial engine;
3. operating discipline;
4. leadership capability.

Fourth, the intervention practices were organized into three thirty-day phases.
Fifth, explicit decision conditions were developed to distinguish continued intervention from restructuring, ownership transition, or exit.
The article distinguishes among documented facts, interpretive findings, theoretical propositions, and expected applications.
It does not statistically test the framework, estimate causal effects, claim that every underperforming unit can be recovered, or attribute organizational results exclusively to the author.
The documentary illustration is used to assess the practical relevance and conceptual coherence of the proposed framework. It is not used to demonstrate that the complete model was previously implemented or that it caused specific financial outcomes.

RESULTS AND DISCUSSION

1. The Four-Domain Franchise Recovery Diagnostic Matrix

The principal analytical result is that franchise underperformance should be treated as a multidimensional condition rather than as a single commercial deficiency.
The proposed diagnostic framework contains four domains:

1. economic viability;
2. commercial engine;
3. operating discipline;
4. leadership capability.

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The domains are interconnected, but they are not interchangeable. A unit may present deficiencies in more than one area, yet the intervention must identify which problem is primary and which problems are secondary consequences.
The framework also adopts a non-additive interpretation. A critical deficiency in one domain should not be neutralized by favorable conditions in other domains.
For example, strong commercial activity cannot compensate for a structurally unviable cost model. Detailed operational procedures cannot compensate for an operator who is unable or unwilling to execute them.

2. Economic Viability

The first diagnostic question is whether the unit can become economically sustainable under realistic assumptions.
This analysis should precede or accompany intensive commercial and training interventions. Without a credible path to viability, additional activity may merely delay a more difficult strategic decision.
Economic analysis may include:

- revenue composition;
- gross or contribution margin;
- fixed and variable costs;
- break-even level;
- operating cash flow;
- working-capital requirements;
- overdue obligations;
- required reinvestment;
- and sensitivity to realistic changes in volume, price, and cost.

A unit may be operationally weak but economically recoverable. It may possess sufficient market demand, acceptable margins, and a manageable cost structure while suffering from temporary sales weakness or team instability.
Another unit may improve sales activity and still remain unable to cover its fixed costs. In that case, the principal problem is not sales execution but structural economic viability.
Warning signs include recurring capital injections without structural improvement, persistent inability to meet essential obligations, dependence on unrealistic revenue growth, negative contribution margins, and required sales volumes that exceed plausible market capacity.
Possible responses include cost restructuring, pricing review, product or service mix adjustment, working-capital planning, recapitalization, ownership restructuring, or discontinuation of the recovery effort.
Economic viability acts as an initial decision gate. A unit should not proceed to an intensive intervention when no credible economic path exists.

3. Commercial Engine

The second domain examines whether the unit possesses a functioning and measurable process for generating, converting, and retaining demand.
Commercial performance should be analyzed as a process rather than as a single revenue outcome.
The assessment may examine:

- qualified lead volume;
- lead sources;
- response time;
- contact and follow-up discipline;
- conversion by stage;
- pipeline aging;
- average ticket;
- discounting;
- customer retention;
- repeat purchases;
- referrals;
- local positioning;

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- and sales-team productivity.

A unit may suffer from insufficient demand, but it may also generate adequate leads and fail to contact, qualify, convert, or retain them.
The intervention depends on identifying the precise stage where the process fails.
For example, increasing marketing investment is unlikely to solve a conversion problem. Similarly, sales training may not solve weak market positioning or a product offer that lacks local relevance.
A functioning commercial engine requires reliable data. Reported activity without evidence of pipeline progression should not be treated as proof of commercial improvement.
Potential interventions include local market analysis, positioning adjustment, sales-process redesign, response-time standards, pipeline standardization, conversion coaching, pricing review, channel diversification, and customer-retention initiatives.
Commercial improvement should also be assessed in relation to margin and cash generation. Temporary revenue growth achieved through excessive discounting does not necessarily represent recovery.

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4. Operating Discipline

The third domain evaluates whether the unit consistently executes the critical routines required by the business model.
A franchise unit may understand what should be done and still fail because activities are not scheduled, assigned, monitored, documented, or completed consistently.
Operating discipline may involve:

- adherence to critical processes;
- reporting timeliness;
- data reliability;
- customer-service standards;
- staffing routines;
- sales follow-up;
- training completion;
- use of required systems;
- action-plan completion;
- and participation in management routines.

The purpose is not to create unnecessary bureaucracy. Some procedures may be outdated, excessive, or inappropriate for a particular local market.
The diagnostic task is to distinguish among:

- legitimate local adaptation;
- unclear standards;
- insufficient resources;
- process failure;
- and deliberate non-compliance.

Warning signs include consistently late or incomplete reports, repeated reopening of unfinished actions, customer complaints without corrective measures, failure to use required systems, and business routines that depend excessively on individual memory.
Possible responses include process clarification, responsibility assignment, management-cadence redesign, simplified checklists, evidence requirements, system training, short-cycle monitoring, and formal escalation where non-compliance persists.
Operating discipline converts plans into observable behavior. Without it, the organization may repeatedly redesign strategies without obtaining evidence that the previous actions were ever implemented.

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5. Leadership Capability

The fourth domain examines whether the operator possesses the competence, authority, commitment, and organizational capacity required to execute the intervention.
Leadership capability affects every other domain.
The operator may need to interpret financial data, manage the commercial team, make personnel decisions, allocate resources, communicate priorities, resolve conflict, and accept accountability.
Capability should be distinguished from motivation.

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An operator may be committed but lack the competence required to manage the unit. Another may possess technical knowledge but resist accountability, postpone necessary decisions, or refuse to allocate sufficient resources.

The assessment should distinguish among:

- knowledge deficiencies;
- skill deficiencies;
- lack of authority;
- lack of time;
- resource limitations;
- partnership conflict;
- behavioral resistance;
- and absence of commitment.

Warning signs include inability to explain the economic condition of the unit, recurring postponement of personnel decisions, rejection of negative information without alternative evidence, conflicting direction from business partners, unimplemented commitments, and continuing dependence on extraordinary franchisor support.

Potential responses include financial education, management training, commercial mentoring, role clarification, delegation, restructuring of the management team, intensified field support, or ownership transition.

Support without accountability may create dependence. Accountability without capability development may generate superficial compliance. Effective intervention requires a proportionate combination of support, authority, resources, monitoring, and consequences.

6. Diagnostic Levels and Decision Rules

Each domain may be classified into four diagnostic levels.

Level 0 — No material deficiency:

The domain is operating within acceptable parameters and is not a significant cause of underperformance.

Level 1 — Emerging weakness:

A limited or recent deficiency exists, but ordinary governance may be sufficient.

Level 2 — Material deficiency:

The gap is persistent and requires a formal corrective plan, defined evidence, and intensified monitoring.

Level 3 — Critical deficiency:

The domain threatens economic continuity, customer or brand integrity, compliance, or the ability to execute the intervention.

The ratings should not be mechanically averaged.

A Level 3 deficiency in economic viability should trigger an immediate feasibility review. Intensive commercial or training investment should not proceed without a credible restructuring, recapitalization, or ownership plan.

A Level 3 deficiency in leadership capability should trigger a governance or ownership assessment. Additional targets and monitoring are unlikely to produce results when the operator cannot or will not implement the required actions.

Cases involving immediate legal, regulatory, customer-safety, or severe brand risk may require action outside the ordinary ninety-day framework.

7. The 90-Day Structured Intervention Framework

The proposed intervention is divided into three thirty-day phases.

The ninety-day period is not a promise of complete financial recovery. It is a bounded management horizon for diagnosis, implementation, evidence collection, capability assessment, and strategic decision-making.

The period may be adjusted for seasonality, business cycle, data availability, severity, or industry characteristics.

Phase 1 — Days 1 to 30: Diagnosis and Stabilization

The first phase establishes a reliable baseline and seeks to prevent further deterioration.

The organization should:

- validate performance information;
- distinguish underperformance from distress;
- complete the four-domain diagnosis;
- assess economic viability;

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- control immediate customer, employee, financial, or compliance risks;
- identify three to five priority problems;
- assign responsibilities and deadlines;
- define evidence requirements;
- and establish a weekly management cadence.

At the end of Day 30, the organization should determine whether sufficient information exists, immediate risks are controlled, the operator is cooperating, and a credible path to viability remains.
Where no credible path exists, continued commercial intensification may waste additional resources.

Phase 2 — Days 31 to 60: Execution and Capability Development

The second phase implements the prioritized actions while developing the capabilities required for sustained execution.
The organization should monitor leading indicators, compare commitments with objective evidence, provide training linked to diagnosed deficiencies, remove operating bottlenecks, correct team or responsibility gaps, and evaluate whether improvement depends excessively on temporary franchisor involvement.
Training should be specific to the problem.
Financial education may be required when the operator cannot interpret cash flow. Sales coaching may be appropriate where conversion is weak. Leadership intervention may be necessary where accountability is absent.
Process redesign may be required where responsibilities or standards remain unclear.
At the end of Day 60, the organization should assess whether leading indicators are improving, commitments are being completed, data quality has increased, operating discipline is becoming repeatable, and the original economic assumptions remain credible.
The unit may not yet have achieved full recovery. However, the available evidence should indicate whether a sustainable trajectory is plausible.

Phase 3 — Days 61 to 90: Validation and Strategic Decision

The third phase evaluates whether the observed improvements are repeatable, economically meaningful, and sustainable.
The organization should compare Day 90 results with the verified baseline, distinguish leading from lagging indicators, reassess viability, evaluate the operator's ability to continue without disproportionate support, and document unresolved risks.
The final decision may include:

- return to ordinary governance;
- a limited and targeted extension;
- financial or operational restructuring;
- recapitalization;
- ownership transition;
- negotiated exit;
- or termination, subject to applicable contracts and law.

An extension should not merely repeat the original plan. It should identify the remaining deficiency, the new evidence required, the revised deadline, and the final decision criteria.
A disciplined recovery model must permit the conclusion that continued support is not justified.

8. Improvement Versus Verified Recovery

A central contribution of the framework is the distinction between improvement and recovery.
A unit may improve lead generation, conversion, reporting, meeting attendance, training completion, or action-plan execution without becoming economically sustainable.
Similarly, revenue may temporarily increase through discounting or exceptional promotional activity while contribution margin and cash flow deteriorate.
For the purposes of the framework, verified recovery requires evidence that the improvement is:

1. operationally repeatable;
2. economically meaningful;
3. sufficiently sustainable;
4. supported by local management capability;
5. and not indefinitely dependent on extraordinary franchisor intervention.

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This distinction prevents isolated indicators from being used to justify continued intervention when the underlying economic condition remains unresolved.

9. Practice-Informed Documentary Illustration

The organizational records examined demonstrated mechanisms relevant to the proposed framework.
Performance presentations and KPI materials contained information concerning targets, unit comparisons, commercial activity, lead generation, operating behavior, and participation.
Action plans connected identified problems to responsibilities, deadlines, training, marketing, finance, systems, communication, and field support.
Franchise-economics materials addressed profitability, operating costs, financial risk, structural optimization, and business-model assumptions.
Training and onboarding materials addressed operator development, product and service knowledge, management routines, ownership transitions, and support practices.
At least one documented recovery-related communication used a ninety-day commitment horizon involving tactical execution, training, monitoring, accountability, compliance expectations, and potential consequences.
These materials support the practical relevance of integrating diagnosis, accountability, capability development, and structured intervention.
However, they do not establish that:

- the complete framework was formally implemented;
- it was used across the entire network;
- the intervention produced verified economic recovery;
- or the author individually caused the result of any unit.

The author's contribution is the retrospective integration of professional mechanisms and academic concepts into the four-domain diagnostic and ninety-day intervention structure presented in this article.

10. Theoretical and Managerial Implications

The framework extends turnaround thinking to the hybrid governance structure of franchising.
In a conventional corporation, central leadership may possess direct authority over employees, resources, and strategy. In franchising, the operator ordinarily owns the local business, employs personnel, controls daily decisions, and assumes substantial financial risk.
Intervention therefore depends on both technical accuracy and relational legitimacy.
The model also provides a common structure for cross-functional coordination.
Marketing, sales, operations, finance, training, field support, and executive leadership may interpret the same problem according to their own specialization.
Without a common diagnosis:

- marketing may recommend additional campaigns;
- sales may request more activity;
- finance may require cost reduction;
- training may recommend additional instruction;
- and operations may demand stricter compliance.

The four-domain matrix helps determine which problem is primary, which intervention is justified, what evidence is required, and how responsibilities should be coordinated.
The framework also reduces indefinite intervention.
Many recovery initiatives fail because diagnosis remains open, too many priorities are selected, commitments lack evidence, and no final decision date is established.
The Day 30, Day 60, and Day 90 decision points create discipline without requiring automatic termination when one target is missed.
Future empirical testing should examine whether multidimensional diagnosis, explicit decision gates, and non-additive interpretation produce better outcomes than interventions based primarily on revenue or sales activity.

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No confidential unit-level financial information, personally identifiable information, or proprietary organizational records are reproduced in the manuscript.
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CONCLUSION

Underperforming franchise units should not automatically be treated as sales problems.
Declining revenue may result from weak demand, poor conversion, unsustainable economics, inconsistent operating routines, inadequate leadership, or a combination of these factors.
The **Franchise Recovery Diagnostic Matrix** organizes the problem into four domains:

1. economic viability;
2. commercial engine;
3. operating discipline;
4. leadership capability.

The **90-Day Structured Intervention Framework** converts diagnosis into three phases:

1. diagnosis and stabilization;
2. execution and capability development;
3. validation and strategic decision.

The framework does not claim that every underperforming franchise can be recovered within ninety days.
Its contribution is to provide a disciplined structure for determining:

- the principal cause of underperformance;
- whether the business remains economically viable;
- which corrective actions are justified;
- who is responsible for execution;
- what evidence will demonstrate progress;
- and when continued intervention should be replaced by restructuring, ownership transition, or exit.

The documentary illustration demonstrates the practical relevance of performance measurement, action planning, training, economic analysis, operator development, accountability, and time-bound intervention.
It does not establish causal effectiveness or attribute recovery outcomes to the author.
The model should therefore be understood as a theoretically grounded and practice-informed framework requiring independent longitudinal and multi-case validation.
Its principal managerial implication is direct:
Effective franchise intervention begins with accurate diagnosis, reliable evidence, proportionate support, operator accountability, and a clearly defined decision horizon.

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