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MESTRADO EM INOVAÇÃO E EMPREENDEDORISMO TECNOLÓGICO

Franchising and Technological Startups: A new Growth Model

Matteo Olla

Dissertação

Orientador na FEUP: Prof. João José Pinto Ferreira

Co-Orientador: Prof. Sandra Maria Fevereiro Marnoto

Universidade do Porto

Faculdade de Engenharia

FEUP

Faculdade de Engenharia da Universidade do Porto

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Abstract

In the context of helping startup businesses to grow, we proposed and assessed a new model for applying franchising as a growth strategy for tech startups. The model is based on the well-known Business Model Canvas and was assessed through interviews with three different startups operating in technological sectors. During such interviews emerged that a franchising system can be applicable for technology startups. According with the perception of the interviewed companies, they have already considered other systems (licensing and partnerships for instance) that they perceived as very similar to the franchising model, and they never used the term *franchising* in their past. This word was associated to big fast food Brands, and automatically not applied by the interviewed startups on their business models. In other fields, franchising is well known to be a model able to provide new retailer outlets as well as transfer the production or share knowledge. However, results of our research showed that franchising can be applied by tech startups, not in every circumstance and not without any restriction, but simply it is not in their mindset.

In this dissertation, we will conduct an explorative analysis basing the research on solid theoretical background in business growth literature and franchising studies. Proposing a model and its empirical validation.

Acknowledgements

I would like to thank all the persons that made this work possible.

Prof. João José Pinto Ferreira and Prof. Sandra Maria Fevereiro Marnoto for their support and help.
N. for receiving us for an interview and sharing his most valuable experience in both business and business operations.

Tiago Fernandes, from Bitmaker Software, and Julio Martins for receiving us and sharing their most valuable experience of his new startup in the context of this research.

All my friends that supported me in my path, in particular, Sana and Islem to being always present when I needed, and Sebastian for his suggestions and the review of this dissertation.

Last but not least, all my family, in particular my mother that always believed in me.

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1 Introduction

As stated by the SEP Monitor (2015), European Startups do not grow as easily as in other parts of the world, Silicon Valley especially. Big High Tech companies, in particular, are based outside Europe, and even if they are founded in Europe, they grow elsewhere. This dissertation take origin from this problem. It was born as an attempt to study it and provide some kind of solution.

Since this is a Masters dissertation, it is required to be done within a very specific time frame, it was clear even before starting that it would be almost impossible to address the research of a universal panacea for startup business growth. After a deep and extensive literature review, the topic was narrowed.

Speaking in particular, the purpose of this dissertation is to open a new perspective on the business design of startups, by proposing a model that can make startuppers think, from the beginning of their path, about the validation of a business configuration that can potentially grow through franchising.

Speaking in general, startups are defined, according to Blank and Dorf (2012), as temporary organizations in search of a profitable, repeatable and scalable business model. One of the most used tools to design a startup business model is the Business Model Canvas (Osterwalder and Pigneur, 2010). The Canvas is a useful tool, but it does imply mainly validation of hypothesis that lead to a sustainable configuration. Once this configuration is reached, the Canvas does not explained how the business should grow or replicate it. Implicitly it should happen organically, thing that may not occur despite the all previous validations.

The research is based on thorough analysis of two main study areas: franchising and business growth for startups. Two comparative analyses were done in order to detect the gap in the literature.

The purpose of this dissertation is to propose a model that can potentially be useful for startups. In order to achieve it we analyzed the Business Model and its Ontology (Osterwalder, 2004). The proposed model was validated through interviews that leaded us to its refinement and assessment.

Although at first glance, we suspected that the franchising model is more appropriate for "*hamburger sales*", we have found that it is a very interesting model for tech-startups. In particular, we interviewed three different companies, a telecommunications company, a high-tech design company, and, finally, a software-house. Surprisingly, the software house was visibly the most interested on franchising.

Although franchising is commonly perceived as a way to open more retail stores, there are actually several kinds of franchising. Of course the most common and well known is the McDonalds approach, but it is not the only possible one. It will be better discussed later (in paragraph 2.7), but it is possible to franchise the manufacturing of goods as well as sharing innovations among the franchising network, not just setting up new retail outlets. We found that this bias causes rejection of the term *franchising* in the minds of the interviewees. Even when they were thinking about growing their businesses with particular license configurations that keeps sales under their brand name, which makes it very similar to a proper franchising system, they were not using the word ‘franchising’.

Structure of the document

This paper is organized in chapters. The first chapter is an introduction. The second chapter is essentially an extensive literature review. It is divided into three parts, one focused on business growth, one about franchising, and the final one is a comparative analysis and aims to understand if a startup potentially can use a franchising system.

The third chapter is regarding the research framework, based on Hevner et al. (2004), and the research validation method. In order to propose a new model, we had to dig deeper on this model, to study it on its ontological level. It allowed us to develop a model, proposed in the fourth chapter, and subsequently validated in three explorative case studies. The fifth chapter is dedicated to the three interviews, where we have found many expected elements as well as some very surprising ones. Finally, conclusions will be discussed in the last chapter, where we examine the overall results of the research and the new refined model, basing on the findings of the interviews.

2 Business Growth and Franchising

In this chapter, we will discuss the relevant areas for this research, in particular: business growth and franchising. The purpose of this chapter is to provide bases for the subsequent chapters, in particular for the development of the proposed model.

Growing Firms are largely identified as important economic engines, especially due to their job creation capabilities (Gilbert et al., 2006; Davila et al., 2010; Parker et al., 2010; Deligianni et al., 2014; Moreno et al., 2014). In particular, there are several empirical results suggesting that High-Growth Firms (HGFs), a small amount of companies, create a disproportionately large amount of new jobs (Birch 1987; Henrekson et al., 2010; Mason et al., 2013; Lee 2014). While a large amount of companies, obtain minimal growth, or do not grow at all (Delmar et al., 2013; Coad et al., 2014a; Daunfeldt et al., 2015). HGFs have much more attention from policymakers and researches after the European Commission (2010) had stated that the support to high-growth potential businesses is a key strategic point in the European 2020 Program.

Despite the growing attention on this topic, with its economic and political implications, and despite the massive number of empirical researches on HGFs in particular, and business growth in general, we still do not know much about how companies grow. (Delmar et al., 2003; Shepherd et al., 2009; McKelvie et al, 2010). In other words, the literature has a limited knowledge of the mechanisms that determine how firms grow (Gilbert et al., 2006; Davidsson et al., 2010; Delmar et al., 2013), and in particular about how startups grow.

2.1 Definitions

Before continuing in the discussion, it is important to make clear a few points regarding definitions commonly used in the literature and in this dissertation.

Types of Business Growth

First, we need a theoretical framework in order to understand how a firm can grow. The following is the framework proposed by McKelvie and Wiklund (2010), which added a new type of growth (the hybrid growth) to the two Penrose *"classical"* typologies:

Organic: growth can occur organically, through auto-implementation of the internal resources of the company, thus is called *Organic or Internal Growth*.

Acquired: growth can occur through Merges and Acquisitions (M&A), the so called: *Acquired or External Growth* (Delmar et al., 2003; McKelvie and Wiklund, 2010; Coad et al., 2014). Acquired growth is not usually responsible for the creation of new jobs; therefore, not surprisingly very few authors studied that from the business growth point of view (Coad et al., 2014; Koryak et al., 2015). Merges and Acquisitions are mainly studied in other academic fields, for instance accounting and finance as well as organizational behavior which are outside the scope of this work.

Hybrid: this third category is harder to define; it is some kind of growth in between organic and acquired growths. It involves contractual organizational forms. It occurs when, by contractual relationships, the company is able to bind external actors to the firm and at the same time, is able to maintain a certain level of control or ownership on the usage of assets. This type of growth includes licensing contracts, joint ventures, strategic alliances and, of course, franchising.

Much literature has placed a lot of attention on organic growth. However, scholars such as Gilbert et al. (2006) and McKelvie and Wiklund (2010) noticed that many other scholars were assuming organic growth even when the growth was not organic, and studying non-organic growths as if they were organic.

Empirical evidence suggests that different growth modalities can be applied to organizations in different ways according to the organization’s characteristics. It was suggested by scholars that the growth strategy adopted might change according to age (Levie, 1997) and size (McKelvie et al., 2006). HGFs often achieve their fast growth by M&A (Hambrick and Crozier, 1985; Delmar et al., 2003).

2.2 Measuring Growth

How do we assess the growth of a firm? Which dimensions should be taken in to account, and how? Should growth be measured by turnover, by the number of employees, by profit, or by the launch of new products? Which is the best method to assess the growth of a business? In the literature, not only there is not agreement (Moreno and Coad, 2015) but also some work is dedicated to show how the different ways used to define business growth, can achieve substantially different results (Delmar et al., 2003; Coad et al., 2014).

Delmar et al. (2003) defined six different ways of measuring business growth. It is necessary to say also that Delmar et al. (2003) described growth as a multidimensional phenomenon, and stated that measuring just one dimension could be misleading. Growth in employment appears to be one the best criteria, since growth in employment is typically directly proportionate to the organizational complexity of a company (Davila et al., 2010). Due to of it, measuring business growth by measuring the number of employees is interesting not only for researches, but also for entrepreneurs and managers (Davila et al., 2010). Moreover, we should not forget the context of this topic, that growing firms acquired the attention of the European Commission due to their job creation capacities.

Despite all the positive aspects of measuring business growth by the number of employees, as mentioned before, we should not commit the same mistake of many researchers of assuming growth to be solely organic. In the case of franchising, the number of employees (of the franchisor) does not reflect business expansion.

2.3 Business Growth Characteristics

Growth fragility

The fragility of the growth process is a recurrent concept in literature. Much research has highlighted the difficulties in sustaining growth over time (Coad et al., 2014a; Daunfeldt et al., 2015; Moreno and Coad, 2015). Interestingly, according to Daunfeldt et al., (2015), after a period of high-growth employment rate, companies were found to be more likely to suffer from employment losses.

Entrepreneurial Orientation - Ambition

Growth is not seen as a serendipitous (random/natural) phenomenon, it can be achieved on purpose as well as the start up of a new business (Wiklund and Shepherd, 2003). In his seminal work, Davidsson (1989) showed the importance of *Willingness* as prerequisite in the business growth process.

In more recent academic literature, several studies have found positive relations between firms' growth and the entrepreneurial orientation of firms (e.g., Wiklund et al., 2009), or with the personal ambition of the entrepreneur (e.g., Gilbert et al., 2006; Koryak et al., 2015).

Growth Barriers

To hold back the large majority of businesses, preventing their growth, there are what is known as: *growth barriers* (Coad and Tamvada, 2012; Hölzl and Janger, 2013). These barriers can afflict both growing companies and potential growing companies. Therefore, it is possible to divide these barriers into two categories, barriers for current growing businesses, and barriers for potential growing businesses. For the purpose of this study, we are going to focus more on the barriers for potential growing businesses.

Hölzl and Janger (2013), in relation with business growth, divided the innovation barriers into internal (as internal resistance to innovate), and external (as the firm interacts with external organizations, other firms, and authorities involved in the innovation system), highlighting the importance of politics and support from governments.

In this area, the study of Lee (2014) is very relevant. Studying High-Growth Firms (HGFs), he found the following perceived barriers by **potential high-growth firms**: (i) economy, (ii) managerial skills, (iii) finance and (iv) cash flow; and the following as perceived barriers for **HGFs**: (1) employee recruitment, lack of (2) technical and (3) managerial skills, (4) financial and (5) cash flow, and (6) legislation.

These findings fit the theory used in franchising literature in order to explain why small, immature companies use franchising as growth strategy (Elango and Fried, 1997; Combs et al., 2004 and 2011). According to the Resource Scarcity theory, the choice is made in order to access resources (financial and managerial).

2.4 Other Relevant Factors

Literature has proven that **Internationalization** and export activities (to sell in a new geographical market), are often positively related with firm growth (Gilbert et al., 2006; Deligianni et al., 2014; Naldi et al., 2014; Koryak et al., 2015). According to Coad et al. (2012), **Competition** can have negative effects on growth.

The **Marketing Capabilities** studied by several authors (e.g.: Wiklund et al., 2009 and Barbero et al., 2011), are the abilities of the firm to study the customers, and then perform a product (or service) innovation in order to fit the customer needs. In other words, that which is called Marketing Capability is a mixture of market research and quality management. That is the case with Wiklund et al. (2009), where the only questions asked to companies were regarding how much time they spent contacting existing customers, and how much time was spent obtaining new ones. Barbero et al. (2011) defined Marketing Capability of a company as the: "*adaptation to the current and future needs of its clients*" (Barbero et al., 2011, page 675). In addition, it is the case of Parker et al. (2010), where the questions regarding the Marketing Capabilities were three: (i) use of survey to assess the quality, (ii) use of customer complains to evaluate the quality, (iii) if the company has a marketing or sales department.

For Coad and Guenther (2014b) the **Diversification Strategy** has the role of studying the customer, figuring out their needs, and then producing (typically) a product or service innovation to match those needs. The External Environment is seen as a source of information for developing new product (or service) **innovations**, by many other authors in business growth literature (e.g. among many, Coad and Rao, 2008; Audretsch et al., 2014; Subrahmanya, 2015).

Finally, according to Moreno and Coad (2015), the role of **Alliances** in the growth of HGFs, is an overlooked subject. Mohr et al. (2013) have found a negative relationship between HGFs and alliances, especially market oriented and tech partnerships. Venture Capital was also negatively related, but it was found to trigger alliances that were able to foster growth. Parker et al. (2010) also found negative relation between Venture Capital and persistence HGFs. Wynarczyk and Watson (2005) have found positive correlation for supply chain partnerships.

2.5 Franchising as a Growth Strategy

Franchising is a business agreement where the franchisor company collects up-front and ongoing fees, and allows another company (the **franchisee**) to use the **franchisor** name (and/or brand) to offer goods and services with its own process (Caves et al., 1976; Combs et al., 2011). It differs from the technology agreement due to the central role of the trademark, and it differs from the multiple-enterprise since franchisees operate as independently liable firms (Caves et al., 1976).

A Franchising agreement is (or is supposed to be) a mutual beneficial relationship, where the franchisor can enter into new markets investing the franchisee entering fees (so can minimize the investment), and the franchisee receives support that (should) increase immediately the competiveness of its own business, minimizing the risk (Lewandowska, 2014). Franchising *per se* can be understood as an organizational innovation (Lewandowska, 2014), related to the notions of *learning process* and *capability transfer* (Tuunanen et al., 2001).

Often literature refers to franchising as a dual, mixed, or hybrid system (Rondan-Cataluna et al., 2012; Fernandez et al., 2013), based on intangible assets. Through this system, the franchisor can expand its business while franchisees can run their own companies (Lewandowska, 2014). Therefore, franchising is an interesting topic for business growth and entrepreneurial studies (Combs et al., 2011). Franchising has long been recognized as a way to expand a business (Kirby et al., 2003; Lewandowska, 2014), and undoubtedly, it offers several advantages especially for small businesses that wish to grow (Watson, 2008).

Franchising appears able, not only to boost business growth (Thompson, 1994; Kaufmann and Dant, 1996; Shane, 1996), but even to improve survival of a business (Shane, 1996). Among many Combs at al. (2011), consider franchising as a strategy for managing growth and many other authors as a method to perform a rapid growth of the business (Sherman, 1991; Fernández et al., 2013).

2.6 Insights on Motivations to Franchise

To continue this study is necessary to better understand the reasons for a decision to franchise from both sides, franchisor and franchisee.

Several authors agree that many young, immature firms tend to franchise in order to overcome resources constraints to grow, while later in their life cycle, mature companies franchise in order to reduce monitoring costs (e.g.: Martin and Justis, 1993; Combs and Ketchen, 1999).

Growth through franchising allows firms to access resources essential for growth, that otherwise would be hard to obtain, especially for small businesses (Watson, 2008). The literature identified mainly the acquisition of new managerial talent and capital (Kirby et al., 2003; Combs et al., 2004; Castrogiovanni et al., 2004) as the two of the major constrains for growth (Martin and Justis, 1993; Lewandowska, 2014). Also local information about the markets (Minkler and Park, 1994) plays an important role.

A franchising company (the franchisor), can grow using the managerial talent and capital of others, the franchisees (Castrogiovanni et al., 2004), and the franchisees themselves are often more motivated, and less prone to shirking than salaried managers (Caves and Murphy; 1976; Kirby et al., 2003; Watson, 2008). This leads to a reduction of Monitoring Costs (Brickley and Dark, 1987; Minkler, 1990; Kirby et al., 2003; Castrogiovanni et al., 2004) for the franchisor firm. Franchisees also better understand the local cultures and markets and therefore represent an important resource to enter into foreign markets (Welsh et al., 2006). The support given from the franchisor to the franchisees reduces the time to acquire, integrate, and train new managers (Combs et al., 2004), which is necessary for the growth of the business. In other words, franchising is useful in order to overcome both capital and human constraints (Oxenfeldt and Kelly, 1969).

Finally, the literature mentioned one other reason: the speed to set up an effective supply chain in order to exploit the economy of scale (Martin and Justis, 1993; Justis and Judd, 1998; Spinelli et al., 2003; Aliouche and Schlentrich, 2005). A good franchising system provides the exploitation of economy of scale both in marketing and in production, and entrepreneurial discretion at the unit local level (Elango et al., 1997). Apparently Franchising is often a fast way to build up a distribution network, and leverage on mass marketing (Oxenfeldt and Kelly, 1969).

Several authors (e.g. among many: Rubin, 1978; Elango and Fried, 1997; Kirby and Watson, 1999; Combs et al., 2011) extensively identified two main theories to explain the reasons that bring a company to franchise: Agency Theory and Resource Scarcity Theory.

One of the most common and accepted motivations to franchise (Elango and Fried, 1997; Combs and Ketchen, 1999; Combs et al., 2004; Aliouche and Schlentrich, 2005) relies on **Agency Theory** (Combs, et al., 2004) and states that a franchisor should franchise when the **Monitoring Costs** for a new outlet exceed the Monitoring Costs of a franchised outlet (Rubin, 1978; Brickely and Dark, 1987; Kirby and Watson, 1999; Hsu and Jang, 2009).

The other motivation, largely accepted and common (Elango and Fried, 1997; Combs and Ketchen, 1999; Combs et al., 2004; Aliouche and Schlentrich, 2005), relies on **Resource Scarcity Theory** (Combs et al., 2011), which suggests that a company should franchise in order to acquire the **Capital** needed (Martin and Justis, 1993; Castrogiovanni et al., 2004) to also expand in terms of managerial skills (Oxenfeldt and Thompson, 1968; Hunt, 1973; Norton, 1988) and knowledge of the local market (Combs et al., 2004).

Interestingly the two theories do not exclude mutually (Combs and Ketchen, 1999).

Why a Franchisee should franchise?

The motivations for which a franchisee should decide to franchise are several. The most accepted ones are:

- Opportunity to run its own business.
- Backup help from the Franchisor (training, less management involved, lower operating costs).
- Access to a proven business concept
- Operate under a prominent and well-known brand name.
- (in general) risk reduction

(Peterson and Dant, 1990; Baron and Schmidt, 1991; Knight, 1986).

When a Startup should franchise?

In the light of the above analysis, we came out with three points that a startup should consider before franchising:

I. If a Franchising Network is sustainable (feasible)

Franchising can transfer many activities and business procedures, but it does require lots of operations that other grow paths may not require. For example, it is necessary to attract possible franchisees, select them, arrange contracts and deal with them under several points of view: legal, financial, and operational. Often franchisees need to be trained and receive other support, especially from a marketing point of view.

II. If a Franchising Growth Strategy can provide competitive advantages.

Franchising should make sense from a strategic point of view for the business, not only per se but even compared with other possible grow paths, and considering that in order to perform the Franchising successfully, it is necessary to set up a system that involves costs (point I).

Therefore, not only the franchising system costs, but also an enormity of factors should be taken into account by a startup to figure out if the franchising path can provide competitive advantages. Factors such as: opportunity cost, timing (/speed), resources and difficulty to obtain them, customer behavior and preferences, competition, market penetration, leverage on mass distribution and mass marketing, and so on. All of these should be compared with other possible paths of growth.

In other words, startup managers should evaluate all pros and cons of franchising, and how well it fits the business model of the startup comparing it with all other possible paths.

III. If the startup has a business attractiveness from the franchisee point of view

In the end, of course, if franchising is not attractive from the franchisee point of view, it is not possible to franchise. Stipulation of a franchising agreement with the franchisor should give some value to the franchisee. It does imply another kind of Value Proposition, that the franchisor should take into account.

Franchising Costs and Risks

History has shown many cases where, despite the growth and the new franchised units, the franchisor was unable to sustain (or even obtain) profitability (Elango et al., 1997). However, a Franchising system often comes at the substantial costs (Kirby et al., 2003) to select, support and coordinate with the franchisor. Surely, Franchising may mitigate many growth issues, but it creates other difficulties (Watson, 2008).

Franchising strategy is not a panacea for growth; it does not fit every kind of organization in any kind of situation (Lafontaine and Shaw, 1998).

2.7 Franchising Types

There are several different kinds of franchising. For the purpose of this research, we will illustrate only the main ones: pure franchise, product franchise and freedom franchising (or no-format franchising).

Pure Franchising

Examples: McDonalds, Burger King, and Pizza Hut.

Description: the franchisor provides a full business format, including products (or services), license for trade name, operation methods and quality control procedures, communication services, and other necessary business services. It is the most common Franchising type. Franchisor-Franchisee Relationship: fully integrated business operation and fully support.

Franchisor Revenue: royalties. In some case, supply sales.

Most common industries: fast-food restaurants, educational institutions, business services.

(Scarborough and Zimmer, 1994)

Product (Production) Franchising

Examples: Coca-Cola, Texaco, Chrysler

Description: This agreement licenses the franchisee the right to sell (distribute only) or manufacture and sell specific products under the franchisor brand name and trademark often through a limited (and selected) distribution network.

Franchisor-Franchisee Relationship: franchisee can manufacture and distribute or distribute only.

Franchisor Revenue: supply sales and royalties.

Most common industries: soft drinks (manufacturing), gasoline (distribution).

(Scarborough and Zimmer, 1994)

Freedom Franchising

Examples: Great Harvest bread co.

Description: all franchisees share the brand name, the franchisor company gives few constraints (guidelines mainly) to the franchisees. The peculiarity of this franchising type is that each franchisee can develop and sell his own products, innovating autonomously. These innovations and knowhow are shared freely among all the franchising network partners that can benefit one another.

Franchisor-Franchisee Relationship: almost parity among all franchising network members.

Franchisor Revenue: entry fees, royalties on brand name use. Benefits from R&D effort and innovations developed by the whole network.

Most common industries: food.

(Streed and Cliquet, 2010; Marnoto 2013)

2.8 Can tech startups successfully apply franchising as a growth strategy?

A question arises quite easily at this point: can technology startups successfully apply franchising strategies in order to achieve growth?

On one hand, we have a Startup business that by definition is a "*temporary organization*" that seeks a "*repeatable and scalable business model*" (definition used by Blank and Dorf, 2012). On the other hand, we find a strategy that appears to have its strength in repeatability and scale (Shane, 1996; Combs et al., 2011 a and b) used even by small firms (Watson, 2008) that can provide new financial (and managerial) resources. In addition, there is much empirical evidence that this strategy can facilitate growth (Shane, 1996).

Comparative Literature Review

In the attempt to reply to the above question, we have first analyzed the literature concerning business growth, in particular connected to startup (or small and young) businesses.

***Appendix A* -** Franchising in (Startup) Growth Literature.

Then we have analyzed published articles regarding franchising for startups (or young and small firms), searching in particular in technological sectors.

***Appendix B* -** Tech Startups in Franchising Literature.

Discussion of tables

As we can see from *Appendix A*, where the literature regarding (startup) business growth is analyzed, franchising is rarely mentioned as a possible growth strategy, and is largely ignored and never deeply discussed. There is, however, one exception. One paper focuses its studies on it: Watson (2008). Where the author remarks that franchising for small businesses is still relatively under-researched. Business growth literature in general, only rarely mentions franchising as a possible strategy positively correlated with growth (e.g.: Phelps et al., 2007; McKelvie and Wiklund, 2010; Bradley et al., 2011). From here we can see that there is a gap in this area of the literature that is almost ignoring the franchising.

From the *Appendix B*, we can see that the franchising literature studies focused on technological sectors are present, but they do not address how (or if) startups can use franchising. Generally speaking, the studies are much more focused on food, hotel and (fashion/clothes) retailing sectors, overlooking largely the technological sector. As we can see from the *Appendix B*, the studies on new businesses are usually regarding new outlets or entry of new franchisees, not about how (or if) a new business can use franchising.

From this analysis, it emerges that there is no research so far focusing on the issue of embedding franchising growth models in technology startup Business Models. Despite the similarity of goals between growing startups and franchising (i.e. expanding the business), the comparative literature review of these two fields shows that they mainly do not reference each other, and do not interact very often.

Franchising is recognized as an important business strategy, actually, it is largely simply quoted among the available strategies, but it is almost never discussed in relationship with startups. The most obvious question that comes to mind now is whether this happens because the tech startups cannot actually use this as a growth strategy. The use of franchising from a tech company in startup phase is probably not so frequent but it is surely possible. Welsh et al. (2011) comparing new ventures in the startup phase in several industries sectors in the US, found only 2.6% of franchisees in the high-tech sector. Yan and Wang (2012) were studying the relationship (information sharing) between franchisor and franchisees in the high-tech sector exclusively. Franchising is mentioned among the business growth strategies for startup, young and small businesses (e.g.: Greening et al., 1996; Gabrielsson and Kirpalani, 2004; Watson, 2008; Blank and Dorf, 2012; Toole et al., 2015).

The comparative literature review shows a gap in the literature and an opportunity of implementation (or insight) on the Business Model Canvas, conceptual tool used especially in the Lean Startup Approach (e.g.: Blank and Dorf, 2012).

In this chapter we have analyzed two main areas of this research, business growth and franchising, providing the theoretical background for the next chapters.

3 Research Method

In this chapter, we will expose the used research framework and methodology.

The previous literature review revealed that there is no research about applying the concept of franchising for startups. Based on this result, we define our research question as follows:

> **Research Question**: *How can we integrate the concept of franchising into the business model of technology entrepreneurs, while developing their business models?*

To proceed in this research, we have followed the Design Science Approach: addressing the *"research through the building and evaluation of artifacts designed to meet the identified business need"* (Hevner et al., 2004; p. 79-80). Adapting the Hevner model, we built the framework below:

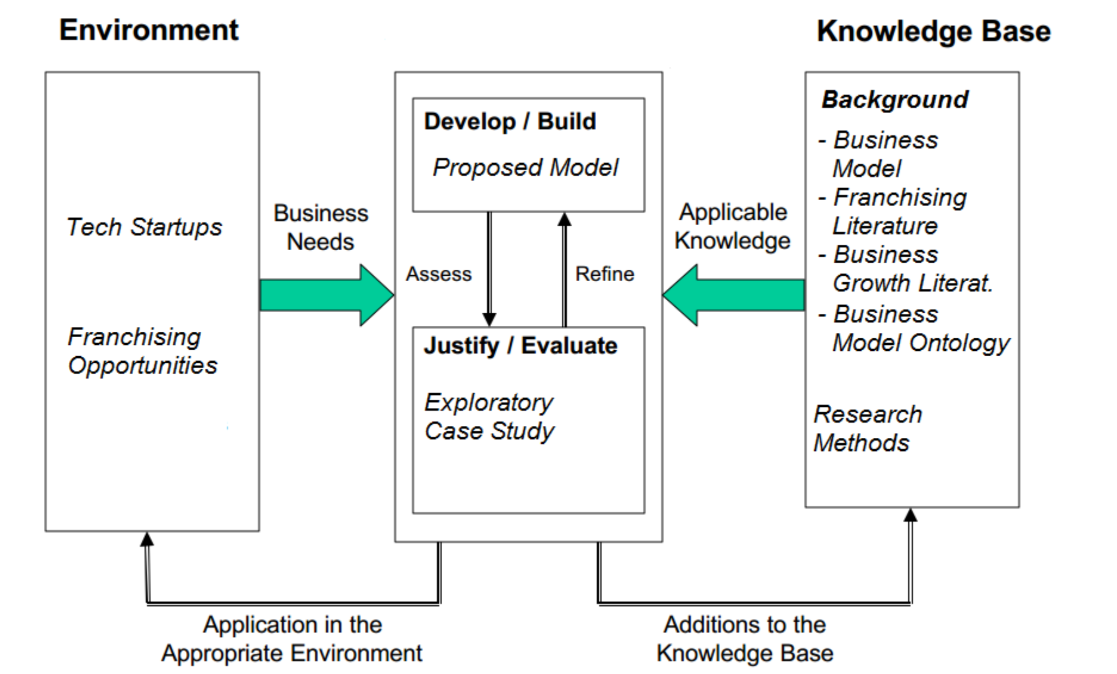

Fig. 1 – *Research Framework*

Adaptation of Hevner et al. (2004; p. 80)

This framework was created considering the gaps found in the literature, as discussed in Chapter 2. The framework allows the proposal of an artifact built on the business needs, and on the literature, that may be then validated through different methods. In our case, the proposed artifact will be validated through exploratory case studies of three different technology startups. The use of this framework also allows improvements on the artifact. The research will be conducted in unstructured interviews with entrepreneurs with the purpose of better understanding the business perspective in order to validate and redefine the artifact.

Special care will be taken in these interviews to explain the underlying rationale of the franchising model, and how different franchising models can be used an unstructured interview approach was conducted in order to allow free navigation through the interviewees' mindset and then expanded to encompass the franchising model for the startup.

3.1 Data collection through interviews

Case studies based on interviews are recognized as important research tools in the literature and often applied to franchising research studies. (Clarkin, 2008). Tellis (1997) describe case studies as the perfect methodology when a holistic investigation is required. In an analogous situation, regarding growth through franchising for small businesses, Watson (2008) chose a case study approach.

As specified by Adams et al. (2007), the questions asked during the interviews are not the research question itself, but are questions developed specifically to respond to the research question.

We, therefore, decided to adopt unstructured interviews for our explorative case studies.

In this chapter we have exposed the methodology used to validate the proposed artifact. The topic of the next chapter is the study of the Business Model Canvas and propose a model developed under the discussed research framework.

4 Business Model Canvas and Proposal

In this chapter, we will analyze the Business Model Canvas down to its ontology, with the aim of building a suitable concept and propose a model for a franchising startup company.

In order to reply properly to our research question, providing a helpful tool for startup entrepreneurs, we decided support our proposal on the Business Model Canvas, a widely used tool. It was first introduced in the PhD Thesis by Alexander Osterwalder, Osterwalder (2004) later published as a book "Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers", Osterwalder and Pigneur (2010). This research builds on the Business Model Canvas and, specifically, on its foundations, the business model ontology.

The franchisees are Key Partners since they actively contribute to both growth or expansion of the business, and to the franchisor income, which are based on fees that franchisees have to pay. The franchising activity, or better the set of activities of attracting and selecting franchisees, arranging agreements, and supporting, training and monitoring franchisees can be seen as Key Activities. These activities then impact on the Cost Structure of the franchisor.

The set of franchisees can enter in the Key Resources. The franchisor company can potentially use some of the franchisee Key Resources, depending on the agreement terms, as if they were their own. In other words, although the franchisor does not own them, it can actually control them. The franchising network can be a Channel (potentially even the only channel) for distribution and customer liaison, and can be performed sometimes by the franchisees. Therefore, it can potentially be outsourced, and even not performed at all by the franchisor.

Franchising also plays an important role in the Revenue Stream. A franchisor company can potentially have revenues only from fees paid by franchisees. The upfront fees paid by the franchisee in order to enter in the Franchising Network can appear as either Revenue Stream, or as Key Resources, depending on the case. A Key Resource can be financial and in this particular case, the lump sum paid upfront can be invested by the franchisor in maintenance (e.g. marketing activities), or development (like the introduction of new product or service) of the business.

The Value Proposition can potentially change slightly according to the franchisees, since they potentially can target different market segments, e.g. in case of geographical differentiation. Regarding the Customer Segments, different franchisees can serve different segments. In particular, in case of segmentation on geographical bases, each franchisee serves mainly its own customer segment being almost unable to serve the other segments.

The Business Model Canvas is a very important tool for the entrepreneurs to developing their businesses. But since it is not developed in such a way as to take into account specifically the franchising strategy, it can be misleading insofar as it overlooks many arguably important issues and the dynamic peculiarity of franchising. Therefore, we decided to focus our studies on its ontology discussed in the next paragraph.

4.1 Ontology of the Business Model

In order to proceed with this research, we needed to deepen research on the business model from what is called the ontological point of view. Franchising is a partnership agreement, since it is a voluntary agreement between two parties with the purpose of creating value for the customer.

A Partnership Agreement can be schematized as:

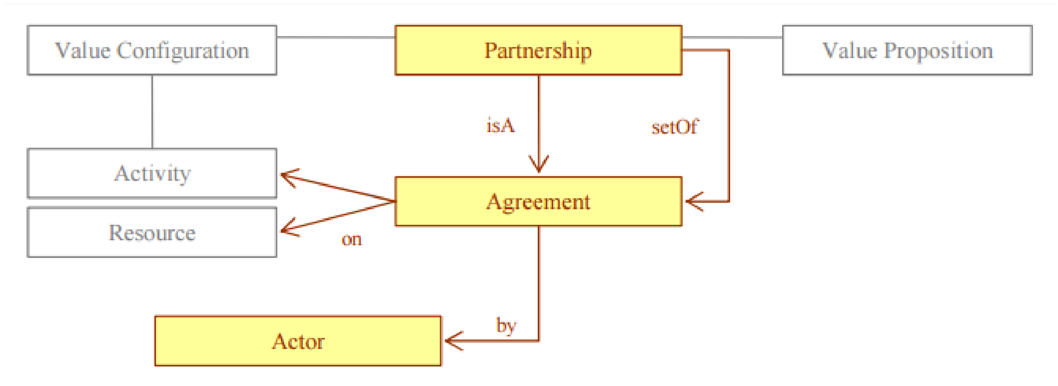

Fig. 2 - *from OSTERWALDER (2004) page 90*

In the particular case of franchising agreements, one of the parties, (the franchisee) agrees to pay upfront and ongoing fees to the franchisor. In order to receive support from the franchisor and perform activities under the franchisor name. That can be clearly seen as an agreement on resources and activities. The purpose of franchising is to offer value proposition to costumers through value configuration defined as:

"The VALUE CONFIGURATION of a firm describes the arrangement of one or several ACTIVITY(ies) in order to provide a VALUE PROPOSITION."

OSTERWALDER (2004), page 83.

Schematized as:

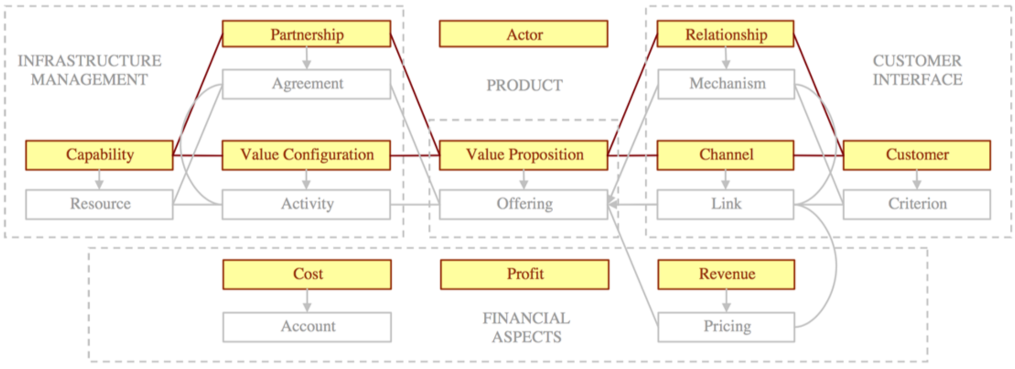

Fig. 3 – *from OSTERWALDER (2004) page 44*

4.2 Proposed Model

The purpose of this dissertation is to develop and propose a model that integrates the franchising model in startup business development. After the considerations made so far, we came out with the framework illustrated in figure bellow:

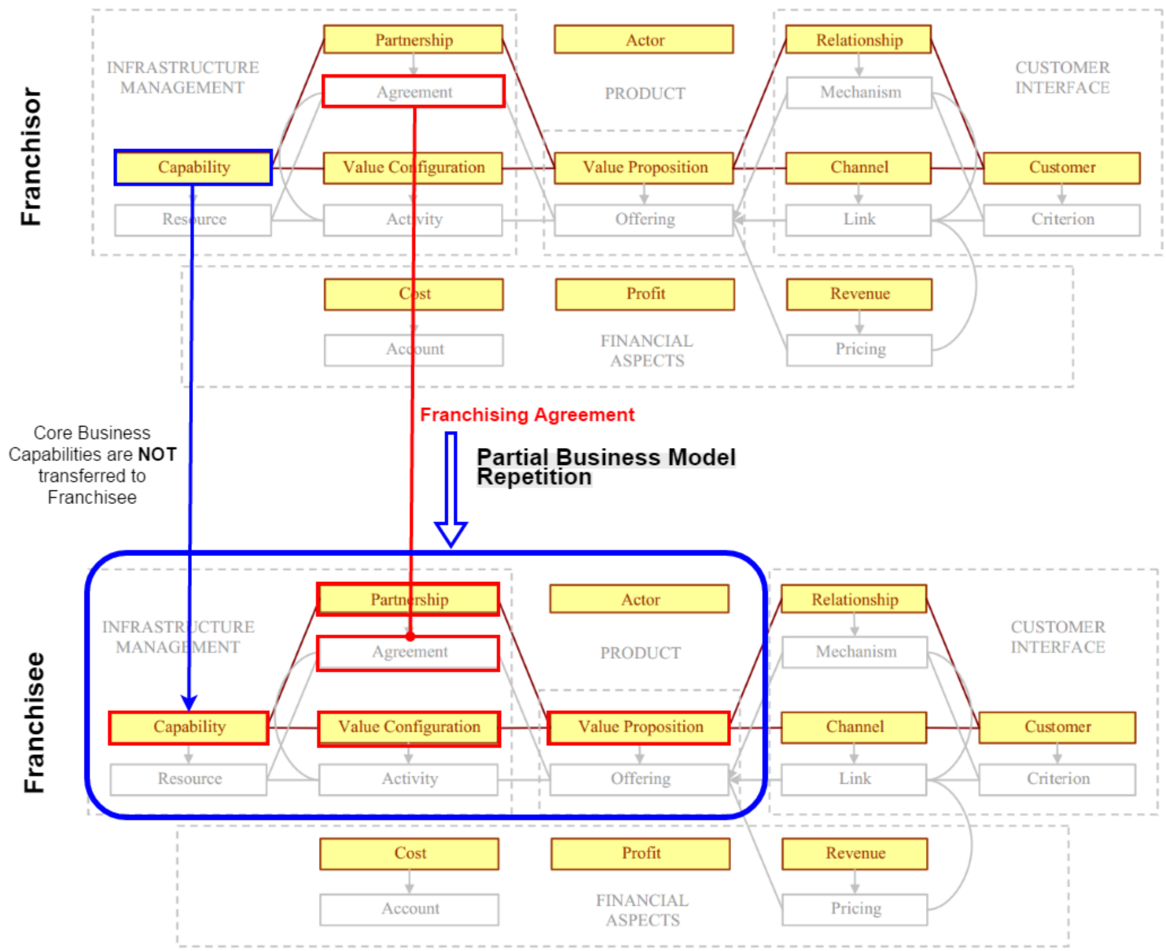

Fig. 4 – *Proposed Model*

The underlying concept is simple. Some parts of the business model can be *"transferred"*, thanks to the franchising agreement, from the franchisor to the franchisee. It allows the franchisor to partially replicate its business model in the franchisee company, and the franchisee to benefit from the already proven business concept and support of the franchisor. The franchising agreement regulates the replication of the business model. Two things in particular should be specified. Firstly, that in this process, the franchisor does not transfer (or disclose) its core business capabilities. Secondly that a franchising system can be used once the business model has reached a stable configuration. This is why, for startups, thinking about franchising is about preparing for the future by ensuring the means to manage and deploy the adequate capabilities to the Franchisor.

Typically in franchising, the franchisor provides brand (/name), promotion and advertising, operational support, access to specific product lines, and other supports, (Knight, 1986; Peterson and Dant, 1990; Baron and Schmidt, 1991). Being part of the franchising network can allow the franchisee to reach specific customer segments, with a penetration otherwise not possible, and/or with less risk (Knight, 1986; Peterson and Dant, 1990; Baron and Schmidt, 1991). That is possible due to the franchisor brand name and business concept, things that require time and effort to be achieved. Therefore, there is a value for the franchisee, and this value can be proposed through a proper Value Proposition. The value of access to a proven business concept without losing time in the attempt to figure that out and, therefore, reduce the risk of failure. The value of the brand name, that most probably in the case of a startup, it is not well recognized, but since the startup is growing, the brand name would be promising. The value of the marketing, operational software and other support that is available, with relatively no effort, joining the franchising network. In other words, things that a franchisee is willing to pay because they are perceived as advantageous.

Once a startup reaches a stable business model, franchising can be applied in order to partially replicate the business model. The Startup can use the financial capital provided by the franchisee as entering fees, for the expansion or invest in the development of the business model. In some cases, the startup can even use the Franchisee Entrepreneurial Orientation in order to adapt the value configuration to better fit the local markets. Proceeding in this way, the startup can build up a network of franchisees replicating each time the same parts of its business model.

In this chaper we analyzed the business model canvas down to its ontological level, defining a model that will be tested during the interviews discussed in the next chapter.

5 Interviews and Discussion

In this chapter we will discuss the results of the conducted interviews done in order to testing and implementing the proposed model.

The names of all companies are kept confidential. During the interviews we intentionaly avoided financial topics.

We selected three companies in total. We try to focus more on the IT industry, therefore two of them, the first and the third companies, are operating in the IT sector. We also wanted to have the point of view form a company outside this sector, therefore we interviewed also a company operating with innovative materials.

I. First company

The first interviewed company was a Portuguese company operating in the high-tech telecommunication sector, with more than 300 employees. With an already proven business concept and an internationally expanding business, already set up in several countries. The company has three main offers: engineering consulting services, software solutions and energy measurements for mobile network operators. The interview was conducted with a Sales Manager.

What emerged from the first interview was that, according to the perception of the company, they were actually doing something similar to franchising. They didn’t actually see a clear difference between franchising and licensing or between franchising and just opening a new company in a new country.

A franchising system was perceived as interesting mainly for risk countries. Countries with political risk due to internal or external violent conflicts or with high financial risk for countries in economic crisis based in Africa or South America, due to of the transfer of the (possible) sinking costs entirely up to the franchisee.

Franchising is also perceived as a (possible) practical way to overcome language and cultural barriers. Cultural barriers already found as really problematic issues, even Brazil despite having the same spoken language with Portugal. However, the company was much more inclined to use local sales agents to achieve the same result.

The classical advantages of franchising: Brand and leverage on the mass marketing, were not, in this particular case, felt as being useful. The market is a B2B niche that does not require mass marketing and the company does not have a strong brand especially in nations far overseas.

During the interview, although any question connected with the finance topic was intentionally avoided, it was quite clear that the company did perceived the typical upfront fee of the franchisee as useful for the expansion. It was useful just for transfer the failure risk and costs to the franchisee.

On the other hand, a possible franchisee for this company does match many of the common characteristics for a franchisee in other fields. The franchisee should have a particular academic degree with a particular specialization, common characteristics among other service industries.

II. Second company

In the second case, we spoke directly with the CEO of a very young startup. The company was a design and engineering company that works with composite materials. We looked only at an outset of the company business. The business was not already setup and the sales were close to zero. The market in this case was a B2C niche. Despite the size of the market, the company is operating with top material engineering knowledge, which will make much more sense later, when we speak about the concept of 'knowledge protection', a big concern for this company.

From the beginning of the interview, it was clear that the company had already taken franchising into consideration. Despite the fact that they were thinking already about a franchising system, they were not using this term, but thinking at it as a kind of licensing model (similar to the franchising model), with sales under the company brand name and with other similarities with the franchising model.

In particular, they found interesting a system where they, as a company, take care of the design, product development, and standards, while the manufacturing is transferred (partially or totally) to the franchisees. Furthermore, sales were made under the company name and orders taken through the company website (almost similarly to the *Production Franchising* explored in paragraph 2.7). As an alternative, the franchisee-manufacturer can sell to distributors or local retail outlets. Such a system can be useful to avoid custom fees on finished goods that apparently are quite costly for the kind of goods this company sells. Franchisees can build every piece in loco or assemble the semi-finished parts sent by the franchisor, using standardized procedures given by the franchisor for both production and quality control. The franchisor can make revenue by selling semi-finished parts and royalties for the use of design and brand name on goods sold.

Interestingly, they found the franchising model useful again for Brazil and places with cultural issues, mainly to avoid the costs in case of failure. In addition, the company was completely aware of the fact that a small and young brand such as theirs, can be interesting anyway from the franchisee point of view, due to the growth possibilities of the brand. A retailing franchising network is not applicable in this case due to the small size of the market.

What most prevents the company from franchising are trust issues with the possible franchisees. Giving full access of company knowledge to a franchisee, especially if in a far country, can make the technology easy to be stolen as well as the knowhow. It actually did look like quite a substantial concern for this company.

Even if the design and some parts can be protected under copyright or patents, and the franchisee can be bonded with very tight contracts, the company is completely aware that a real, de facto, protection may imply lots of resources invested in legal efforts or a very strong brand, that the company does not currently have.

Another perceived problem was regarding the selection of franchisees, which, according with the interviewee, should be based more on feelings. The ideal franchisee for this company has a quite straight profile: manufacturing companies that already have the machinery to work with composite materials. Paraphrasing, [for this manufacturing companies] "*they can find interesting to put few workers in the production or on the assembly line for our goods, because they want to have more products as possible to fill the production line that they already have in place*".

The company was even thinking of transfer, under license, the manufacture here in Portugal to an already discovered potential partner, more focused on production, since the company is more focused on design.

III. Third company

The third and final interviewed company was a Portuguese software house. A young company, aged about three and a half years, which produces software mainly for businesses. The interview was conducted with two of the founders.

Despite the fact that they produce digital goods, they were clearly interested about the franchising model as a growth path for the company, both at the beginning and at the end of the interview. They had already thought about a similar system, based on, again, licensing. In order to give an idea of the level of interest in the franchising system, the company asked:

"*What would be for us a reasonable franchisee entering fee?*". Another question they asked was about whether franchising regulations were similar between Europe and USA.

In this case, the company targets a particular customer segment: big companies, banks for instance, which require big projects. The Software Factory Approach is only useful for big projects, as it cuts overall development times; it is not remunerative for small projects. This customer segment is usually hard to reach for a small firm for several reasons (e.g. even big companies, which can invest more resources than small ones, target this customer segment).

Based on a platform, the company created several modules that in the end was built into the final software. Those modules are sometimes adapted from those created for previous projects or made ad hoc for the current project. They can be saved in a database and reused in the future.

A network of franchisees can help in both acquiring new customers, (due to geographical expansion), and in the creation of new modules. From the franchisee prospective, being part of the franchising network will increase the likelihood to work on a big project, and will give the possibility of benefit of the modules database. This could be part of the Value Proposition for franchisees.

Another perceived advantage is the potential to share innovations within the franchising network (in a system similar to the *Freedom Franchising* discussed in paragraph 2.7). Almost every time a new project is taken, the company has to create some new modules for the new software. These modules can be created by franchisees as well as by franchisor and can be shared among the franchising network in order to facilitate the future jobs of any partner. They can share this innovation for free among the franchisee, or consider a different system. These innovations can be created by the franchisor and sold to the franchisee.

Finally, they state that presenting the company as having a franchising model can grab the attention of the market, and therefore potential partners and investors.

The company did not perceive the small size of their brand as a problem to attract possible franchisees, they seemed very confident in their product and quality of service. Quoting: "*it is surely better to have a big brand but it can work with a small one"*.

They clearly understood the need to have a strong legal department, for contracting and if something goes wrong. Despite that, they did not seem particularly worried about the idea of a franchisee having access to, or stealing, their knowledge and technology. Quoting: "*Here there is nothing new under the sun*". They admitted that this issue can be overcome by giving access to the franchisees to the compiled code and not to the source code.

Overall they seemed very enthusiastic and stated that a franchising model for them does make sense and "*opens a totally new perspective*".

5.1 Overall Interviews Discussion

In the overall, during interviews emerged that legal efforts looked essential in order to put in place any franchising system. The 'brand' was perceived as an important issue, though it was not perceived to be essential to have a strong brand in order to set up a franchising system, in accordance with the literature (e.g.: Carney and Gedajlovic 1991; Martin and Justis 1993).

A franchising system is not convenient in every case. Despite that, the main reason that prevented the startups from using it, was the simple fact that they didn't think about it, classifying it automatically as a *"business model for hamburgers"*. Nevertheless, all three companies thought about particular partnerships and licensing systems that were very close to the actual franchising definition, but they never use this term.

A common concern among all three startups, although with different levels, was regarding the Intellectual Property protection. Since in tech startups the technology is supposed to be a core part of the business, the access to this technology (or knowledge), should not be allowed, or it should be allowed under (legal and technical) restrictions, in order to protect this technology from theft. This is valid for any capability that constitutes a core part of the business and it is valid in all circumstances in particular for the creation of a franchising network (De Castro et al., 2008). A franchisee should not have free access to the core capabilities, should have just enough knowledge of (/access to) those capabilities needed in order to work effectively in synergy with the franchisor and the other franchisees. The protection of the IP can be done on several levels, the legal one emerged in all interviews, and the technical level was relevant as well. In the case of the software house, the franchisee can receive only compiled codes. In the case of the advanced material company, the company can sell semi-finished goods to the franchisee in order to protect its particular technology. In addition, as actually common sense can suggest, during interviews emerged that a strong brand (/name) was perceived as helpful to protect *de facto* the IP.

In this chapter, we have discussed the interview performed with the three companies in order to validate and implement the proposed model. The conclusions about what is done so far, are discussed in the next chapter.

6 Conclusions

After the first introductive chapter of this dissertation, we have analyzed the literature, focusing on two areas of studies: business growth and franchising. We have concluded the literature review with a comparative analysis that aimed to understand if a startup potentially can use a franchising system. Then we proposed our research framework, based on Hevner et al. (2004), and the research validation method. With this framework, and after an ontological analysis of the Business Model Canvass, we were able to propose a model that needed to be validated. We validated it through interviews with three companies. We selected three startups, two operating in the IT industry and one operating with innovative materials. In addition, two of them were already established and one not mature yet, in order to gather a broad point of view. In this chapter, we will discuss the validation and refinishing of the proposed model based on the elements gathered in the interviews.

In conclusion, in our explorative research, from the interviews we have found these recurrent topics:

- The protection of IP and core-capabilities
- Cultural Issues
- (weak) Brand

These topics can help us to better answer to our research question. The main concern for the startups was the disclosure of their technology and know-how, which constitute the core of their businesses, with the franchisee. Therefore the protection of the core-capabilities was included in our model. From the interviews also emerged that franchising was perceived as a way to overcome cultural issues. Another recurrent topic was the weak Brand that startups have. In order to set up a franchising system, it is not necessary that a startup has a strong Brand but its Brand should be perceived as promising by the franchisees.

As stated before, financial issues were intentionally not discussed during all interviews.

Finally, in order to provide a much more useful tool for the startups, and reply to our research question, we have adapted the Business Model Canvas by integrating our final findings, developing the framework illustrate bellow:

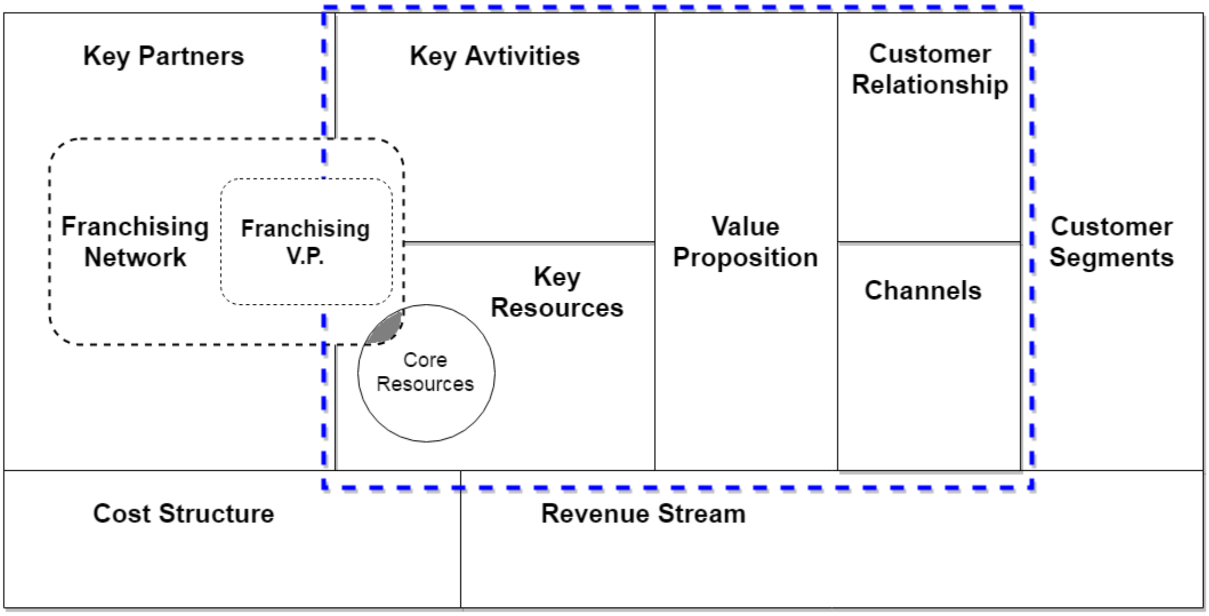

Fig. 5 – *Franchising and Business Model Canvas*

Some parts of the business model can be replicated (marked in blue in the above picture), from the franchisor to the franchisee, with the exceptions of the Core Resources, which can be accessed by the franchisee only in a limited form for the reasons discussed before. In the above picture the interception between Franchising Network and Core Resources, is in grey to highlight the fact that the Franchising Network should access to those resources with limitation.

We added two new boxes into the Canvas. The Franchising Network as a subset in the Key Partners and the Value Proposition for the Franchisees, since being part of the franchising network allows the franchisee to use parts of the Franchisor Business Model (in blue in the picture) that can generate value for the franchisee's business.

In conclusion, the franchising can be applied for the technological startups. It is not always the best choice for the growth of a startup, but it is rejected a priori, classifying it as something not appropriate for a technological startup. The main problem seemed to be the fact that this word and this concept it is not present inside the minds of startuppers. With this dissertation, we tried to open a new prospective on the franchising topic. We hope that in the future, tech startups can repeat and scale their business ideas with the franchising, a model that already has been proven as working and efficient in many other industries.

Final thoughts and limitations of the study

Since this work is a Masters dissertation, we had to work within a limited period. We also had limitations on the companies available for interview.

This study was an exploratory research, and our interviews were conducted only in order to develop a model and to get a quite fast validation. It would be interesting for the future, to conduct studies based on cases of startups that decide to grow with a franchising system, and see how in facts the Franchising Model was used and how core and non-core capabilities were managed. Also, it would be interesting to conduct a quantitative research about the perception of franchising and its usage among startups.

Future studies can apply the *Organizational Theory* (Pfeffer, 1997) to study in deep the trust between Franchisor and Franchisee; and *Transaction cost economics Theory* (Williamson, 1979) can be applied to study in deep the Franchising agreement.

In general, the research should focus more on studies about possible methods of repeatability and scalability for technological startups.

Suggestion for startuppers

It is clear that a franchise requires having an already stable configuration of the business, and mandatory legal efforts. Despite that, a franchising system can provide a peculiar unique figure, present only in this system, the franchisee. This figure is a combination of partner, investor, and manager, and it can provide unique features. The franchising potentially allows a company to replicate and expand some part of its business (retailing shops, manufacturing, R&D, etc.) acquiring the financial capital from the same partner that will manage the new outlet by its own but under the franchisor company name, and at the same time the franchisor company can have large control to its franchisees. It is a way of maintaining the entrepreneurial spirit, typical of the small businesses, and achieving the expansion of a large corporation.

A franchising system is not, of course, applicable (or convenient) in every case, but if a software house is able to replicate part of its business model with a franchising model, that should help startuppers in thinking about their business from a different point of view.

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Appendix A: Franchising in (Startup) Growth Literature.

Author(s)	Year	about	target	Nation	Method	Franchising Topic
Greening, D. W., Barringer, B. R., and Macy, G.	1996	managerial challenges in geographical expansion	small business	US ?	qualitative	Mentioned as a way to expand geographically. Not discussed.
Koberg, C. S., Sarason, Y., and Rosse, J.	1996	(management) growth stages and typologies	high-tech company	US	quantitative	Totally Absent
Baum, M., Schwens, C., and Kabst, R.	2011	INVs (International New Ventures)	INV - Tech Startup	Germany ?	quantitative	Totally Absent
Gabrielsson, M., and Kirpalani, V. M.	2004	how to reach new markets	start-ups	Israel Finland	Examples (one from Israel and one from Finland)	Mentioned among the generally requirement for a global network
Zhao, X. Y., Frese, M., and Giardini, A.	2010	networking	small businesses	China	quantitative	Totally Absent
Pfeiffer, F., and Reize, F.	2000	start up and unemployment	start-ups	Germany ?	quantitative	Totally Absent
Sardy, M., and Alon, I.	2007	nature of nascent entrepreneurs compared to franchisee entrepreneurs	--	US	quantitative (survey)	implicitly important
Honjo, Y.	2004	characteristic growth of (manufacturing) startups	start-ups	Japan	quantitative	Totally Absent
Feindt, S., Jeffcoate, J., and Chappell, C.	2002	factors of growth	e commerce SEM	Germany	qualitative, interviews	Totally Absent
Lee, C., Lee, K., and Pennings, J. M.	2001	internal capabilities, external network, performance	tech base venture	Korean	quantitative	Totally Absent
Littunen, H., and Niittykangas, H.	2010	rapid growth (stages)	start-ups	Finland	quantitative (Logistic regression analysis)	Totally Absent
Gartner, W., Starr, J., and Bhat, S.	1999	success (survival and growth) predictors	start-ups	US ?	quantitative (survey)	Totally Absent

Author(s)	Year	about	target	Nation	Method	Franchising Topic
Bruton, G. D., and Rubanik, Y.	2002	founding factors in startup growth	start-ups	Russia	quantitative (regression analysis)	Totally Absent
Thakur, S. P.	1999	growth factors	new venture	India	several	Totally Absent
Barringer, B. R., and Greening, D. W.	1998	Create a Geographical expansion Model for new business	new venture	US	comparative case study	Totally Absent and clearly states: *"It should be noted that the type of geographic expansion of interest in this study does not involve franchising"*
Edelman, L. F., Brush, C. G., Manolova, T. S., and Greene, P. G.	2010	differences of motivations to start and grow a new venture by race or ethnicity	new venture	US	quantitative statistical	Totally Absent
Giarratana, M. S.	2004	Birth of a new industry, actions of startups	(start up)	US	case study (plus bibliometric and statistical)	Totally Absent
Pirolo, L., and Presutti, M.	2010	Social Capital Impact (strong and weak ties - networking)	start-ups	Italy	qantitative	Totally Absent
Frank, H., Lueger, M., and Korunka, C.	2007	Significance of personality in starting and grow a business	start-ups	Austria	case study comparison	Totally Absent
Persson, H.	2004	Purpose: to identify factors affecting their survival probability and their employment growth	new venture	Sweden	quantitative	Totally Absent
Mata, J., Portugal, P., and Guimaraes, P.	1995	new plants survival and growth	new plants (new entry)	Portugal	quantitative	Totally Absent
Toole, A. A., Czarnitzki, D., and Rammer, C.	2015	contribute of University partnership to startup employment growth. Research alliances	startups and Universities	Germany	quantitative (survey)	Just mentioned in the notes, as one of the many forms of hybrid growth
Reid, G. C., and Smith, J. A.	2000	a good measure of new business performance	start-ups	UK	statistical cluster analysis	Totally Absent
Watson, A.	2008	growth through franchising	small business	UK	qualitative	Main topic

Appendix B: Tech Startups in Franchising Literature

Author(s)	Year	About	Target	Nation	Sector(s)	Method	Remarkable:
Welsh, D. H., Desplaces, D. E., and Davis, A. E.	2011	comparison between few groups of businesses (Retail Franchises, Independent Businesses, and Purchased Existing Independent Business) in Startup phase	new venture (in start up phase)	US	high-tech	quantitative	The high-tech franchisee startups are only the 2.6%
Baucus, D. A., Baucus, M. S., and Human, S. E.	1996	franchising agreement	outlets	US	food	quantitative	
Sié, L., Pett, T., and Hipkin, I.	2015	franchising development in French	new franchisee ventures (in start up phase)	French	hotel, food, cleaning, other (non tech)	qualitative (case study - 10 companies	
Dixon, H., and Quinn, B.	2004	Use of internet technology in franchising	franchisor	UK	several (no tech)	quantitative (survey)	
Lafontaine, F.	2014	Future (Franchising) Research Topic	--	--	--	literature review	The technology and franchising topic was approached as how the technology shift is managed in franchising and how the technology is used within the organization.
Yan, R., and Wang, K. Y.	2012	Franchisor– franchisee relationship (information sharing)	franchisors and franchisees	(US)	high-tech	quantitative	We can read: "This study proposes an option (i.e. franchising) that high-tech firms can use in order to expand their markets and improve firm performance."
Szulanski, G., and Jensen, R. J.	2008	"copy exactly" effect in growing through franchising	Mail Boxes Etc. (MBE) (franchisors and franchisee outlets)	Several	Company: Mail Boxes Etc. (MBE)	quantitative (survey)	

Author(s)	Year	About	Target	Nation	Sector(s)	Method	Remarkable:
Xiao, Q., O'Neill, J. W., and Wang, H.	2008	Chinese potential market for hotels	--	China	hotel	quantitative (statistical)	
Doherty, A. M.	2009	Selection processes in franchising	retailers	UK (internat.)	retailing (clothes)	exploratory qualitative research	
Kaufmann, P. J., and Dant, R. P.	1996	Management issues	(new) retailers	US ?	retailing (clothes)	quantitative	
Falbe, C. M., and Welsh, D. H.	1998	Characteristics of success (and failure)	franchisors and franchisees	US, Canada, Mexico		quantitative	
Watson, A., Stanworth, J., Healeas, S., Purdy, D., and Stanworth, C.	2005	Intellectual capital in Franchising	franchisors and franchisees	UK	--	literature rave	
Alon, I., and Lattemann, C.	2016	Implementing Franchising	Tchibo Company	German	food	case study	
Klonowski, D., Power, J. L., and Linton, D.	2008	Franchising in emerging Markets	pseudonymous "Chris Kowalski"	Poland	food (restaurant)	case study	
Falbe, C. M., Dandridge, T. C., and Kumar, A.	1999	Organizational context in franchising	franchisors and franchisees	US ?	several (no tech)	quantitative (statistical)	
Michael, S. C.	2000	Organization, Quality and Franchising	franchisors and franchisees	US	restaurant and hotel	quantitative	
Bracker, J. S., and Pearson, J. N.	1986	Franchising and Financial Performances	small mature firms	US		quantitative	
Shane, S. A.	1996	Internationalization	franchisor	US (internat.)	Several (even tech)	quantitative (logistic regression)	