

Contractual Governance and International Commitment in Franchise Chains: A Configurational Perspective on Institutional Risk and ESG

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Resumo

This study examines how institutional risk and environmental, social, and governance (ESG) practices influence the intensity of international commitment, moving beyond the dominant focus on foreign market entry. While prior research acknowledges the role of institutions and organizational capabilities in internationalization, limited attention has been given to how these factors shape the deepening of international engagement, particularly in contractual governance models. To address this gap, we adopt a quantitative network-country-level approach, analyzing 104 Brazilian franchise chains with international operations. International commitment intensity is measured as the proportion of units in each host country, while institutional risk is captured through aggregated indicators and ESG through a composite index based on documentary evidence. Hypotheses are tested using ordinary least squares (OLS) regressions, complemented by fractional logit models and robustness checks. Results indicate that neither institutional risk nor ESG has a statistically significant effect on international commitment. We argue that franchise chains, as systems of resource-constrained small businesses, face inherent limitations in developing complex capabilities, relying instead on coordination mechanisms. The study contributes a configurational perspective, highlighting how governance structures, resource conditions, and institutional environments jointly shape international commitment.

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Abstract: This study examines how institutional risk and environmental, social, and governance (ESG) practices influence the intensity of international commitment, moving beyond the dominant focus on foreign market entry. While prior research acknowledges the role of institutions and organizational capabilities in internationalization, limited attention has been given to how these factors shape the deepening of international engagement, particularly in contractual governance models. To address this gap, we adopt a quantitative network-country-level approach, analyzing 104 Brazilian franchise chains with international operations. International commitment intensity is measured as the proportion of units in each host country, while institutional risk is captured through aggregated indicators and ESG through a composite index based on documentary evidence. Hypotheses are tested using ordinary least squares (OLS) regressions, complemented by fractional logit models and robustness checks. Results indicate that neither institutional risk nor ESG has a statistically significant effect on international commitment. We argue that franchise chains, as systems of resource-constrained small businesses, face inherent limitations in developing complex capabilities, relying instead on coordination mechanisms. The study contributes a configurational perspective, highlighting how governance structures, resource conditions, and institutional environments jointly shape international commitment.

Keywords: International commitment; Contractual governance; ESG; Institutional risk; Franchise chains; Small businesses.

1 INTRODUCTION

The international business literature has long recognized the central role of institutions in shaping firms' strategies in foreign markets, as they influence transaction costs, predictability, and contractual security (North, 1990; Cuervo-Cazurra & Genc, 2008). From this perspective, the institutional characteristics of host countries shape location advantages and condition strategic decisions, with institutional risk being widely associated with market selection and the structure of foreign operations (Dunning, 2001; Li et al., 2024; Gómez-Mera

& Varela, 2024). However, this approach tends to assume relatively functional markets in which institutions operate in a predictable manner.

In contrast, emerging markets are often characterized by institutional voids, regulatory fragility, and limitations in contractual enforcement, which alter how firms structure their strategies (Khanna & Palepu, 1997). Under such conditions, international operations unfold in environments that require alternative mechanisms of coordination and organizational adaptation, particularly for firms originating from emerging economies (Ettalibi et al., 2025). This context suggests that the influence of the institutional environment is not necessarily linear, but contingent upon firms' organizational responses.

In parallel, environmental, social, and governance (ESG) practices have expanded the scope of internationalization research. They are associated with legitimacy building, the reduction of information asymmetries, and the strengthening of organizational reputation (Freeman, 1984; Eccles et al., 2014; Ioannou & Serafeim, 2017). Recent studies suggest that such practices may mitigate risk perceptions and facilitate operations in complex institutional environments (Popli et al., 2022; Liu & Song, 2025; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021). However, their effects are not uniform and are conditioned by organizational factors and the extent to which these practices are internalized (Endrikat et al., 2020; Oduro et al., 2024; Linnenluecke et al., 2022; Wu & Chang, 2022; Fiaschi et al., 2020).

This heterogeneity becomes more prominent when considering that organizations operate under resource constraints, and their capacity for expansion depends on the availability and allocation of such resources (Penrose, 1959). This argument is particularly relevant in franchise chains, which can be understood as systems composed predominantly of small businesses, characterized by heterogeneous capabilities and operating under resource constraints (Perrigot et al., 2021; Alon et al., 2021; Welsh et al., 2025). This configuration may limit both the effective implementation of ESG practices and the ability to respond to complex institutional environments.

Despite these advances, the literature still tends to treat institutional risk and ESG as direct and independent determinants of internationalization. Recent studies highlight the need for integrated approaches that consider the interaction between institutional factors and organizational capabilities (Peng et al., 2009; Cuervo-Cazurra et al., 2021). Nevertheless, there remains a limited understanding of how these dimensions operate jointly, particularly in contexts characterized by institutional dysfunction and resource constraints.

This gap becomes even more evident when considering different stages of internationalization. While the literature has primarily focused on entry decisions, less attention has been given to the deepening of international presence, reflected in the intensity of commitment within already selected markets (Verbeke & Forootan, 2012; Li et al., 2024). International commitment, understood as the degree of operational exposure and strategic dependence, constitutes a distinct dimension.

In franchise chains, this discussion takes on specific contours. Based on contractual governance and the involvement of local partners, these chains exhibit lower direct exposure to institutional risk and greater adaptability to heterogeneous contexts. At the same time, they face challenges in coordination and organizational alignment (Alon et al., 2021; Perrigot et al., 2021; Jell-Ojobor et al., 2022a; Sørensen et al., 2023; Jell-Ojobor et al., 2022b; Dermonde et al., 2025). In this context, governance emerges as a central mechanism enabling operations in environments characterized by institutional uncertainty and resource constraints.

Against this backdrop, this study examines the relationship between institutional risk, ESG practices, and the intensity of international commitment in Brazilian franchise chains, adopting an approach that integrates institutional factors, organizational capabilities, and governance (Peng et al., 2009; Cuervo-Cazurra et al., 2021; Yu et al., 2025). We argue that, in environments characterized by institutional dysfunction and resource limitations, international commitment is not directly determined by institutional factors or ESG practices. Instead, it is conditioned by governance mechanisms that enable coordination within decentralized organizational structures (Khanna & Palepu, 1997; Penrose, 1959).

This study contributes to the international business literature in three main ways. First, by shifting the focus from entry decisions to the intensity of international commitment, it advances the understanding of how firms deepen their presence in foreign markets (Verbeke & Forootan, 2012; Li et al., 2024). Second, by integrating institutional risk and ESG within a contingency perspective, it responds to recent calls for more articulated approaches that simultaneously consider external factors and organizational capabilities (Peng et al., 2009; Cuervo-Cazurra et al., 2021; Linnenluecke et al., 2022). Third, and most importantly, it shows that in franchise chains operating in emerging markets, contractual governance functions as a central coordination mechanism. It reduces the direct influence of the institutional environment and conditions the effects of ESG on firms' strategic behavior (Perrigot et al., 2021; Sørensen et al., 2023; Li et al., 2024). This finding suggests that organizational governance mediates the relationship between the institutional environment and strategic behavior, shifting the

explanation of internationalization from direct effects to contingent coordination mechanisms (Cuervo-Cazurra & Genc, 2008; Endrikat et al., 2020; Li et al., 2024).

2 THEORETICAL BACKGROUND

2.1 *Institutional context and emerging markets*

The international business literature recognizes that institutions play a central role in shaping firms' strategies by structuring incentives, reducing uncertainty, and influencing transaction costs (North, 1990; Peng et al., 2009). In this context, the institutional characteristics of host countries shape location advantages and directly affect decisions regarding firms' presence and operations in foreign markets (Dunning, 2001; Cuervo-Cazurra & Genc, 2008). Institutional risk, often associated with regulatory instability, weak legal enforcement, and political unpredictability, constitutes a relevant source of uncertainty that influences both market attractiveness and firms' strategic behavior after entry (Li et al., 2024; Gómez-Mera & Varela, 2024; Jell-Ojobor et al., 2022a).

However, traditional approaches tend to implicitly assume the existence of relatively functional markets in which institutions operate in a consistent and predictable manner. In contrast, the literature on emerging markets emphasizes that these environments are often characterized by institutional voids, in which intermediary market mechanisms are absent or inefficient, thereby undermining economic coordination and increasing transaction costs (Khanna & Palepu, 1997). Under such conditions, international operations do not occur in contexts of institutional stability but rather in contexts marked by dysfunctions that require organizational adaptation and alternative coordination mechanisms (Ettalibi et al., 2025).

This perspective suggests that the influence of the institutional environment on strategic decisions is neither necessarily linear nor uniform. Instead, it depends on organizations' ability to respond to the structural limitations of host markets. In particular, in environments characterized by greater institutional fragility, the effects of institutional risk may vary significantly across firms, depending on their internal capabilities and governance mechanisms (Li et al., 2024; Cuervo-Cazurra et al., 2021).

This heterogeneity in responses to the institutional environment suggests that international operations, especially in emerging markets, depend not only on external conditions but also on firms' ability to develop internal coordination mechanisms that

compensate for institutional limitations (Cuervo-Cazurra et al., 2021; Li et al., 2024; Jell-Ojobor et al., 2022b).

2.2 *ESG as a contingent organizational capability*

The incorporation of environmental, social, and governance (ESG) practices has become central to the contemporary literature on strategy and international business. It is often associated with legitimacy building, the reduction of information asymmetries, and the strengthening of organizational reputation in foreign markets (Freeman, 1984; Eccles et al., 2014; Ioannou & Serafeim, 2017, 2023). Empirical evidence suggests that such practices may reduce risk perceptions and facilitate operations in complex institutional environments, particularly for firms originating in emerging economies (Popli et al., 2022; Liu & Song, 2025; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021; Yu et al., 2025).

From a resource-based view, ESG can be understood as a complex organizational capability resulting from the integration of governance systems, operational routines, and stakeholder engagement mechanisms. It exhibits path-dependent characteristics and is difficult to imitate (Barney, 1991; Linnenluecke et al., 2022). However, the development and maintenance of these capabilities depend on the availability and coordination of resources across the organization, which may limit their effectiveness in contexts characterized by operational constraints and organizational heterogeneity.

Nevertheless, recent literature shows that the effects of ESG are not uniform across firms and contexts. Instead, they are strongly conditioned by institutional and organizational factors (Endrikat et al., 2020; Oduro et al., 2024; Wu & Chang, 2022). In particular, the effectiveness of these practices depends not only on the extent to which they are embedded in organizational routines but also on firms' ability to coordinate their implementation consistently across diverse institutional environments and distributed organizational structures (Linnenluecke et al., 2022; Fiaschi et al., 2020). Accordingly, ESG should not be interpreted as a universal mechanism of competitive advantage. Rather, it constitutes a contingent capability whose impact varies according to the institutional context and the organization's ability to mobilize and coordinate resources for its implementation.

This resource dependence becomes particularly salient in decentralized organizational structures, where the implementation of such capabilities is distributed across multiple actors.

2.3 *Resource constraints and franchise chains*

The classical literature on firm growth emphasizes that organizational expansion is conditioned by the availability and allocation of internal resources, with resource limitations central to shaping growth strategies (Penrose, 1959). This perspective suggests that decisions related to internationalization depend not only on external opportunities but also on firms' ability to mobilize and coordinate resources efficiently (Barney, 1991).

This discussion becomes particularly relevant in franchise chains. Unlike traditional hierarchical organizations, this model can be understood as an organizational system composed of multiple interdependent small businesses, operating under resource constraints and characterized by heterogeneous capabilities distributed across the franchise chains (Alon et al., 2021; Perrigot et al., 2021; Welsh et al., 2025). This structure implies that international expansion occurs under conditions of resource limitation not only at the focal firm level, but also across the different actors within the franchise chains. This may affect both the ability to implement strategic practices and the capacity to respond to complex institutional environments.

In franchise chains, franchisor capabilities and characteristics are key determinants of international presence (Dermonde et al., 2025). However, complementarily, franchisees' ability to operate across diverse institutional contexts also plays a critical role. This organizational heterogeneity increases the relevance of resource constraints, particularly in emerging markets, where institutional and operational limitations tend to be more pronounced (Lanfranchi et al., 2021a; Melo et al., 2019; Dermonde et al., 2025).

In this context, implementing complex organizational capabilities, such as those associated with ESG, becomes particularly challenging. Their effectiveness depends not only on central strategic guidelines but also on the franchise chain's ability to mobilize and coordinate resources consistently across geographically dispersed units. In structures composed of small businesses operating under resource constraints, such coordination tends to be limited. This may compromise the internalization and effectiveness of these capabilities throughout the franchise chain (Penrose, 1959; Barney, 1991; Linnenluecke et al., 2022; Perrigot et al., 2021).

Accordingly, the internationalization of franchise chains should be understood as a process conditioned not only by external factors, but also by the chain's collective ability to articulate resources and coordinate their deployment across distinct institutional environments (Alon et al., 2021; Perrigot et al., 2021). This characteristic makes organizational coordination

a central challenge, particularly in contexts of institutional dysfunction, where formal market mechanisms are insufficient to align network actors (Lanfranchi et al., 2021a; Cuervo-Cazurra et al., 2021).

2.4 Governance as a coordination mechanism in international franchise chains

In franchise chains, organizational governance is a central element for coordinating activities and sustaining international operations. Unlike hierarchical structures, these chains rely on contractual governance, in which alignment between franchisors and franchisees is supported by formal and informal mechanisms of coordination, monitoring, and control (Alon et al., 2021; Sørensen et al., 2023; Jell-Ojobor et al., 2022b).

In institutional environments characterized by greater uncertainty, weak legal enforcement, and regulatory unpredictability, coordination costs tend to increase, and exposure to opportunistic behavior becomes more pronounced (Perrigot et al., 2021; Lanfranchi et al., 2021a). Under such conditions, governance plays a fundamental role by partially or fully substituting formal institutional mechanisms, enabling the coordination of network activities in adverse institutional contexts and compensating for limitations associated with the dysfunctions of emerging markets (Cuervo-Cazurra et al., 2021).

Moreover, organizational governance influences chains' ability to consistently implement strategic practices, such as ESG, across geographically dispersed units. By strengthening mechanisms of control, standardization, and strategic alignment, governance enables the articulation of resources distributed throughout the franchise chain. This is a necessary condition for the effective implementation of complex organizational capabilities in structures composed of multiple actors with different levels of resources and capabilities (Sørensen et al., 2023; Bretas et al., 2024; Jell-Ojobor et al., 2022a).

Accordingly, in internationalized franchise chains, governance can be understood not merely as a supporting element but as a structural condition that enables the coordination of activities and the articulation between organizational capabilities and institutional environments, particularly in contexts characterized by institutional dysfunction and resource constraints (Alon et al., 2021; Cuervo-Cazurra et al., 2021).

3 HYPOTHESES

3.1 *Institutional risk and international commitment intensity*

The international business literature recognizes that the institutional environment of host countries directly influences firms' strategies by shaping transaction costs, uncertainty, and contractual security (North, 1990; Cuervo-Cazurra & Genc, 2008; Dunning, 2001). In particular, institutional risk affects not only market attractiveness but also firms' strategic behavior after entry (Li et al., 2024; Gómez-Mera & Varela, 2024; Jell-Ojobor et al., 2022a).

While some literature focuses on entry decisions, evidence suggests that institutional risk also influences the degree of operational exposure in markets where firms are already established. In environments characterized by greater institutional instability, organizations tend to limit specific investments, reduce operational dependence, and adopt more flexible strategies, thereby avoiding deepening their structural presence (Cuervo-Cazurra & Genc, 2008; Lanfranchi et al., 2021b). International commitment can be interpreted as a strategic response to the institutional conditions of host countries.

However, this relationship does not occur uniformly across organizations. In contexts characterized by institutional dysfunction, the magnitude of risk's impact on strategic decisions depends on firms' ability to develop internal coordination mechanisms that enable them to operate under conditions of uncertainty (Cuervo-Cazurra et al., 2021; Li et al., 2024). Nevertheless, on average, riskier institutional environments tend to discourage higher levels of operational commitment. Based on this argument, we propose:

H1: Institutional risk in host countries is negatively associated with international commitment intensity.

3.2 *ESG as a strategic capability and international commitment intensity*

Recent literature has emphasized that environmental, social, and governance (ESG) practices constitute complex organizational capabilities, associated with legitimacy building, the reduction of information asymmetries, and the strengthening of organizational reputation in foreign markets (Linnenluecke et al., 2022; Ioannou & Serafeim, 2017, 2023). In international contexts, particularly for firms originating in emerging economies, these capabilities may help

reduce risk perceptions and facilitate operations in complex institutional environments (Popli et al., 2022; Jiang et al., 2024; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021; Yu et al., 2025).

From a resource-based view perspective, ESG can be understood as an organizational capability that depends on the integration of routines, governance systems, and coordination mechanisms across organizational units (Barney, 1991; Linnenluecke et al., 2022). Its effectiveness depends not only on formal adoption but also on organizations' ability to mobilize and coordinate resources for its implementation, particularly in distributed and heterogeneous organizational structures.

In franchise chains, this dimension becomes particularly salient. The international expansion of these chains depends on their ability to standardize processes, monitor operations, and align multiple organizational actors across different institutional contexts (Sørensen et al., 2023; Perrigot et al., 2021). ESG practices tend to reinforce governance, transparency, and control mechanisms, thereby contributing to greater operational consistency and reduced contractual conflicts (Bretas et al., 2024; Lanfranchi et al., 2021a).

Thus, it is argued that ESG capabilities may enhance the ability of franchise chains to sustain higher levels of international presence, provided that they are supported by coordination mechanisms and by the capacity to mobilize resources across the chain, particularly in distributed and heterogeneous organizational structures (Wu & Chang, 2022; Fiaschi et al., 2020). Accordingly, we propose the following hypothesis:

H2: ESG capabilities are positively associated with international commitment intensity.

3.3 ESG as a moderator of the relationship between institutional risk and international commitment intensity

Although institutional environments characterized by regulatory instability and weak legal systems tend to reduce firms' levels of international commitment, evidence suggests that these effects are not uniform across organizations (Li et al., 2024; Gómez-Mera & Varela, 2024). The ability to operate under adverse institutional conditions depends mostly on internal organizational attributes, including governance mechanisms and coordination capabilities (Popli et al., 2022; Xie et al., 2021; Jell-Ojobor et al., 2022a).

From a resource-based view perspective, organizations differ in their ability to respond to uncertain environments due to complex, path-dependent capabilities (Barney, 1991; Linnenluecke et al., 2022). In this context, ESG practices can be interpreted as capabilities that strengthen governance, transparency, and control, thereby contributing to the reduction of vulnerabilities associated with weak institutional environments (Ioannou & Serafeim, 2017, 2023; Liu & Song, 2025; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021).

In franchise chains, this logic becomes even more critical. Their contractual nature increases exposure to enforcement failures and monitoring challenges in adverse institutional environments (Sørensen et al., 2023; Perrigot et al., 2021; Jell-Ojobor et al., 2022b). Franchise chains that incorporate ESG practices in a structured manner tend to strengthen mechanisms of standardization, compliance, and coordination, thereby reducing vulnerability to opportunistic behavior and increasing operational stability (Bretas et al., 2024; Lanfranchi et al., 2021a).

Thus, it is argued that the negative impact of institutional risk on international commitment intensity is conditioned by the franchise chain's ESG maturity level. ESG practices strengthen governance and coordination mechanisms, reducing vulnerability to adverse institutional environments. Accordingly, we propose the following hypothesis:

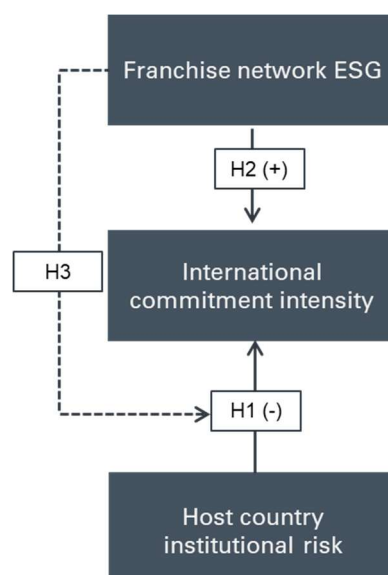
H3: ESG capabilities negatively moderate the relationship between institutional risk and international commitment intensity, attenuating its adverse effect.

The international business literature has advanced in understanding the effects of institutional risk and organizational capabilities on firms' international activities, although these two streams largely remain disconnected (Li et al., 2024; Linnenluecke et al., 2022; Oduro et al., 2024; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021). In internationalized franchise chains, this gap becomes even more relevant, as such chains operate through decentralized structures composed of multiple actors with varying levels of resources and capabilities (Alon et al., 2021; Perrigot et al., 2021; Welsh et al., 2025).

By integrating institutional risk, ESG capabilities, and international commitment intensity, this study proposes a contingency-based approach that simultaneously considers resource constraints, organizational heterogeneity, and the need for coordination in networks based on contractual governance (Linnenluecke et al., 2022; Cuervo-Cazurra et al., 2021; Jell-Ojobor et al., 2022b; Yu et al., 2025). It is argued that international commitment results from the interaction between the institutional environment and organizational capabilities, mediated

by governance mechanisms that enable coordination within decentralized structures. Figure 1 summarizes the theoretical framework of the study.

Figure 1 – Research framework



Source: Authors

4 METHODOLOGY

This study adopts a quantitative approach to analyze the relationship between institutional risk, environmental, social, and governance (ESG) practices, and international commitment intensity in Brazilian franchise chains. It simultaneously considers the institutional factors of host countries and the organizational characteristics of networks, in line with contemporary approaches that integrate institutional and organizational dimensions in the analysis of internationalization (Cuervo-Cazurra et al., 2021).

4.1 Sample and data collection

The unit of analysis is the franchise chain-country relationship, allowing for the examination of how host-market institutional characteristics influence the degree of operational exposure of franchise chains across different international contexts. This approach is consistent with studies that analyze internationalization at a disaggregated level, such as those developed

by Melo et al. (2015) and Bretas et al. (2024), which emphasize the importance of capturing institutional heterogeneity across countries.

The dataset was constructed in multiple stages. First, Brazilian franchise chains with an international presence were identified using institutional sources and industry databases. Next, data were collected on the distribution of these franchise chains' units across foreign countries, enabling the measurement of international commitment intensity in each host market.

Subsequently, the identified countries were matched with international institutional indicators capturing dimensions such as regulatory stability, institutional quality, and the predictability of the business environment. As discussed by Khauaja and Toledo (2011) and Melo et al. (2015), the use of comparable institutional indicators enables consistent operationalization of institutional risk in international analyses.

ESG practices were measured through documentary analysis of publicly available sources from the franchise chains, including corporate websites, reports, and official communications. The use of secondary data is widely recognized as appropriate for identifying organizational strategic practices, particularly in contexts where primary data are difficult to obtain (Bretas et al., 2024; Linnenluecke et al., 2022; Duque-Grisales & Aguilera-Caracuel, 2021).

Data were obtained from institutional sources and international databases, including reports from the Brazilian Franchising Association (ABF, 2024), publicly available company information, and World Bank data. This enhances the comparability and replicability of empirical analyses in studies of international franchise chains (Melo et al., 2015; Perrigot et al., 2021).

The final sample comprises 104 Brazilian franchise chains with international operations, distributed across 69 countries, totaling 2,364 international units. Table 1 presents the composition of the sample analyzed.

Table 1 – Sample of internationalized franchise chains

Description	Count
Total number of Brazilian franchise chains	104
Total number of host countries	69
Total number of international units	2,364

Source: Authors

4.2 Variable construction

The dependent variable of this study is international commitment intensity, operationalized as PERC_UNID_INT, defined as the proportion of a network's units in a given country relative to its total number of international units. This measure is widely used to capture the degree of operational exposure in foreign markets (Verbeke and Forootan, 2012).

Institutional risk is represented by the variable RISK_INST_SCORE, which captures the aggregate level of institutional risk in the host country, including regulatory stability, institutional quality, and the predictability of the political and economic environment. As argued by North (1990) and Cuervo-Cazurra and Genc (2008), more unstable institutional environments tend to increase transaction costs and hinder contractual enforcement.

The level of ESG adoption is measured by the variable ESG_INDEX, constructed based on the identification of the environmental (E), social (S), and governance (G) dimensions, coded as 1 when present and 0 when absent. This operationalization, following Linnenluecke et al. (2022), allows the consistent capture of sustainability and governance-related practices across organizations.

To test the moderating effect of ESG, an interaction term between RISK_INST_SCORE and ESG_INDEX is included, following a widely used approach in empirical moderation analysis (Linnenluecke et al., 2022).

As a robustness check, the variable ESG_REDE is employed, taking the value of 1 when the franchise chain simultaneously presents all three ESG dimensions and 0 otherwise. This operationalization enables the identification of franchise chains with a higher level of ESG structuring.

Control variables include franchise chain size (LN_NUM_UNID_TOT), chain age (IDADE_REDE), time operating under the franchising system (TEMP_FRANQ), host country GDP per capita (LN_PIB_CAP), and market size (LN_POP_MIL). Gujarati and Porter (2009) and Wooldridge (2016) emphasize that the inclusion of control variables is essential to reduce omitted variable bias in econometric models.

Table 2 presents the definition and operationalization of the variables used in the empirical model.

Table 2 – Definition and operationalization of variables

Variable	Type	Measure	Source
PERC_UNID_INT	Dependent	Proportion of a franchise chain's units in a given country relative to its total number of international units	ABF - Brazilian Franchising Association
RISK_INST_SCORE	Independent	Aggregate indicator of institutional risk in the host country	ESGI - Global Risk Profile / Risk Watch Initiative
ESG_INDEX	Independent	Index based on the presence of environmental (E), social (S), and governance (G) dimensions, ranging from 0 to 3	Documentary analysis of publicly available sources, including corporate websites and reports
ESG_REDE	Robustness	Dummy variable equal to 1 when the chain simultaneously presents E, S, and G	Documentary analysis of publicly available sources, including corporate websites and reports

Source: Authors

4.3 Empirical strategy

To test the hypotheses, an econometric model was estimated at the franchise chain-country level, represented as follows:

$$\begin{aligned}
 PERC_UNID_INT_{(i,j)} &= \beta_0 + \beta_1 RISK_INST_SCORE_j + \beta_2 ESG_INDEX_i \\
 &+ \beta_3 (RISK_INST_SCORE_j \times ESG_INDEX_i) + \beta_k Controles + \varepsilon_{(i,j)}
 \end{aligned}$$

In this model, $PERC_UNID_INT_{(i,j)}$ represents the international commitment intensity of chain i in country j ; $RISK_INST_SCORE_j$ corresponds to the institutional risk of the host country; ESG_INDEX_i represents the level of ESG adoption; and the interaction term allows for the assessment of the moderating effect of ESG. The vector of control variables includes characteristics of both the franchise chains and the host markets.

Estimation was initially performed using ordinary least squares (OLS), a method widely used to estimate conditional relationships between continuous variables (Gujarati and Porter, 2009; Wooldridge, 2016).

As a robustness check, fractional logit models were estimated, appropriate for dependent variables bounded within the (0,1) interval (Papke and Wooldridge, 1996). This approach allows assessing the consistency of the results given the nature of the dependent variable.

Additionally, robustness analyses were conducted using an alternative ESG measure (ESG_REDE) and alternative model specifications. Diagnostic tests assessed the adequacy of the estimated specifications, including multicollinearity among explanatory variables and heteroskedasticity. Robust standard errors were applied when necessary. These procedures ensure the consistency, reliability, and robustness of the results.

5 RESULTS

5.1 Descriptive statistics of the model variables

The descriptive statistics indicate substantial heterogeneity among the franchise chains analyzed, particularly regarding international commitment intensity. The dependent variable exhibits considerable dispersion, reflecting different levels of international presence across franchise chains.

Similarly, the ESG index shows meaningful variation, indicating the coexistence of franchise chains with different levels of adoption of environmental, social, and governance practices. Overall, these results suggest that although international presence is common among the franchise chains analyzed, the degree of commitment varies significantly, reflecting different internationalization strategies.

These patterns are consistent with the statistics reported in Table 3.

Table 3 – Descriptive statistics

Variable	N	Mean	Standard deviation	Min	Median	Max
PERC_UNID_INT	104	0.099	0.157	0.002	0.033	0.906
ESG_INDEX	104	1.587	1.154	0.000	1.000	3.000
RISK_INST_SCORE	104	36.042	13.850	12.960	33.799	72.680
IDADE_REDE (Chain age)	104	26.904	22.586	3.000	23.000	144.000
TEMP_FRANQ (Franchising experience)	104	16.481	10.875	2.000	13.000	62.000
LN_NUM_UNID_TOT	104	4.609	1.306	1.099	4.483	8.213
LN_PIB_CAP	104	9.872	0.959	7.745	10.018	11.311
LN_POP_MIL	104	3.553	1.351	1.231	3.372	6.772

Source: Authors

5.2 Correlation analysis

The correlation analysis indicates low to moderate associations among the explanatory variables, suggesting no severe multicollinearity.

However, a strong negative correlation between RISK_INST_SCORE and LN_PIB_CAP is observed, indicating an association between institutional risk and the level of economic development of the analyzed countries. This pattern is consistent with the international business literature, which links riskier institutional environments to lower levels of economic development. The full correlation matrix is presented in Table 4.

Table 4 – Correlation matrix (Pearson)

Variable	PERC_UNID _INT	ESG _INDEX	RISK_INST _SCORE	IDADE _REDE	TEMP _FRANQ	LN_NUM _UNID_TOT	LN_PIB _CAP	LN_POP _MIL
PERC_UNID_INT	1							
ESG_INDEX	-0.010	1						
RISK_INST_SCORE	-0.046	0.187	1					
IDADE_REDE (Chain age)	-0.107	0.296**	0.160	1				
TEMP_FRANQ (Franchising experience)	-0.190	0.200*	0.082	0.573***	1			
LN_NUM_UNID_TOT	-0.215*	0.378***	0.150	0.276**	0.444***	1		
LN_PIB_CAP	0.063	-0.207*	-0.887***	-0.164	-0.022	-0.142	1	
LN_POP_MIL	0.226*	-0.067	-0.371***	-0.122	0.077	-0.065	0.613***	1

Note: Pearson correlation coefficients. *p < 0.05; **p < 0.01; ***p < 0.001.

Source: Authors

5.3 Multicollinearity diagnostics

Multicollinearity diagnostics based on the Variance Inflation Factor (VIF) indicate moderate levels for most variables in the model.

However, the variables LN_NUM_UNID_TOT, LN_PIB_CAP, and LN_POP_MIL exhibit higher VIF values. Despite this, these variables are retained due to their theoretical relevance and their role in controlling structural characteristics of both franchise chains and host markets. They are also considered in alternative specifications within the robustness analyses. The complete diagnostic results are presented in Table 5.

Table 5 – Multicollinearity diagnostics (VIF)

Variable	VIF
ESG_INDEX	3.92
RISK_INST_SCORE	6.73
IDADE_REDE (Chain age)	3.99
TEMP_FRANQ (Franchising experience)	6.01
LN_NUM_UNID_TOT	21.73
LN_PIB_CAP	27.72
LN_POP_MIL	12.89

Note: VIF - Variance Inflation Factor.

Source: Authors

5.4 Regression results and hypothesis testing

The regression results indicate that institutional risk has a negative coefficient, as expected in the literature, but is not statistically significant. This pattern remains consistent across model specifications, providing no empirical support for H1.

Similarly, the ESG index has no statistically significant effect on international commitment intensity across specifications, providing no empirical support for H2.

Regarding the moderating effect, the interaction term between ESG and institutional risk shows a positive sign, as theoretically expected, but is not statistically significant. These results indicate no moderating effect of ESG, thus not supporting H3.

Overall, the findings suggest that neither institutional risk nor ESG practices, whether considered independently or in interaction, explain international commitment intensity in a statistically significant manner among the analyzed franchise chains. This pattern indicates that the examined factors do not operate as direct determinants of international commitment. Instead, it suggests the presence of conditional mechanisms or unobserved factors that are not captured by the adopted linear specifications, in line with evidence pointing to the contingent nature of organizational effects in international contexts. These issues are further explored in the discussion section. The complete regression results are presented in Table 6.

Table 6 – Regression results (tests of hypotheses H1, H2, and H3)

Variable	(1) Institutional Risk	(2) ESG	(3) Interaction
Intercept	0.7527 (0.5015)	0.3127 (0.1894)	0.7390 (0.5200)
ESG_INDEX		0.0097 (0.0144)	0.0025 (0.0417)
RISK_INST_SCORE	-0.0024 (0.0027)		-0.0026 (0.0032)
ESG_INDEX × RISK_INST_SCORE			0.0002 (0.0012)
IDADE_REDE (Chain age)	0.0004 (0.0010)	0.0003 (0.0010)	0.0002 (0.0010)
TEMP_FRANQ (Franchising experience)	-0.0025 (0.0018)	-0.0026 (0.0019)	-0.0024 (0.0019)
LN_NUM_UNID_TOT	-0.0182 (0.0128)	-0.0208 (0.0136)	-0.0207 (0.0136)
LN_PIB_CAP	-0.0622 (0.0449)	-0.0236 (0.0201)	-0.0599 (0.0459)
LN_POP_MIL	0.0454** (0.0159)	0.0379*** (0.0142)	0.0448*** (0.0164)
N	104	104	104
R ²	0.134	0.131	0.138
Adjusted R ²	0.080	0.077	0.065
F-statistic (p-value)	2.499 (0.027)	2.429 (0.031)	1.896 (0.069)

Note: Standard errors in parentheses. * p < 0.05; ** p < 0.01; *** p < 0.001

Source: Authors

5.5 Robustness tests

The robustness tests confirm the stability of the main results. Replacing the ESG index with ESG_REDE, excluding LN_PIB_CAP, and using a fractional logit model do not alter the pattern of results.

Across all specifications analyzed, the main variables remained statistically non-significant, indicating that the results are not sensitive to the different modeling specifications adopted.

These findings reinforce that the lack of statistical significance does not result from model specification choices but rather reflects a consistent pattern in the analyzed data.

The detailed results of the robustness tests are presented in Table 7.

Table 7 – Robustness tests

Variable	(1) Alternative ESG	(2) Without GDP per capita	(3) Fractional logit
Intercept	0.6513 (0.5086)	0.0724 (0.0974)	8.1066 (13.5170)
ESG_INDEX		0.0118 (0.0420)	-0.0847 (0.9580)
ESG_REDE	0.0826 (0.1141)		
RISK_INST_SCORE	-0.0020 (0.0028)	0.0008 (0.0018)	-0.0517 (0.0870)
ESG_INDEX × RISK_INST_SCORE	-0.0005 (0.0028)	-0.0000 (0.0011)	0.0054 (0.0250)
IDADE_REDE (Chain age)	0.0000 (0.0009)	0.0003 (0.0009)	0.0020 (0.0220)
TEMP_FRANQ (Franchising experience)	-0.0020 (0.0019)	-0.0026 (0.0019)	-0.0355 (0.0510)
LN_NUM_UNID_TOT	-0.0268 (0.0138)	-0.0204 (0.0137)	-0.2129 (0.2930)
LN_PIB_CAP	-0.0500 (0.0456)		-0.9508 (1.2080)
LN_POP_MIL	0.0415* (0.0162)	0.0307* (0.0124)	0.5774 (0.4500)
N	104	104	104
R ² (OLS) / Pseudo R ² (Fractional logit)	0.161	0.122	0.039
Adjusted R ²	0.090	0.058	
Model F-statistic (p-value)	0.029	0.076	

Note: Standard errors in parentheses. * $p < 0.05$; ** $p < 0.01$. In specification (3), a fractional logit model is estimated. Adjusted R² and the F-statistic are not reported for this model, as they are not applicable to maximum likelihood estimation.

Source: Authors

6 DISCUSSION

6.1 Institutional risk and international commitment intensity

The results indicate that institutional risk in host countries is not statistically associated with the international commitment intensity of Brazilian franchise networks, although the estimated sign is consistent with the expected negative relationship. The international business literature establishes that environments characterized by regulatory instability and institutional fragility tend to reduce firms' operational exposure (North, 1990; Cuervo-Cazurra & Genc, 2008; Peng et al., 2009), a pattern also observed in recent analyses of institutional risk and international strategies (Li et al., 2024; Gómez-Mera & Varela, 2024).

A plausible interpretation of these findings can be derived from the organizational nature of international franchise chains. As argued by Alon et al. (2021) and Perrigot et al. (2021), franchise chains operate through decentralized structures composed of relatively

autonomous units, often associated with small and medium-sized entrepreneurs (Welsh et al., 2025). In this model, the presence of local partners facilitates adaptation to institutional conditions and redistributes risk exposure, thereby reducing its direct impact on the franchise chain as a whole (Jell-Ojobor et al., 2022a; Jell-Ojobor et al., 2022b).

This dynamic becomes particularly relevant in emerging markets, where institutional voids undermine the efficient functioning of market mechanisms. Khanna and Palepu (1997) demonstrate that, in such contexts, firm behavior depends on the ability to operate in environments characterized by institutional dysfunction. Recent studies further suggest that firms, particularly those originating from emerging economies, develop capabilities that reduce their sensitivity to the institutional environment, enabling them to operate under adverse conditions (Popli et al., 2022; Ettalibi et al., 2025).

Additionally, the absence of statistical significance may be understood in light of the distinction between different stages of internationalization. Verbeke and Forootan (2012) argue that the intensity of international presence reflects decisions that are distinct from initial entry, while Johanson and Vahlne (2017) highlight the role of learning and adaptation throughout the internationalization process. International commitment does not depend solely on institutional conditions but rather on chain's ability to adaptively structure their operations.

Taken together, the findings suggest that, in franchise chains, the relationship between the institutional environment and international commitment does not manifest directly. Instead, it is conditioned by organizational mechanisms, particularly contractual governance structures and the role of local partners, reinforcing a contingent interpretation of internationalization.

6.2 *ESG as a strategic capability and international commitment intensity*

The results indicate that the level of ESG adoption within the franchise chain is not statistically associated with international commitment intensity, although the estimated sign is consistent with the expected positive relationship. Recent literature associates ESG practices with legitimacy building, risk reduction, and the strengthening of firms' international activities (Linnenluecke et al., 2022; Ioannou & Serafeim, 2017, 2023; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021) and also considers ESG a relevant strategic element in international markets (Zhong et al., 2025). This contrast suggests that the effects of ESG do not manifest in a direct or linear manner but are conditioned by organizational and contextual characteristics (Wu & Chang, 2022; Yu et al., 2025).

From a resource-based view perspective, ESG can be understood as a complex organizational capability whose effectiveness depends on its integration with other capabilities and on the availability of resources (Barney, 1991; Linnenluecke et al., 2022). In this sense, its influence does not stem solely from formal adoption, but from its internalization within organizational routines and its capacity to generate consistent effects (Fiaschi et al., 2020; Endrikat et al., 2020; Oduro et al., 2024).

In franchise chains, this limitation becomes more evident. Decentralized structures composed of multiple actors with varying levels of resources imply that the implementation of strategic practices depends on coordination capacity across the chain (Perrigot et al., 2021; Sørensen et al., 2023; Jell-Ojobor et al., 2022b; Welsh et al., 2025). Under such conditions, the adoption of ESG practices tends to occur in a heterogeneous manner, reducing their effectiveness as an integrated organizational capability.

Evidence suggests that the effects of ESG are contingent on how these practices are implemented, and may take on a symbolic character when not accompanied by structural changes, thereby limiting their impact on performance and strategy (Endrikat et al., 2020; Oduro et al., 2024; Fiaschi et al., 2020; Yu et al., 2025).

In this context, the results suggest that ESG does not act as a direct determinant of international commitment but rather as a capability whose effectiveness depends on the presence of governance mechanisms that coordinate its implementation across the chain. In decentralized structures, the absence of such coordination limits the translation of ESG into concrete strategic outcomes, reinforcing its contingent nature (Jell-Ojobor et al., 2022a; Jell-Ojobor et al., 2022b).

6.3 ESG as a moderator of the relationship between institutional risk and international commitment intensity

The results indicate that ESG does not exert a statistically significant moderating effect on the relationship between institutional risk and international commitment intensity. The literature suggests that ESG practices may mitigate institutional risks by strengthening governance mechanisms and reducing uncertainty (Linnenluecke et al., 2022; Popli et al., 2022; Hu et al., 2023; Duque-Grisales & Aguilera-Caracuel, 2021), supporting the expectation of a positive moderating effect in international contexts.

However, recent evidence indicates that the effectiveness of these practices depends on their integration into organizational routines and their alignment with coordination mechanisms. Endrikat et al. (2020) and Oduro et al. (2024) show that, when not consistently internalized, ESG practices tend to assume a symbolic character, limiting their ability to generate strategic effects, particularly in contexts characterized by institutional complexity (Fiaschi et al., 2020; Wu & Chang, 2022).

In franchise chains, this limitation is amplified by the decentralized nature of the organizational model. Perrigot et al. (2021) and Sørensen et al. (2023) emphasize that the consistent implementation of strategic practices depends on coordination capacity between franchisors and franchisees, and is influenced by resource heterogeneity across the franchise chain (Jell-Ojobor et al., 2022b; Welsh et al., 2025).

Moreover, the logic of franchise chains already incorporates mechanisms to adapt to the institutional environment through local partners, thereby reducing direct exposure to institutional risk. Studies in international business indicate that the presence of local actors can function as a mechanism for mitigating uncertainty and enabling institutional adaptation (Cuervo-Cazurra & Genc, 2008; Johanson & Vahlne, 2017). This effect is also discussed in recent analyses of the interaction between institutions and organizational structures in internationalized chains (Jell-Ojobor et al., 2022a).

Hence, the findings suggest that ESG does not operate as an independent moderator of the relationship between institutional risk and international commitment, as the organizational structure itself already incorporates mechanisms of adaptation and risk redistribution. In this context, the effectiveness of ESG depends on its articulation within decentralized structures (Barney, 1991; Linnenluecke et al., 2022; Yu et al., 2025).

6.4 Integration of findings and theoretical repositioning

Taken together, the results indicate that the relationship between the institutional environment, organizational capabilities, and international commitment does not manifest linearly, as often assumed in the literature (Dunning, 2001; Cuervo-Cazurra et al., 2021). Instead, it reflects a context characterized by institutional dysfunction and resource constraints, in which organizations operate through decentralized structures composed of multiple actors with heterogeneous capabilities (Welsh et al., 2025; Yu et al., 2025).

The literature on emerging markets shows that these environments are characterized by institutional voids that require alternative coordination mechanisms (Khanna & Palepu, 1997), while recent studies underscore the importance of contingency-based approaches in internationalization analysis (Cuervo-Cazurra et al., 2021; Li et al., 2024). In franchise chains, contractual governance plays a central role in coordinating chain activities, enabling the articulation among actors, resources, and distinct institutional contexts (Alon et al., 2021; Bretas et al., 2024; Jell-Ojobor et al., 2022b).

In addition, the resource-based literature indicates that the effectiveness of capabilities such as ESG depends on the availability and coordination of resources (Barney, 1991; Linnenluecke et al., 2022), reinforcing the need to integrate these dimensions. The results indicate that such capabilities do not generate effects in isolation, but depend on how they are coordinated across the chain, particularly in decentralized structures operating under resource constraints (Fiaschi et al., 2020; Wu & Chang, 2022).

Accordingly, international commitment should be understood as the outcome of an organizational configuration in which the institutional environment, resources, and governance interact contingently. More specifically, the findings indicate that governance acts as a structuring mechanism that enables the coordination of organizational capabilities and the mitigation of institutional limitations. This shifts the focus of analysis from direct effects to the ways in which these elements are articulated within decentralized organizational structures, particularly in contexts where coordination substitutes for or complements formal institutional mechanisms (Jell-Ojobor et al., 2022a).

By incorporating the franchising model as an empirical context, this study contributes to the literature by demonstrating that decentralized organizational models alter how institutional and organizational factors influence strategic decisions. Moreover, by focusing on international commitment intensity, the results reinforce the distinction between different stages of internationalization (Johanson & Vahlne, 2017; Verbeke & Forootan, 2012).

Taken together, the findings advance the literature by proposing that, in franchise chains originating from emerging economies, international commitment is not directly determined by institutional factors or isolated organizational capabilities. Instead, it is shaped by how these elements are coordinated through governance structures in contexts characterized by institutional dysfunction and resource constraints. This perspective offers a configurational view of internationalization, in which the effectiveness of capabilities depends on the organizational architecture that supports their implementation.

7 CONCLUSIONS

This study aimed to analyze the relationship between institutional risk, ESG practices, and international commitment intensity in Brazilian franchise chains, adopting an integrative perspective that combines external factors, organizational capabilities, and governance. By shifting the focus from entry decisions to the intensity of operational presence in foreign markets, the study sought to advance understanding of the determinants of deepening internationalization.

The results indicate that neither institutional risk in host countries nor the level of ESG adoption within franchise chains is statistically associated with international commitment intensity, nor is there evidence of a moderating effect of ESG. Although these findings do not support the proposed hypotheses, they provide relevant insights by suggesting that the determinants of international commitment may differ from those associated with market selection or international performance. This distinction aligns with the literature that distinguishes between entry decisions and the deepening of international presence (Verbeke & Forootan, 2012; Li et al., 2024).

7.1 *Theoretical contributions*

This study contributes to the international business literature by advancing the understanding of the determinants of international commitment, shifting the predominant focus from entry decisions to the deepening of firms' presence in foreign markets. While the literature has extensively examined the role of institutions and organizational capabilities in market selection and international performance, there remains a limited understanding of how these factors influence the degree of operational exposure assumed by firms after entry (Verbeke & Forootan, 2012; Johanson & Vahlne, 2017; Li et al., 2024). By addressing this gap, the study expands the analytical scope of internationalization by incorporating international commitment as a distinct strategic dimension.

Second, the study contributes by integrating institutional risk and ESG capabilities within a single analytical framework, responding to recent calls for more integrated approaches that articulate external and internal factors in explaining firms' international behavior (Peng et al., 2009; Cuervo-Cazurra et al., 2021; Linnenluecke et al., 2022). By treating ESG as an organizational capability, rather than merely as a compliance or signaling mechanism, the study

reinforces its contingent nature, which depends on resource availability, the degree of internalization of practices, and organizational coordination capacity. Accordingly, its effects do not manifest linearly or uniformly across different organizational contexts (Barney, 1991; Endrikat et al., 2020; Oduro et al., 2024).

Third, the findings indicate that, in franchise chains, neither institutional risk nor ESG capabilities operate as direct determinants of international commitment intensity. This finding challenges core assumptions of the institution-based view and the ESG literature by showing that their effects do not occur in isolation, but are conditioned by the organizational model through which firms structure their international activities, particularly in decentralized structures in which the effectiveness of these capabilities depends on their coordination across the franchise chain (Peng et al., 2009; Cuervo-Cazurra & Genc, 2008; Linnenluecke et al., 2022).

More specifically, the study demonstrates that contractual governance, a defining feature of franchise chains, acts as a structuring mechanism that enables the coordination of organizational capabilities, the redistribution of risks, and adaptation across heterogeneous institutional contexts (Alon et al., 2021; Perrigot et al., 2021; Sørensen et al., 2023; Bretas et al., 2024). In this sense, governance does not merely mediate but organizes the relationship between the institutional environment, resources, and capabilities, becoming a central element in explaining international commitment, as also highlighted in recent studies on governance in international franchise chains.

Finally, the study advances the literature by proposing a configurational perspective on internationalization, in which international commitment is not directly determined by institutional factors or isolated organizational capabilities, but rather by the coordination of these elements within specific organizational structures. This perspective highlights that the effectiveness of capabilities depends on the organizational architecture that supports their implementation, particularly in contexts characterized by institutional dysfunction and resource constraints. This argument becomes particularly relevant in structures composed of interdependent small businesses, where resource limitations and organizational heterogeneity shape the effectiveness of organizational capabilities (Cuervo-Cazurra et al., 2021; Linnenluecke et al., 2022).

7.2 *Managerial implications*

The findings indicate that the deepening of international presence in franchise chains does not depend directly on the institutional risk of host countries, suggesting that these chains can sustain operations even in adverse environments, provided that appropriate organizational mechanisms are in place.

Additionally, ESG practices, although relevant for legitimacy and strategic positioning, should not be treated as standalone instruments for internationalization. Their effectiveness depends on their internalization and, above all, on the chain's ability to coordinate their implementation. As such, ESG effects do not manifest automatically or uniformly across different organizational contexts.

In this context, contractual governance emerges as a central element of internationalization strategy. Well-defined contractual structures, effective monitoring mechanisms, and alignment with local partners become essential for coordinating operations across heterogeneous institutional environments.

Accordingly, managers should prioritize the design of governance systems capable of integrating organizational capabilities and sustaining operational consistency across the franchise chain, particularly in structures composed of units with varying levels of resources and capabilities. This requires adopting a coordination-oriented approach, rather than relying solely on market selection or the isolated adoption of strategic practices.

7.3 *Social implications*

The findings suggest that internationalization models based on contractual governance, such as franchise chains, can facilitate the diffusion of organizational practices across diverse institutional contexts. The involvement of local partners facilitates adaptation to local socioeconomic and institutional conditions, potentially promoting job creation and the development of local capabilities.

However, the adoption of ESG practices, although relevant to organizational legitimacy, does not, by itself, ensure deeper social impacts. Their effectiveness depends on how these practices are internalized and coordinated across the franchise chain, particularly in decentralized organizational structures where implementation occurs heterogeneously across units.

Thus, the social impacts of internationalization do not result solely from firms' presence in foreign markets, but from chains' ability to structure governance mechanisms that ensure the consistency and effectiveness of organizational practices in contexts characterized by institutional dysfunction (Linnenluecke et al., 2022).

7.4 Limitations and future research agenda

This study presents several limitations that should be considered when interpreting the results. First, the operationalization of ESG practices relied on aggregated measures, which do not capture qualitative differences in the depth or effectiveness of their implementation. Future research could advance by employing more granular metrics capable of distinguishing between formal adoption and effective internalization of these practices, particularly given that their effects may vary depending on the extent to which they are integrated into organizational routines.

Second, the analysis focused on Brazilian franchise chains, which may limit the generalizability of the findings to other national contexts or organizational models. Future studies could extend the analysis to different countries and sectors, enabling comparisons across distinct organizational structures and varying levels of institutional development.

In addition, although the study focused on core theoretical variables, exploratory evidence suggested that structural factors, such as chain size, accumulated international experience, and organizational coordination capacity, may play a role in explaining international commitment intensity. Future research could further explore these factors by systematically incorporating them into theoretical and empirical models, particularly in decentralized organizational structures composed of units with varying levels of resources and capabilities.

Finally, future research could advance the investigation of the relationship between ESG and internationalization by adopting more dynamic approaches to examine how these practices evolve over time and interact with different stages of the internationalization process. This agenda is aligned with recent literature emphasizing the need for more integrated and dynamic approaches to understanding the relationship between ESG, the institutional environment, and international strategies (Linnenluecke et al., 2022; Li et al., 2024; Zhou et al., 2025), particularly in contexts characterized by institutional dysfunction and resource constraints.

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