Spotlight
by CeFEO

Do family franchisors grow slower—but win bigger over time?

Why do family-owned franchisors invest more in people and training, and what happens when they scale?

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Franchising has long been celebrated as a smart growth strategy for entrepreneurial firms, enabling rapid expansion with lower capital investment. From fast food to fitness, franchising offers a model for scaling without losing local agility. But in the world of family businesses—where emotional bonds, legacy concerns, and long-term thinking shape decisions—how does franchising work differently?

This question is especially relevant given the large share of family firms in the global economy and their increasing presence in franchising. Despite this, research on how family dynamics affect franchising behavior and outcomes has been limited. This study aims to fill that gap, offering fresh insights into how family-owned franchisors differ from their corporate counterparts—not only in how they behave, but also in how they perform.

WHAT WE STUDIED

The research team analyzed a matched-pair sample of 199 U.S.-based family and non-family franchisors over five years (2003–2007), using robust data from **FRANdata**—a leading source of franchise disclosure information. Drawing on **resource-based theory (RBV)**, the authors explored how family firms use their unique resource bundles—including trust, social capital, and reputational capital—to shape franchise operations.

The study tested four key hypotheses:

1. Family franchisors build stronger relationships with franchisees.
2. Family franchisors invest more in franchisee training.
3. Family franchisors initially underperform financially.
4. With age and scale, family franchisors outperform their non-family peers.

KEY INSIGHTS

1. Stronger Relationships, Fewer Breakups

Family franchisors show lower rates of contract cancellations with franchisees—an indicator of stronger, more trusting relationships. These firms benefit from:

- Long-term horizons that encourage stability
- High levels of trust and social capital
- Greater sensitivity to reputation risks (where the family name is on the door)

Interestingly, this relational strength does not necessarily reduce legal disputes, as the number of court actions was not significantly different between family and non-family firms. Emotional dynamics and family involvement may complicate conflict resolution.

2. Deeper Investment in Training

Training is a cornerstone of franchise success, and family franchisors go above and beyond in this area. They provide significantly more training hours, especially **on-the-job learning**, compared to their corporate peers. This reflects:

- A commitment to legacy and brand alignment
- A desire to protect reputation through franchisee competence

- A workplace culture that values loyalty and cohesion

This investment fosters better alignment between franchisor and franchisee, promoting consistent brand experience and long-term franchisee success.

3. The Performance Paradox: Committed but Constrained

Despite stronger relationships and more training, family franchisors initially underperform financially—measured by Return on Assets (ROA). Why?

- **Path dependency**: A tendency to stick with familiar routines, even when change is needed
- **Reluctance to innovate**: Fear of damaging internal harmony or legacy
- **Risk aversion**: Prioritizing preservation over experimentation

These traits, while helpful in maintaining control and consistency, may hinder performance in the fast-moving world of franchise growth—at least early on.

4. Older and Bigger? That's When the Magic Happens

Here's the plot twist: As family franchisors age and scale up, they begin to **outperform** non-family franchisors.

This turnaround is driven by:

- **Learning over time**: Accumulated know-how helps overcome earlier rigidity
- **Enhanced reputation**: Larger, older firms build public trust and stakeholder confidence
- **Greater ability to manage relationships at scale**: Mature family firms balance emotional ties with professional systems

The study shows a **three-way interaction** between firm age, size, and family status. This means family firms need both maturity and scale to unlock their competitive advantage.

TAKEAWAYS FOR FAMILY BUSINESS LEADERS

Leverage the Trust Advantage

Use your natural strengths in building trust to cultivate loyal franchisee relationships. But remember—strong ties need smart systems.

Invest in Training, But Evolve It

Continue supporting franchisees through robust training. Regularly update content to match changing market demands.

Challenge Tradition with Innovation

Avoid the "familiarity trap." Encourage constructive conflict, fresh thinking, and routine evaluation of strategic processes.

Think Long, Plan Big

Your performance might lag at first, but a long-term view supported by growth-oriented strategies will pay off. Scaling isn't just about more units—it's about learning how to manage them effectively.

IMPACT

This study has major implications for both academic research and family business practice. It challenges the assumption that family firms are inherently less entrepreneurial, showing instead that their resource-rich foundations—when paired with scale and experience—can drive superior performance.

For policymakers and ecosystem builders, these findings suggest that **support for family business franchising should be patient and long-term focused**, recognizing that value creation may unfold over decades rather than quarters.

It also lays the groundwork for future research on succession, generational involvement, and how family governance models affect franchise dynamics.

RECOMMENDATIONS

1. **Develop a Franchise Readiness Checklist**: Before expanding, assess if your family firm has the processes, leadership, and mindset to support franchisees.
2. **Separate Emotions from Operations**: Use governance tools to keep relational warmth but reduce emotional bias in decisions.
3. **Build Scalable Systems Early**: Even if you start small, design your franchise infrastructure to support future growth.
4. **Plan for Generational Continuity**: Prepare successors to manage not just the business, but the relational and reputational capital that comes with franchising.
5. **Treat Training as a Strategic Asset**: Make it a channel for transmitting values, maintaining quality, and fostering innovation.

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