

## Chapter 9

# Military Veterans “Sign Up” for Franchising: Another Route to Entrepreneurship

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### **ABSTRACT**

*The franchise business model has proven particularly attractive to veterans. When former soldiers become franchisees, they sign up to follow the game plan of the franchisor, but they must apply their own personal aptitudes, skills, and training to ensure their entrepreneurial venture succeeds. This chapter explores the practitioner and academic literature to identify why franchising is attractive to veterans as well as how the franchise sector encourages those with prior military experience to enlist. The chapter also examines whether veterans are satisfied with their decision to become franchisees and identifies which franchise systems are rated “best” for veterans. Finally, the chapter offers thoughts about global research that is needed to help franchise systems be a gateway for veterans to pursue their dream of business ownership.*

### **INTRODUCTION**

Franchising, a multi-faceted form of entrepreneurship, has two types of entrepreneurs, the franchisor and the franchisee (Hoy & Shane, 1998). The founder of the franchise system (the franchisor) fits the traditional dictionary definition of an entrepreneur, the person who “organizes, manages, and assumes the risk of a business” (Merriam-Webster, n.d.). Franchisors also recruit individuals to purchase into their franchise

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system. Those who buy a franchise enter into a contractual relationship with the franchisor to operate the business and become the system’s franchisees. While franchisees are not the inventors of the concept, they are entrepreneurs as they commit a certain amount of risk-taking and proactiveness to help ensure their business succeeds (DiPietro, Severt, Welsh, & Raven, 2008). After all, it is the franchisee’s capital that is invested in opening their own unit or operation. Hence, the franchise business model creates opportunities on both sides of the relationship and is, in effect, an entrepreneurial partnership (Baucus, Baucus, & Human, 1996; Combs, Ketchen, Shook, & Short, 2011; Rosado-Serrano, Paul, & Dikova, 2018). This may explain why franchisors actively recruit franchisees with entrepreneurial spirit (Dada, Watson, & Kirby, 2012) and encourage franchisees to consider the business a personal venture (Gassenheimer, Baucus, & Baucus, 1996).

In the United States, there are over 745,000 business format franchised establishments (International Franchise Association [IFA], 2018), whereby franchisees pay fees for the right to offer, sell, or distribute goods or services under the brand name of the franchisor (Combs, Ketchen, Shook, & Short, 2011). According to data from the IFA, franchising accounts for \$425.5 billion of the United States (U.S.) Gross Domestic Product (GDP) (IFA, 2018). Franchising is not, however, a sector confined to the U.S. On the international front, franchising has become a popular format for conducting business in numerous industries (Rosado-Serrano, Paul, & Dikova, 2018). Whether it is new franchisees entering established systems, small businesses and entrepreneurs turning to franchising as a growth platform, or the practice of conversion franchising, whereby independent businesses are rebranded to create a franchise system, the franchise business model is an attractive option for entrepreneurs.

Given the growth of franchising, it is not surprising that this type of entrepreneurial endeavor has sparked notice among those with prior military service. While numbers will vary by country, in the U.S., veterans account for 8% of the population (Bureau of Labor Statistics, 2020), and the IFA reports that one in every seven franchises in the U.S. is owned and operated by a veteran (IFA, 2018). Eric Stites, CEO of Franchise Business Review, a research and consulting organization that works in the franchising sector, reports that some 9% of U.S. franchisees have prior military service (personal communication). These veteran-owned franchise businesses employ millions and are integral to the economic vitality of their communities. Hence, as franchising expands globally, transitioning military and former armed service members will be an attractive talent pool for franchisors to enlist.

The appeal of veterans as a viable pool of prospective franchisees surfaced as far back as the early 1990s. In 1991, the IFA launched the VetFran Program to support former military who are interested in pursuing a franchise opportunity. There are now over 600 member companies participating in VetFran, representing every sector

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