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Crisis Management 2.0: Brand Risk, Velocity, and Control in the Modern Franchise Landscape

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1. 2026: An Unprecedented Era for Brand-Based Businesses

While risks and opportunities are constantly evolving, the past decade – particularly accelerating over the past five years – has seen unprecedented changes to the risk environment for businesses.

What were once relatively linear information flows, mediated by traditional gatekeepers, have given way to decentralized, algorithm-driven systems in which content can be created, amplified, and distorted at incredible speed and scale. Platforms such as TikTok, Instagram, and YouTube no longer merely distribute information – they actively determine its reach and impact through opaque recommendation systems optimized for engagement rather than accuracy. The application of artificial intelligence to these methods of communication poses an even greater, and harder to stop, threat.

The increased ability for reputationally damaging information to travel at speed, and the breadth of its reach, pose a serious threat irrespective of the truth or falsity of the information being disseminated. And then there is the risk of being associated with something, or person, that was socially acceptable on a Monday and cancelled on a Tuesday.

Franchised businesses are particularly exposed in such an environment. The franchise model of business relies on maintaining a careful balance of ensuring the brand continues to align with its value proposition, harnessing franchisees' local knowledge and expertise, while leveraging the power of the franchisor's core assets, which are largely intangible: brand equity, IP, and trade dress. Increased vigilance and crisis response preparedness have never been more important. In the face of such growing threats, crisis management for franchisors must evolve from ad hoc PR response to a proactive enterprise risk discipline approach.

The value of these intangibles is dependent on consumer trust and system-wide goodwill. Historically, brand threats were localized, slow-moving, and easier to contain, and benefitted from gatekeepers being editors, producers, and institutions, slowing the pace of distribution and – for the most part – filtering out falsehoods. In the 2000s and 2010s, brands had crisis management response plans that were replicable, well-oiled machines that often used traditional media to relay apologies and responses, often engaging a full spread of leading national newspapers to respond to crises in the market that directly targeted their brand.

The consequences of viral channels of communication are exacerbated in crisis scenarios because of collapsed verification cycles and a lack of editorial oversight. The effects can impact companies by harming the brand or, in some cases, risking physical assets.

In the early 2000s, McDonald's India was accused of using beef in their French fries. Vegetarian customers who had been told that the fries were beef-free accused the company of not giving "complete" information. Protesters then smashed and set on fire a McDonald's store in Mumbai and picketed its Delhi headquarters. The protesters asked that the prime minister shut down all 27 stores and sent samples of fries to be tested by laboratories. The McDonald's India incident led to physical damage to brand property.

One can only imagine the scope of the outrage and destruction if this had occurred in 2026.

Earlier this year, a TikTok user made a viral video containing false claims that Texas Roadhouse restaurants had hidden surveillance cameras within light fixtures because they claimed the lights looked “suspicious”. After the post went viral (over half a million views), the restaurant responded on social media and via official statements with popular lifestyle websites, clarifying that the bulbs were designed to diffuse lighting within the room and create more ambiance. The example illustrates how the rapid spread of false stories constitutes a significant challenge for brands, as they are practically unable to respond before a false post reaches millions of viewers.

In an era of weaponized virality and algorithmic amplification, the stakes are plainly much higher particularly for intangible assets. The speed of threat propagation is a more recent development in the world of franchising, and brands, generally. This speed has become a defining risk multiplier that has created a new threat landscape. Factual reality, and often legal accuracy, lags behind public perception. Correcting the record can often miss the news or social media algorithm cycles. The truth has to be ready to put its shoes on – faster.

2. The Structural Vulnerability of Franchise Systems

Separate and apart from the reality that much of the value in a franchise system is intangible and dependent upon reputation, the franchise model, by its very nature, inherently involves a heightened degree of distributed risk and vulnerability insofar as the face of the brand, and the primary consumer or customer interaction, is often by franchisees.

A franchisor may have thousands of store operators across dozens of markets, each representing a potential flashpoint that the franchisor does not directly control. Unlike a non-franchised business, where a central management team can issue directives and expect compliance through a unified chain of command – in single, or related business entities – the franchise model relies on a system of myriad independent business owners who have their own employees, their own local market dynamics, and their own capacity for judgment.

Further complexity is layered into the system by virtue of the fact that, in certain circumstances, franchisees’ interests might diverge from those of the franchisor. Each one of these franchisees operates under the umbrella of the franchisor’s brand, and each carries the potential to create a moment that defines how the entire system is perceived by consumers, regulators, and the public at large. In this structure, the weakest franchisee risks defining global brand perception in the event of a crisis.

A single instance of local conduct, whether a food safety lapse, an employee altercation caught on camera, or an ill-advised social media post by a store manager, can instantly become a global narrative. Sometimes, those matters converge. For example, in 2009, a series of five videos were uploaded to YouTube of employees at a Domino’s restaurant in Conover, North Carolina, apparently contaminating product. The Consumerist blog posted about the videos a day later; and even in 2009, the videos saw

over one million views and the incident received local and international press. The fallout was swift; sales at area franchises reported drops of up to 50%. Domino's posted apologies on its website and a video recording from its president at the time. The incident lives on today, with its own dedicated Wikipedia page.

The challenge of structural vulnerability is compounded by the sheer scale of many modern franchise systems. A major quick-service restaurant brand may operate tens of thousands of locations across more than a hundred countries. Each of those locations is staffed by employees who are typically hired, trained, and managed by the franchisee, rather than the franchisor. Each store around the world serves customers whose experiences are shaped by local management decisions over which the franchisor has limited real-time visibility. While franchisees often have access to a consistent set of franchisor-set standards, training materials, and receive periodic audits, franchisors cannot be present at every counter, every drive-through, and every employee interaction which may deviate from the franchisor's rulebook and require quick, bespoke responses from franchisees. This gap between brand promise and operational execution is where crises can be born.

When a consumer in any market has a negative experience, they often do not distinguish between the franchisor and the franchisee – they interpret their experience as one from the brand, which then becomes the subject of their complaint or social media post. This dynamic means that franchisors must think about crisis risk not as a series of isolated possibilities, but as a systemic condition that is inherent in the model itself and requires continuous, proactive management ready for rapid response and engagement. Individual reputation in this context can be monitored not just at the brand level, but at store level.

Franchisors increasingly have begun introducing real-time monitoring systems within thousands of franchisee stores to have a pulse on local customers and the reception of specific stores. A prime example is the “happy unhappy button” system used by many franchises, involving a physical four-button feedback system, designed to measure customer satisfaction in real-time. That data is fed into the franchisor's central command to shape decision making. This data-driven approach to customer feedback has been proven to be a powerful and meaningful opportunity to identify trends and improve operations. Decision makers within the franchisor can receive detailed reports, which allow them to track satisfaction trends on a daily, hourly, and location-specific basis and identify specific times where service may be lacking, allowing them to optimize staff scheduling and improve overall customer loyalty. In the technology and media environment of 2026, the combination of decentralized operations and a centralized brand creates a structural vulnerability that is unique to franchising and demands a correspondingly sophisticated approach to crisis preparedness.

A. AI: The Promise and Problem

Within this landscape of structural vulnerability, artificial intelligence has emerged as both a powerful tool and a potent threat.

On the ‘promise’ side, AI can enable franchisors to monitor brand sentiment in real time, optimize supply chains, personalize marketing, and improve operational efficiency

across large and geographically dispersed networks. As an example, brand sentiment monitoring can occur in real time using Natural Language Processing (NLP) and machine learning, subsets of AI, to allow franchisor systems to analyze vast volumes of unstructured data including online reviews, social media mentions, and customer service chats, simultaneously across the franchising system.

On the ‘problem’ side, AI has significantly lowered the barriers to fabricating convincing false content that can quickly damage a brand’s reputation. Deepfakes represent the most acute manifestation of this problem. Deepfakes, which are fabricated “evidence” in the form of an image or video, are on the rise, and can impact one of the key priorities of consumers, trust. As noted in recent consumer studies, 40% of consumer perception is tied to elements other than price, and trust is one of the key elements.² This risk, which can directly impact a brand’s reputation, is a multi-faceted harm, and includes a loss of consumer, investor, or franchisee and employee confidence.

Within the franchising context, deepfakes can manifest in many ways, including fabricated videos of food safety incidents, employee misconduct, statements allegedly made by executives, store conditions that do not reflect reality, and even fake store-level communications. They can be created and distributed as mindless humor, or with deliberate intent to harm. The potential consequences would be immediate if, for example, a deepfake video appearing to show a restaurant employee tampering with food in a kitchen, were posted and went viral before a franchise could respond. Consider that, in 2026, an entirely fictitious version of the Domino’s example from 2009 could be relatively easily and convincingly recreated by almost anybody.

The difficulty of course is that, even if the video is entirely fabricated, the damage that it can inflict in the hours before efforts to communicate a narrative debunking it may be material. By the time forensic analysis confirms the video is synthetic, millions of viewers may have already formed their judgment and moved on. The old adage that “A lie can travel halfway around the world while the truth is still putting on its shoes” is now almost literal – indeed, the saying might need to be updated to note that the lie can now travel *all the way* around the world.

Consumers can also generate deepfakes and other forms of fabricated content through less sophisticated means. Fabricated receipts showing inflated prices or unauthorized charges, false reviews posted across multiple platforms, and “leaked” documents purporting to reveal internal misconduct, are all tools that can damage a brand, whether for personal grievance, competitive advantage, financial extortion – or even just for amusement. For example, extortion via fake Google reviews is a serious and growing problem that is on the rise, especially in the franchising space. In 2025 in Montreal, multiple restaurants, including some franchises, were targeted by coordinated 1-star fake Google reviews after which scammers demanded payment to remove them. This form of “reputation extortion” is a growing threat which is false, highly visible, and can drive away customers immediately. The lack of clear and verifiable verification mechanisms for many types of “review” websites where users can easily create accounts and generate content, is a contributing factor. The wide availability of AI-enabled content

² <https://www.deloitte.com/us/en/insights/industry/retail-distribution/retail-distribution-industry-outlook.html>

creation tools means that a single individual with a smartphone and access to widely available AI applications can produce content that, even a few years ago, would have required professional-grade equipment and expertise.

In many countries, the avenues for recourse for fraudulent use of deepfakes are limited and the legislative landscape is still underdeveloped and often trying to catch up with the tech. Additionally, enforcement is often challenging as it can be difficult to identify the source of the deepfake and apprehend fraudsters. As a result, franchisors should stay apprised of the quickly changing regulatory landscape surrounding deepfakes as well as industry trends to be able to capitalize on detection, prevention, and response systems when they become available.

Beyond individual actors, there is a growing risk of AI-generated and algorithm-propelled campaigns against brands. These campaigns leverage social media algorithms, which are designed to maximize engagement by promoting content that generates strong emotional reactions, to amplify negative narratives about a brand. A coordinated campaign can use AI to generate hundreds of seemingly independent posts, store reviews, and comments, creating the illusion of widespread organic concerns with the brand. Algorithms may detect this (artificially created) content and promote it to a broader audience. This can in turn create a feedback loop that can escalate a simulated controversy into a genuine brand crisis. For franchisors, the difficulty lies not only in detecting these campaigns quickly but in responding to them in a way that does not inadvertently lend them further credibility or visibility.

B. Bad Faith Versus Good Faith Threats

Not all crises are malicious, and franchisors must be prepared to distinguish between, and respond differently to, bad faith and good faith threats, which will require different strategies. This distinction is critical because deploying the wrong response can compound the damage rather than contain it. Treating a legitimate customer grievance as an attack can alienate the public and transform a manageable incident into a full-blown crisis. The franchisor that responds to a genuine food safety concern with legal threats, rather than an investigation and a public commitment to corrective action, risks being perceived as prioritizing profit over consumer welfare. Conversely, responding to a coordinated extortion campaign by appeasing bad actors can signal to others that the brand is a viable target and/or risk giving credence to a false narrative.

In addition to the coordinated online harassment campaigns discussed above, bad faith risks may also include competitor sabotage, extortion via reputational attack, disgruntled insiders or former employees seeking retribution, and disgruntled suppliers. These threats are characterized by intentional efforts to damage the brand, often for financial gain or retribution, and they require an appropriate and measured response posture, often one that involves in-house and/or external legal teams. If possible, the franchisor should be prepared to attempt to identify the source of the attack, preserve evidence for any potential legal action, and engage law enforcement or regulatory authorities where appropriate, while simultaneously managing the public narrative. However, a confounding challenge is that bad faith actors are very often anonymous, which makes identification and accountability difficult even in jurisdictions with robust legal frameworks.

By contrast, good faith risks can arise from customers harmed, cultural missteps, franchisee misconduct, or supplier failures. While these incidents may be equally damaging to franchise brands, they typically benefit from a response rooted in accountability, transparency, and corrective action rather than adversarial legal action. When a customer is genuinely harmed by a product or service provided by a franchisee, or when a franchisee engages in conduct that violates the brand's values, the public expects the franchisor to acknowledge the problem, take responsibility for the system's failure, and demonstrate concrete steps to prevent recurrence. A defensive or legalistic response to genuine harm can be perceived as tone-deaf, evasive, or dismissive, which can accelerate the reputational damage.

A notable example of a franchise shifting from a defensive to offensive approach to a crisis was Wendy's in 2005 when a consumer claimed she found a human finger in a bowl of chili at a Wendy's in California. Rather than just denying the claim, the franchisor took legal action against the consumer who made the alleged complaint. Ultimately, Wendy's was successful and the allegation was uncovered to be a fraudulent extortion attempt. Wendy's situation demonstrates an appropriate and measured response because at first, it conducted an investigation to (in)validate the claim, rather than dismiss the allegation out of hand which risks appearing to be dismissive of potentially serious safety concerns. The example also illustrates that a brand must also be willing to act decisively when allegations are proven to be fraudulent. The ability to accurately and quickly assess which category a particular threat falls into is therefore one of the most important capabilities a franchisor can develop.

3. Brand Tension in Response

A. Facts and Law Can Be in Tension with Narrative Reality

One of the most difficult aspects of modern crisis management is the tension between factual accuracy and public narrative: Being factually right may still cause reputational harm. This tension is not new, but it has been amplified by the speed and reach of modern communications. In the pre-digital era, a franchisor's legal team had days or weeks to craft a response, review it for accuracy, and coordinate its release through controlled traditional channels. In 2026, the public expects a near-immediate response, and the absence of a response can be interpreted as a statement, usually an unfavorable one. For example, when a franchise system is under investigation by a regulatory authority, the franchisor's lawyers will typically advise against public comment. However, such narrative vacuum can fill with speculation.

While courts may operate over the course of several months or years to address a lawsuit relating to a crisis, public sentiment can be expressed in hours, or even minutes. This gap means that a franchisor's legal position may be entirely irrelevant (or, at least, uninteresting) to the public by the time it is vindicated, because the reputational damage has already impacted the franchise's financial performance. A franchisor that is sued by a franchisee for wrongful termination may ultimately prevail in court after years of litigation, but the initial headlines, the social media commentary, and the algorithmic amplification of the franchisee's initial allegations may have long since shaped public perception. The legal victory, when it finally arrives, may be underreported by news outlets and social media.

Tensions between facts and narrative are most acute in situations involving pending investigations, incomplete facts, and/or confidential employment issues. In each of these scenarios, the franchisor may be legally constrained from saying what the public demands to hear. Managing these tensions requires a nuanced level of coordination between legal, communications, and executive leadership.

It is equally important to recognize that not all negative news stories rise to the level of a crisis, and, in many cases – the best response is no response at all. The tendency for a franchisor to address or acknowledge every negative mention, unfavorable review, and critical social media post can be inefficient, and a source of risk. A franchisor that engages with every criticism can signal that it is reactive and defensive, which risks elevating minor complaints into major narratives by drawing attention to them. A mature crisis management system involves having the judgment to distinguish between which public pieces of criticism are worth addressing publicly and to calibrate the response accordingly.

As the COVID-19 pandemic demonstrated, franchisors that pivoted toward visible community engagement during crises were able to partially bridge the gap between legal posture and public perception. The pandemic presented franchisors with an unprecedented set of challenges including mandatory closures, supply chain disruptions, employee health and safety concerns, and a rapidly shifting regulatory landscape, in addition to massive financial consequences of unknown duration. In response, some franchisors chose to go beyond mere compliance and used the crisis as an opportunity to demonstrate their values. McDonald's "Thank You Meals" for healthcare workers is instructive. The program, which offered free meals to frontline healthcare workers, communicated a powerful message about the brand's priorities, one that resonated with consumers and generated significant positive media coverage at a time when the company was simultaneously navigating complex operational challenges.

B. Ethics and Reputation Tension

A related tension exists between ethical action and brand reputation, sometimes framed along the lines of "doing the right thing will always protect the brand." The reality, however, is more nuanced. Short-term reputational damage may follow ethical action, particularly when the ethical course requires acknowledging fault, imposing consequences on a popular franchisee or executive, or making disclosures that expose the organization to litigation.

A franchisor that terminates a high-profile, well-liked franchisee for conduct that violates the brand's standards may face immediate public backlash, particularly if the franchisee is a prominent figure in the local community. The termination may be legally justified and ethically necessary, but the short-term reputational cost can be significant, and the franchisor should be prepared to absorb that cost and manage the resulting narrative.

Where crises engage legal matters, the most effective crisis response is one that finds a way to be both legally prudent and publicly authentic. This requires that legal and communications teams work together to craft responses that are truthful, empathetic, and

consistent with the brand's values, even when the full facts are not known or cannot yet be disclosed.

4. Franchisor Versus Franchisee Alignment Challenges

The franchisor-franchisee relationship introduces a layer of complexity that is absent in wholly owned corporate structures, and the difficulty caused by such complexity is amplified under the pressure of a crisis. In a corporate-owned system, the central management team can issue directives and expect compliance. In a franchise system, the franchisor must persuade and coordinate with franchisees to follow a particular crisis response strategy, often in real time and under extreme pressure. Thus, in addition to external response, crisis management in franchising often requires multiple internal channels.

A. Divergent Incentives

Franchisors and franchisees may have divergent priorities when a crisis strikes, and such divergence can create friction. The franchisor's priorities typically center on system-wide brand protection, long-term brand equity preservation, and minimizing regulatory exposure through protecting intellectual property and responding to legal risks that a crisis may create across multiple jurisdictions. These priorities naturally favor a centralized, coordinated response that presents a unified message to the public and reduces the risk of inconsistent or contradictory messaging. Franchisors' long-game in preserving brand value may occasionally come with short-term reputation harm. Franchisors' national and global views may potentially involve unrelated franchisees in otherwise local concerns.

Franchisee priorities tend to focus on local revenue and individual reputation. A franchisee whose location is at the center of a crisis is primarily concerned with keeping the doors open, maintaining relationships with local customers, and avoiding personal legal liability. These priorities may conflict with the franchisor's system-wide strategy. For example, a franchisor may decide that the best course of action is to temporarily close the affected location while an investigation is conducted, but the franchisee, who depends on daily revenue to meet payroll and rent obligations, may resist such a decision. Differing incentives means that what is optimal for the system may be suboptimal for an individual franchisee, and vice versa. A franchisor's decision to issue a system-wide product recall, for example, protects the overall brand but may impose significant direct or indirect costs on individual franchisees who may not have experienced any quality issues at their locations. Conversely, a franchisee's decision to issue a public statement defending their own operations, while understandable from a local perspective, can create confusion and contradictions that undermine the system's unified response, and may violate franchisor communication guidelines that require that any public communications are approved by the franchisor. Managing these tensions requires clear communication, pre-established protocols, and a degree of trust between franchisor and franchisee.

B. The Control Paradox

Franchisors face a fundamental paradox: protecting the brand while avoiding joint or common employer exposure, and/or other legal theories of vicarious liability. This

paradox lies at the heart of the franchise relationship and becomes especially acute during a crisis. Over-control can better protect the brand but potentially increase liability, while under-control increases brand risk. This paradox is not merely theoretical; it has significant legal and commercial implications.

The joint employer doctrine, which holds that a franchisor may be treated as the employer of a franchisee's workers if it, among other things, exercises sufficient control over their terms and conditions of employment, has been the subject of extensive litigation in Canada, the United States, and other jurisdictions. Franchisors who exert too much operational control over franchisees before or during a crisis – such as by dictating staffing decisions, directing employee communications, or mandating specific operational procedures – may inadvertently establish the kind of relationship that gives rise to joint employer liability. The consequences of a joint employer finding can be substantial not only during a crisis, but potentially after, including potential liability with respect to franchisee employee salaries, wages and termination.

And yet, franchisors who fail to act decisively in a crisis risk allowing individual franchisee conduct to define the entire system's reputation. A franchisee who makes unauthorized public statements, engages in conduct that contradicts the brand's values, or simply fails to follow the franchisor's crisis protocols can cause damage that extends beyond the individual location. The franchisor must therefore have a balanced approach and exercise enough control to protect the brand without crossing the line into the kind of operational control that triggers joint employer liability.

The joint employer problem is further complicated by the fact that the legal standards for a franchisor being found to be a joint employer vary across jurisdictions. What may constitute permissible brand protection in one market may be legally impermissible employment control in another. To address this variability, international franchise systems should develop crisis response protocols that are flexible enough to account for jurisdictional differences while maintaining a sufficient degree of coordination to protect the global brand.

C. System Cohesion Under Stress

Under the stress of a crisis, system cohesion can deteriorate rapidly, and splintering responses can cause serious consequences. Franchisees may go rogue on social media, disclose internal information, or publicly contradict corporate messaging. Each of these behaviors can undermine the system's overall crisis response and create inconsistencies in the brand's narrative.

The risk of rogue franchisee behavior is particularly acute in the social media environment of 2026. A franchisee who posts a well-intentioned but unauthorized statement on their local social media accounts can create a narrative inconsistency that is picked up by journalists, competitors, and social media commentators. If the franchisee's account of events differs from the franchisor's official statement, even in minor detail, the discrepancy can itself become a story, and risks the impression that the brand is not in control of the situation or, worse, is acting dishonestly.

To mitigate these risks, franchise agreements might include morality or public perception clauses that give the franchisor the right to act swiftly, including suspending operations, modifying branding, or restricting franchisee communications when reputational harm is imminent, even before any legal dispute has materialized. These clauses provide the franchisor with contractual bases for taking decisive action in a crisis, but they must be drafted carefully to avoid broad language that results in overreach. A clause that is too broad may be unenforceable in many jurisdictions, while a clause that is too narrow may not provide sufficient flexibility to address the unpredictable nature of modern crises. The most effective clauses strike a balance between specificity and flexibility, providing clear triggers for the franchisor's crisis authority while leaving room for judgment and adaptation in the specific circumstances of each incident.

The presence of multi-unit franchisees potentially presents another layer of complication. While often more sophisticated in their understanding of brand dynamics, large franchisees can still amplify risk if they are not properly aligned with the franchisor's crisis response strategy. A multi-unit franchisee who controls many locations may have significant influence within the franchise system, and their public statements or actions during a crisis tend to carry correspondingly greater weight. If a major multi-unit operator publicly disagrees with the franchisor's crisis response, it can signal division within the system and indirectly encourage other franchisees to deviate from the franchisor's approach. Conversely, a multi-unit operator who is aligned with the franchisor's strategy can serve as a source of influence to other franchisees, lending credibility to the franchisor's response and helping to maintain cohesion across the system.

5. Crisis Management 2.0: A Framework for 2026

A. Pre-Crisis Risk Management Architecture

The most important stage of crisis management is the stage that precedes the crisis. Robust pre-crisis architecture – the processes and systems the organization has to escalate and manage the situation – is a crucial factor that will determine whether a franchisor is well positioned to navigate a brand-threatening event successfully. The organizations that manage crises effectively are invariably those that have invested significant time and resources into preparing crisis-related systems and strategies, as well as contingency plans, and socializing them across the organization in a meaningful way – before crisis hits. Those that have not made this investment will find themselves improvising under pressure, making decisions without adequate information, and struggling to coordinate a response across a decentralized system of independent operators.

The first element of a robust pre-crisis architecture is brand risk mapping, which involves identifying and prioritizing high-risk categories that are most likely to give rise to a crisis within the specific franchise system. These categories typically include food safety, criminal activity, employee conduct, labor-related matters, cultural sensitivity, cybersecurity and data privacy, and ESG claims, but they will vary depending on the nature of the franchise, the markets in which it operates, and the specific characteristics of its customer bases. A quick-service restaurant franchise, for example, will face a different risk profile than a fitness franchise or a professional services franchise, and the risk mapping exercise must be tailored accordingly. A food safety incident will need a

different communications strategy, and potentially a different legal response and different operational remediation plan, than might a data privacy breach or a cultural sensitivity controversy.

The second element to consider in pre-crisis architecture is systemwide protocol design, which involves pre-calibrating response and engagement tiers calibrated to the scale and severity of the incident. Tiers can be structured along a continuum. At the lowest level, there are local incidents that can be managed at the franchisee level with a prescribed level of guidance and oversight from the franchisor. These might include a negative review, a minor customer complaint, or an isolated operational failure. At the intermediate level are regional escalations that require coordinated multi-store response, such as a product recall affecting a particular region or a social media controversy that has gained traction in a specific geographic area, where the franchisor will have more active and ongoing involvement. At the highest level are global crises that demand centralized command and control, including system-wide product safety issues, executive misconduct, data breaches affecting customer information across markets, or viral deepfake attacks on the brand. The protocols for each tier should specify who has decision-making authority, the limits of that decision-making authority, what communications are authorized, who can authorize bespoke communications if needed, who must be notified, and within what timeframe, and how resources will be allocated. These response tiers also enable the company to quickly determine what audiences should be communicated with – a local issue at the franchisee level, for example, may need communications to that location’s staff while a global, reputational-threatening, crisis will likely include the company’s shareholders and the public at large.

In addition to pre-calibrated response strategies, it is important that the organization develop a crisis response team -- comprised of senior executives as well as senior members of the legal, comms, and other relevant teams -- to ensure the ability to quickly coordinate and share information across the organization.

The third element is media preparedness, which has become an essential component of modern crisis planning strategies. In an era where deepfakes can fabricate evidence of food contamination, employee misconduct, or executive statements with increasing realism, franchisors must develop deepfake response playbooks, authenticity verification protocols, and relationships with food safety specialists and forensic partners who can render an opinion on food samples or content authenticity within hours or days rather than weeks, to streamline the franchise’s ability to provide a timely and accurate statement shortly after the incident. These relationships must be established before a crisis occurs, because the process of identifying, vetting, and onboarding a forensic partner during a crisis introduces delay at precisely the moment when speed is most critical.

Social listening and news media monitoring, through online coverage and sentiment analysis platforms that scan for mentions and trends, is now an essential component of this preparedness. The earlier the signals of a potential crisis are detected, the greater the variety of strategic options available to the franchisor. This principle, while intuitive, has profound implications for how franchisors invest in and structure their crisis

detection capabilities. Social listening platforms, such as Meltwater, Brandwatch, and Talkwalker, enable franchisors to monitor the digital landscape in real time, detecting emerging threats before they become widespread and identifying opportunities to shape the narrative while it is still forming. McDonald's provides a useful case study in this regard. In 2023 and 2024, the company monitored social media sentiment and found there was backlash regarding high prices, specifically viral and inaccurate reports of "\$18 Big Mac" combo meals, which spread rapidly across social media platforms and were picked up by mainstream media outlets. The reports were misleading, as they did not represent typical pricing, but they tapped into a broader consumer narrative about inflation. In response, the company launched a \$5 meal deal in the United States in June 2024 to directly address the perception of high prices. The response was notable not only for its substance but for its speed.

In addition to platforms that detect media coverage and social media trends, the monitoring strategy should also include franchisee reporting hotlines that provide a direct channel for franchisees to alert the franchisor to emerging issues at the local level. Franchisees are often the first to become aware of a developing situation, whether it is a disgruntled employee who has been making threats, a local media outlet that has been asking questions, or an unusual pattern of negative reviews that suggests a coordinated attack. A franchisee reporting mechanism that is easy to use, available around the clock, and connected to the franchisor's crisis response team can provide invaluable early warning.

Another area that a franchisor may want to include in the social media listening strategy, depending on the industry the franchise operates in, is dark web monitoring. Dark web monitoring for organized attacks can support detection infrastructure by uncovering bad actors that coordinate campaigns in forums and channels that are not visible on the surface web.

The fourth element involves franchise agreements, the contractual mechanisms that provide the legal foundation for the franchisor's authority during a crisis. Well-drafted franchise agreements should include clearly drafted crisis cooperation clauses that require franchisees to follow the franchisor's crisis response protocols. Such clauses may include social media conduct provisions that govern franchisee communications during a crisis, mandatory notification timelines that require franchisees to report incidents to the franchisor within specified timeframes, and emergency operational control rights that allow the franchisor to take temporary control of specific operational decisions when brand safety is at stake. These contractual clauses are important because they provide the franchisor with legal authority to take necessary actions quickly and decisively during a crisis. Without clear contractual authority, a franchisor that directs a franchisee to close a location, stop posting on social media, or follow specific communications protocols may face pushback or even legal challenge from the franchisee, which can introduce delay and conflict during a time when speed is critical.

B. The First 24 Hours: Velocity Response Model

The first 24 hours of a crisis are decisive. Research and experience consistently demonstrate that the actions taken, and not taken, in the initial hours of a crisis have a disproportionate impact on the ultimate outcome. A well-executed initial response can

contain the impact, clarify the brand's narrative, and create a foundation for recovery. A poorly executed initial response, or no response at all, can allow the crisis to scale and undermine the credibility of subsequent efforts.

While responses to crises are necessarily contextual, the response model should encompass three priorities. First, the franchisor should try to contain the narrative by acknowledging awareness of the situation without speculation and avoiding a defensive tone. The initial public statement should communicate that the brand is aware of the situation, that it takes the matter seriously, and that it is actively investigating. It should avoid defensive language, legalistic phrasing, or attempts to minimize the significance of the event. The goal should not be to resolve the crisis in the first statement (particularly given this is often impossible) but to establish the brand as credible, responsive, and aware of the situation. Silence, or a delayed response, can negatively impact perception of the brand.

Second, the organization should activate parallel and coordinated workstreams across multiple functions. In one workstream, the franchisor should focus on legal fact-finding that is focused on establishing the facts of the incident, preserving evidence, and assessing legal exposure and potential avenues for legal action. Communications responses should be coordinated with the legal team to ensure that public statements are both accurate and effective. In another workstream, the franchisor should initiate alignment with franchisees and actively manage those relationships closely to ensure that all operators across the system are aware of the situation and are following the established crisis protocols. Platform engagement, including content takedowns and moderation requests, should be pursued in parallel to limit the spread of harmful or false content. These workstreams should operate concurrently, not sequentially, because the speed of modern information dissemination does not allow for a linear, step-by-step approach.

Third, evidence preservation is critical, particularly in social media or AI-fabrication scenarios where the original content and its distribution patterns must be captured before they are altered or deleted. Social media posts can be edited or removed, accounts can be deleted, and distribution patterns can be obscured if they are not documented in real time. Forensic preservation of the original content, including metadata, platform identifiers, and distribution analytics, is essential both for potential legal proceedings and for the franchisor's own forensic analysis of the source and nature of the threat.

C. Truth Validation in the AI Era

The AI era has introduced a new reality: proof must be communicable and not just technically valid. It is not enough to establish the truth through forensic analysis if that truth cannot be conveyed to the public in a credible and accessible manner, a challenge made considerably more difficult given the reduced reach of traditional media and advertising. A forensic report concluding that a video has been digitally manipulated may be persuasive during litigation, but it is unlikely to go viral on social media. The challenge for franchisors is to translate technical findings into narratives that are compelling. Validation during a modern crisis can require independent digital forensics conducted by credible, third-party experts whose findings carry weight with both the public and the

media. Third-party validators, such as independent laboratories, regulatory authorities, or respected media organizations, can lend credibility to the franchisor's account of events.

The challenge is that technical debunking can be insufficient to counteract the public's emotional response to compelling fabrications. For example, a deepfake video showing contaminated food in a restaurant kitchen is shocking, and the emotional response it provokes is not easily undone by a technical analysis, however thorough and credible. Franchisors must therefore invest in the communication strategies necessary to translate technical findings into narratives that are accessible, credible, and capable of displacing the false versions that are in public discourse. This may involve producing counter-content that is as visually compelling as the fabrication, using video formats and distribution channels that are native to the platforms where the fabrication spread, and engaging influencers who can amplify the brand's technical findings.

D. Franchisee Coordination Protocols

The goal of franchisee coordination during a crisis is to prevent a fragmented narrative from forming. A franchise system that speaks with multiple voices during a crisis is a franchise system that has lost control of its narrative. Conflicting statements from different franchisees, even if each statement is individually accurate, can create the impression of confusion and a lack of leadership or consistent story. Adversaries and media commentators can report these inconsistencies.

Effective franchisee coordination generally requires several elements. First, centralized messaging templates can be prepared in advance and distributed to all franchisees as soon as a crisis occurs. These templates should include approved language for customer-facing communications, talking points for front-line staff and additional messaging for store managers, social media guidelines, and escalation procedures for media inquiries. Franchisors can review which employees among all franchisee teams have received media training and direct that franchisees and their employees not speak to the press about the incident except potentially for those that have media training and have received approval from the franchisor. Second, guidance instructing franchisees to refrain from making any public posts should be issued to all franchisees, directing them to stop independent social media activity until the franchisor has established the official narrative. Third, franchisee FAQs should be promptly updated to include questions that franchisees are most likely to receive from customers, employees, and local media, providing clear and consistent answers that align with the system's overall communications strategy. Fourth, dedicated crisis communication channels should be established to provide franchisees with real-time updates, allow them to ask questions and raise concerns, and enable the franchisor to monitor franchisee sentiment and compliance.

Franchisees must understand that individual, uncoordinated responses, however well-intentioned, can undermine the franchise system's overall strategy. This understanding must be cultivated through regular training, tabletop exercises (discussed below), and clear communication about the rationale behind the franchisor's crisis coordination protocols. Franchisees who understand why centralized coordination is important are far more likely to comply with less resistance.

E. Social Media Platform Strategy

Effective crisis management requires a platform strategy that recognizes the central role that social media platforms play in shaping public narratives. This strategy should include rapid and well-understood escalation pathways and pre-existing relationships with the content moderation, trust and safety teams at major social media platforms to enable the franchisor to flag harmful or false content for expedited review and takedown. The franchisor should proactively develop an understanding of jurisdictional takedown strategies in different countries, provinces, and states, as the legal bases for content removal vary across jurisdictions.

Franchisors should designate specific individuals within their crisis management team who are responsible for maintaining platform relationships and should ensure that these individuals have the authority and the tools to escalate issues quickly when a crisis occurs. This prior planning can help reduce the time between the identification of harmful content and its removal.

F. News Media Strategy

While crisis situations often first bubble up on social media in today's modern age, the traditional news media – newspapers, TV news and online publications – continue to play a critical role in how the organization is viewed externally. Ensuring strong structures to respond to media inquiries, clarify the facts with journalists, and aggressively correct errors in coverage is paramount in a crisis situation. Ensuring news coverage is fair and accurate at the onset of a crisis will enable the company to move faster to the recovery phase.

6. Legal Strategy in the Modern Crisis

A. Litigation as a Communications Tool

Litigation in the context of a brand crisis serves a dual function as it is both a legal remedy and a potential method of communication. The decision to file a lawsuit, seek an injunction or other interim relief, or issue a subpoena, sends a message to the public, the accuser, and the market about the franchisor's confidence in the strength of its position. Available legal mechanisms include injunctions, which can provide immediate relief by ordering the removal of harmful content or the cessation of harmful conduct; defamation actions, which seek damages for false statements; and platform subpoenas, which can be used to identify anonymous actors who are responsible for harmful content.

However, the optics of litigation can be negative, particularly when legal action against individuals or small entities creates a "bullying" narrative that generates sympathy for the opposing party or otherwise simply looks defensive. A multinational franchise brand that sues an individual consumer or a small-time social media influencer risks being perceived as a Goliath persecuting a David, regardless of the merits of the legal claim. This perception can generate a backlash that is more damaging than the original offending content, as the use of litigation can be seen as an attempt to silence critics. The decision to litigate must therefore be made not only on legal merits but also on commercial and communications merits, with a clear-eyed assessment of how the litigation will be

perceived by the public and covered by the media. For example, from 2011 to 2014, Chick-fil-A experienced significant negative brand optics when it engaged in a legal dispute against an artist who had an “Eat More Kale” slogan on t-shirts that Chick-fil-A claimed was too similar to its “Eat Mor Chikin” (intentional misspelling) campaign. The media portrayed the legal dispute as a “Corporate Bully” scenario where one party, Chick-fil-A, had disproportionately more power and deep pockets compared to the artist, who was a small business owner. Ultimately, the artist won the dispute and was granted the trademark for “Eat More Kale” and benefited from the portrayal of the dispute with free publicity, resulting in growth in the T-shirt brand.

An additional consideration of using litigation as a communications tool is that many jurisdictions have enacted anti-SLAPP legislation – SLAPP referring to strategic lawsuits against public participation. Such legislation is designed to protect individuals from strategic lawsuits aimed at silencing, which can complicate or defeat defamation claims even where the underlying statements are false. Anti-SLAPP statutes typically provide for early dismissal of claims against potentially protected speech, along with an award of attorneys’ fees to the defendant. Such laws pose a procedural and financial disincentive for franchisors to pursue defamation claims, even meritorious ones, against individuals who can characterize their statements as commentary, criticism, or opinion. Franchisors operating in jurisdictions with strong anti-SLAPP protections must factor this risk into their litigation strategy and may need to explore alternative legal theories or remedies.

B. Cross-Border Complications

Cross-border complications are especially relevant for international franchise systems that operate across multiple legal jurisdictions with different legal standards, procedural rules, and enforcement mechanisms.

Defamation standards vary widely across jurisdictions, creating both opportunities and challenges for franchisors seeking legal redress. In some jurisdictions, defamation law is plaintiff-friendly, with lower evidentiary burdens and more generous damages awards. In others, strong free-speech protections (and the aforementioned anti-SLAPP laws) make defamation claims more difficult to pursue, particularly against media outlets and individual commentators. These variations mean that a statement that is actionable in one jurisdiction may be protected speech in another, complicating the franchisor’s ability to pursue a consistent legal strategy across markets.

Platforms may also engage in jurisdictional arbitrage, defaulting to the lowest common regulatory denominator – which can frustrate takedown efforts. A platform headquartered in a jurisdiction with strong free-speech protections may decline to remove content that would be actionable in the market where it is causing reputational harm, forcing the franchisor to pursue costly and time-consuming legal proceedings in the platform’s home jurisdiction. Data privacy conflicts add a further layer of complexity, as evidence gathering and disclosure requirements in one jurisdiction may conflict with privacy regulations in another. The European Union’s General Data Protection Regulation, for example, imposes restrictions on the processing and transfer of personal data that can complicate efforts to identify anonymous actors or to share evidence across borders.

C. Insurance and Risk Transfer

The insurance landscape for brand crises is evolving but remains imperfect. Reputation insurance, cyber insurance policies, and other specialized products are becoming increasingly popular, reflecting the insurance industry's growing recognition that reputational risk is a distinct category of loss that can be insurable. Some of these products can cover the costs of crisis communications, forensic investigation, and legal response, providing franchisors with a financial safety net that can help absorb the costs of a major brand crisis.

However, significant coverage gaps can exist in legacy policies that were not designed to address the risks posed by AI-generated content, coordinated online attacks, or the reputational fallout from viral misinformation. Many existing policies were drafted in a period when brand crises were more contained, slower moving, and were more predictable in how they developed. Such policies may contain exclusions, sublimits, or definitional limitations that render them inadequate for the types of crises that franchisors face in 2026. Franchisors should conduct regular reviews of their insurance portfolios to identify and address these gaps.

7. The Reputation Recovery Phase

A. Rebuilding Trust Systematically

Systematic trust rebuilding requires a multi-pronged approach that addresses the multiple dimensions of trust that a crisis can damage. Third-party endorsements from credible, independent sources can lend legitimacy to the franchisor's account of events and counteract any consumer skepticism. These endorsements may come from regulatory authorities who have conducted independent investigations, industry associations that vouch for the brand's compliance with standards, or media organizations that have independently verified the franchisor's account. In certain circumstances, it can be important that endorsements come from sources that the public perceives as independent and credible and not exclusively from the brand's own communications.

Transparency reporting, in which the franchisor voluntarily discloses the findings of internal investigations and the corrective measures adopted, signals accountability and a willingness to learn from the crisis. Furthermore, in many jurisdictions, transparency reporting is not only a recommended practice but required by law. In recent years, many countries have begun to introduce transparency legislation to align with international standards set by the Financial Action Task Force, an organization that promotes combatting money laundering and terrorist financing around the world.³ Although transparency reporting carries inherent risks as transparency can expose the organization to additional scrutiny and potential legal liability, when executed carefully with appropriate

³<https://www.fmsfranchise.com/corporate-transparency-act-franchising/#:~:text=Understanding%20the%20Corporate%20Transparency%20Act's,success%20in%20a%20competitive%20marketplace.>

legal review and strategic communication, transparency reporting can accelerate the recovery of public trust. It helps demonstrate that the franchisor is willing to hold itself accountable and to take concrete steps to prevent similar incidents.

Another aspect of building trust is making and publicizing operational reforms. Operational reforms can demonstrate that the organization has learned from the crisis and taken concrete steps to prevent recurrence. These reforms may include changes to operational protocols, enhanced training programs, new quality assurance measures, or structural changes to the organization's governance and oversight processes. The reforms should be genuine and substantive as cosmetic changes that are perceived as window dressing can backfire by reinforcing the perception that the brand is making changes for positive optics.

B. Franchisee Rehabilitation

The recovery phase should also consider addressing the needs of impacted franchisees, who may have suffered significant financial and reputational harm as a result of a crisis. These considerations often transcend express legal obligations. Supporting impacted operators by offering operational guidance, and/or marketing support, can help prevent the crisis from causing long-term harm to the franchise system. A franchisor that is perceived as abandoning its franchisees in the face of a crisis will find it difficult to attract new operators, retain existing ones, and maintain the level of trust and cooperation that is essential to the franchise model.

Campaigns focused on supporting specific communities affected by the crisis can help rebuild consumer confidence in affected regions. These campaigns may include community events, special promotions, enhanced customer engagement initiatives, and partnerships with local organizations that demonstrate the brand's commitment to supporting the local area. Such campaigns should be personalized to the needs of the local community and acknowledge the specific impact the crisis had on it because generic, system-wide marketing initiatives are unlikely to resonate with affected communities.

It is also important that franchisors are intentional in the way they manage morale internally after a crisis. Franchisees who feel abandoned by the franchisor during a crisis are unlikely to remain engaged and aligned with the system's long-term brand strategy. Beyond financial support, franchisors should provide clear road maps for recovery to the impacted franchisees, acknowledge the difficulty of the experience, and express gratitude for their patience and cooperation. This investment in the human aspect of the franchise relationship, to help franchisees feel supported and secure, can be overlooked as part of crisis recovery planning – but it is important to protect the long-term health of the system.

8. Governance Implications

A. Board-Level Brand Risk Oversight

Brand risk has evolved into a category of enterprise risk that warrants governance attention. In the modern threat landscape, brand risk should sit alongside cyber risk and regulatory risk as a standing item on the board of directors' agenda. The board of directors

has a fiduciary obligation to oversee the management of risks that could materially affect the value of the enterprise, and in a franchise system – where brand reputation and other intangibles are often the most valuable assets – the risk of brand damage is inherently material.

Boards that categorize brand risk as a matter that falls solely within the marketing or communications function, rather than recognizing it as a governance issue, risk finding themselves underprepared when a crisis materializes. Marketing and communications teams are essential to crisis response, but they may not have the authority, perspective, or mandate to make the enterprise-level decisions that a major crisis demands. These decisions, which can include product recalls, temporary store closures, actions involving executive personnel, or significant financial commitments, require board-level oversight. A board that confronts brand risk as a live issue for the first time during a crisis is operating at a disadvantage.

B. Crisis Simulation and Tabletop Exercises

Regular crisis simulation and tabletop exercises are helpful methods to improve organizational readiness and ensure that the franchisor's crisis management protocols are practical, have been tested, and are well understood by the franchisor team. A tabletop exercise is a discussion-based simulation where key franchisor personnel, and potentially franchisees, meet in a group setting to practice walking through a hypothetical crisis scenario. These exercises can include a wide range of scenarios that test the organization's ability to detect, analyze, and respond to media threats. Tabletop exercises can also be used to simulate responses to rogue franchisee incidents that test the organization's ability to coordinate a unified response across a decentralized system, and coordinated online attacks that test the organization's platform relationships, content moderation capabilities, and narrative management skills.

The value of these exercises lies not only in testing response protocols but also in identifying and remedying gaps in decision-making authority, communication, and coordination before they are exposed to a real crisis. A tabletop exercise that reveals a lack of clarity about who has the authority to approve a public statement, or that exposes a communication breakdown between the legal and communications teams, provides an opportunity to address these issues in a simulated environment. The organizations that are best prepared for crises are those that routinely practice their responses, critically evaluate their performance, and continuously refine their protocols based on the lessons learned.

C. The Rise of the Chief Risk Officer

The cross-functional nature of modern brand risk management may in some organizations necessitate the creation of a new executive role, the Chief Risk Officer. This role would represent the convergence of legal, communications, digital trust, and franchise relations functions, which are typically distributed across multiple departments and reporting lines within a franchise organization. Recent studies suggest that currently,

more than half (52%) of organizations have a chief risk officer, and another 6% plan to hire one within the next year.⁴

Rather than siloing these disciplines, a Chief Risk Officer would integrate them into a unified command structure capable of coordinating the rapid responses that modern crises demand. This integration is essential because the challenges of modern crisis management do not respect organizational boundaries. A deepfake crisis, for example, requires simultaneous action from the legal team, which must assess legal options, preserve evidence, and approve any public response prior to it being published; the communications team, which will craft the public response; the digital trust team, which will conduct forensic analysis and engage with social media platforms; and the franchise relations team, which will coordinate the response across the system. The appointment of a Chief Risk Officer with overarching authority across these functional areas serves to consolidate and streamline the coordination of the diverse range of teams. While the title may vary, the underlying principle is that brand risk management can no longer be distributed across disparate departments without centralized accountability.

9. Key Takeaways for Franchisors

First, speed is not merely a tactical advantage, it is a requirement for a franchise experiencing a crisis. Franchisors that cannot publish a credible initial response within the first few hours of a crisis will find themselves in a reactive position from which it can be difficult to recover.

Second, truth alone is no longer a sufficient defense (if it ever was). A technically accurate rebuttal that fails to resonate emotionally – and quickly – with the public is unlikely to counteract a compelling deepfake. The truth should be communicated in appropriate formats, through reliable and trusted channels, and with a tone that reflects the seriousness of the threat.

Third, social media changes the burden of proof. Franchisors must now be prepared to prove that harmful content is fabricated, rather than relying on any traditional assumption that accusers bear the burden of proof. In the 2026 media landscape, a compelling video, image, or document is presumed authentic until proven otherwise. This inversion of the traditional burden has profound implications for crisis preparedness.

Fourth, the structure of franchise systems renders them crisis-prone in current market conditions. The distributed nature of franchise operations, combined with centralized brand identity, creates inherent vulnerabilities that must be addressed through proactive governance and contractual mechanisms. These vulnerabilities are not defects of the franchise model; they are intrinsic features of a business structure that relies on independent operators to deliver a consistent brand experience.

Fifth, it is essential that franchise brands engage in effective pre-crisis preparation by developing and implementing internal protocols and achieving internal alignment before the crisis occurs. A franchise system that has clear protocols, trained personnel,

⁴ <https://riskconnect.com/reports/chief-risk-officers-are-on-the-rise-says-new-riskconnect-report/>

pre-existing platform relationships, and aligned franchisees will outperform a system that lacks these elements.

Sixth, legal strategy and narrative strategy must be unified. A legal victory that comes at the cost of public trust will result in negative consequences for the brand and risks being a pyrrhic victory. Conversely, a compelling public narrative that exposes the franchisor to legal liability can be self-defeating. An effective crisis response will achieve balance between the legal and communications dimensions, protecting the franchisor's legal position while simultaneously maintaining or restoring public trust.

10. Conclusion

In the past, franchisors managed crises, whereas in 2026, they manage narratives under uncertainty. Managing a crisis implies that a crisis is a linear, discrete event with a beginning, a middle, and an end, and that the franchisor's role is to navigate from one end to the other. Managing narratives under uncertainty acknowledges that in the modern information environment, crises do not have clean boundaries, facts are contested, and the franchisor's control over the story is limited at best. The skills required are not just operational competence and legal acumen, but also narrative and emotional intelligence, and the ability to make consequential decisions with incomplete information under extreme time pressure.

Brands should not set avoiding crises entirely as their objective, because avoidance is unlikely in the current hyperconnected world with thousands of independent operators. Brands will be better positioned for success during a crisis if they proactively build responsive governance frameworks, contractual mechanisms, and organizational capabilities that enable rapid, coordinated responses. Brands should also focus on achieving and maintaining internal alignment, ensuring that franchisors and franchisees share a common understanding of the crisis management protocols and a common commitment to following them. Another key area that will be critical for brands during a crisis is communicating credibly, pairing truth with effective storytelling, and maintaining the trust of consumers, employees, investors, and regulators even under the most adverse circumstances.