

Do Good Soldiers Make Good Franchisees? Examining the Effects of Military Veterans on the Entrepreneurial Franchisee Recruitment—Franchise Growth Relationship

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Abstract

Effective franchisee recruitment remains a critical issue facing franchisors. Drawing on agency and human capital theories, we consider how rhetoric related to Entrepreneurial Orientation (EO)—the processes, practices, and decision-making by firms that lead to entrepreneurial action—in franchisee recruitment material affects franchise growth and whether military veteran franchisee recruitment efforts alter that relationship. Using a repeated-measures sample of 884 franchise-years from the Franchise 500, we demonstrate that higher EO rhetoric is associated with lower franchise growth; however, the targeting of military veterans as potential franchisees by franchisors moderates the EO rhetoric-franchise growth relationship such that franchisors targeting military veterans benefit from leveraging an entrepreneurial franchise brand. Our findings suggest that strategic human capital can help create agency advantages in the franchisor-franchisee relationship.

Key words: franchisee recruitment, entrepreneurial orientation, agency theory, human capital