The Effect of Franchising on Firm Growth: An Empirical Analysis from China

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Abstract

This study examines the effect of franchising on firm growth in China’s franchise systems. The methodology involves estimating growth model using unbalanced panel data compiled from the China Top 100 Franchises from 2008 to 2011. The results indicate that franchising has marginally significant positive effect on firm growth. A related significant finding is that inner firm conditions such as preceding firm size and average sale of units have negative effect on firm growth.

Keywords: China, firm growth, panel data, effect