Directiva
Journal of Corporate and Creative Business Management

e-ISSN: 3125-1137
Vol. 1 I Issue 2 I June 2026
Pages 6-39
DOI
https://doi.org/10.66203/directiva.01201

From Employee to Owner: Conceptualizing Ownership Transition Through Structured Business Systems

Usep Deden Suherman[1]*

***Corresponding Mail:**
usepds@uinsgd.ac.id

Article History:
Submitted: 16-03-2026
Approved: 14-05-2026
Published: 01-06-2026

OPEN ACCESS

Available at the open access journal:
https://sciedex.com/directiva

Abstract

Entrepreneurship research has traditionally emphasized venture creation as the primary pathway through which individuals become entrepreneurs, resulting in limited understanding of how business ownership emerges through structured organizational arrangements. This limitation is increasingly important as franchising and other structured business systems provide alternative pathways that enable individuals to transition from employee status to business ownership while benefiting from established organizational resources, legitimacy, and capabilities. Addressing this theoretical gap, this conceptual paper develops the Ownership Transition Framework to explain how structured business systems facilitate ownership acquisition and entrepreneurial development. Drawing on entrepreneurship theory, franchising research, organizational capability literature, legitimacy theory, and psychological ownership theory, the framework conceptualizes ownership transition as a multi-stage developmental process consisting of ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion. The proposed framework extends existing entrepreneurship literature by repositioning ownership formation as a distinct entrepreneurial outcome, reconceptualizing franchising as an ownership creation mechanism, and introducing structured entrepreneurship as an alternative pathway between conventional employment and independent venture creation. The study contributes an integrative theoretical perspective that provides a foundation for future empirical research on ownership formation, entrepreneurial participation, and business ownership development.

Keywords

ownership transition; structured entrepreneurship; franchising; psychological ownership; entrepreneurial legitimation; business ownership

[1] Department of Islamic Financial Management, Universitas Islam Sunan Gunung Djati, Bandung, Indonesia

1. Introduction

Entrepreneurship has long been regarded as one of the most important mechanisms for economic development, innovation, and wealth creation. Within the entrepreneurship literature, the dominant assumption is that entrepreneurial activity begins with the discovery or creation of opportunities and culminates in the establishment of new ventures (Alvarez & Barney, 2007; Sarasvathy, 2001; Shane & Venkataraman, 2000). Consequently, scholarly attention has largely focused on opportunity recognition, venture formation, resource mobilization, entrepreneurial learning, and firm growth (Baker & Nelson, 2005; Davidsson & Honig, 2003; McMullen & Shepherd, 2006). While this perspective has generated substantial theoretical insights, it has also created an implicit bias toward entrepreneurship as a process of creating entirely new organizations. Recent scholarship further suggests that entrepreneurship has become increasingly heterogeneous, encompassing multiple forms of entrepreneurial entry that extend beyond independent venture founding and challenge traditional founder-centric assumptions (Audretsch *et al.*, 2021; Welter *et al.*, 2017).

The venture creation paradigm has become deeply embedded in entrepreneurship research. Entrepreneurs are frequently portrayed as individuals who identify opportunities under uncertainty, assemble resources, and establish independent ventures from scratch (Alvarez & Barney, 2007; Shane & Venkataraman, 2000). This perspective has been reinforced by studies emphasizing opportunity exploitation, entrepreneurial bricolage, and dynamic capability development as fundamental components of entrepreneurial success (Baker & Nelson, 2005; Teece, 2007; Zahra *et al.*, 2006). Although such a view remains valuable, it overlooks alternative pathways through which individuals become business owners. Emerging research increasingly recognizes that entrepreneurial participation may occur through organizational arrangements that provide access to resources, legitimacy, and market opportunities, thereby reducing many of the barriers traditionally associated with new venture creation (Autio *et al.*, 2018; Foss & Klein, 2012).

In practice, many individuals do not become entrepreneurs by creating entirely new organizations. Instead, they enter business ownership through structured organizational arrangements that provide established business models, operating routines, brand legitimacy, and managerial support. Among these arrangements, franchising represents one of the most prominent and globally diffused mechanisms through which individuals gain access to business ownership (Combs *et al.*, 2004; Kaufmann & Dant, 1999). Through franchising systems, individuals can acquire ownership rights and operate business units while leveraging organizational resources that have already been developed and tested by franchisors. In this regard, franchising can be viewed as an institutionalized entrepreneurial pathway that combines ownership incentives with organizational support structures, thereby reducing uncertainty while preserving entrepreneurial engagement (Dada *et al.*, 2012; Hadjielias *et al.*, 2021).

The global expansion of franchising has significantly transformed the landscape of entrepreneurial participation. Traditionally viewed as a growth strategy for expanding firms, franchising has increasingly become a mechanism through which individuals transition from wage employment to business ownership (Combs *et al.*, 2011; W. Gillis & Castrogiovanni, 2012). Rather than creating ventures independently, franchisees gain access to structured entrepreneurial opportunities characterized by reduced uncertainty, standardized processes, and established market legitimacy (Dada *et al.*, 2012). Contemporary franchise systems increasingly function as entrepreneurial platforms that facilitate local ownership while simultaneously transferring organizational knowledge, legitimacy, and operational capabilities (Hadjielias *et al.*, 2021; Kim & Tiwana, 2022) . This phenomenon suggests that entrepreneurship may occur through organizational systems that facilitate ownership acquisition rather than through conventional venture creation alone.

Despite the growing prevalence of franchising and other structured business systems, existing entrepreneurship research has paid limited attention to the process through which individuals transition from employees to owners. Current studies have primarily focused on governance structures, agency relationships, contractual arrangements, and performance outcomes within franchise networks (Combs *et al*., 2004, 2011). Although these studies have substantially advanced understanding of franchise systems, they have devoted comparatively little attention to ownership transition as a distinct entrepreneurial phenomenon. As a result, the developmental process through which organizational systems create owners remains theoretically underexplored.

The neglect of ownership transition is theoretically significant. Entrepreneurship research generally conceptualizes entrepreneurial outcomes in terms of venture creation, innovation, growth, or performance. However, business ownership itself may constitute a critical entrepreneurial outcome deserving independent examination. Becoming a business owner involves changes in economic incentives, decision-making authority, identity formation, and wealth accumulation opportunities. These transformations suggest that ownership should not merely be treated as a by-product of entrepreneurship but rather as a central phenomenon requiring explicit theorization. Recent work on entrepreneurial identity and entrepreneurial careers similarly indicates that ownership status fundamentally shapes how individuals perceive opportunities, exercise agency, and pursue long-term value creation (Murnieks *et al*., 2014; Sieger *et al*., 2016).

This issue becomes particularly important when considering the role of organizational systems in facilitating entrepreneurial participation. Research on entrepreneurial learning demonstrates that knowledge and capabilities can be acquired through experiential processes and social interactions (Cope, 2005; Politis, 2005). Similarly, studies of organizational knowledge transfer indicate that routines, practices, and managerial know-how can be effectively transferred across organizational units (Argote & Ingram, 2000; Darr *et al*., 1995). In franchising contexts, such transfers reduce barriers to entrepreneurial entry by providing prospective owners with access to codified knowledge, established routines, and operational guidance. From a capability perspective, these systems function as mechanisms through which entrepreneurial competencies are transferred rather than independently developed, thereby accelerating entrepreneurial participation (Felin *et al*., 2012; Helfat *et al*., 2007).

Furthermore, the replication literature suggests that organizational templates can be reproduced across multiple locations while maintaining performance consistency (Winter & Szulanski, 2001). Franchising systems exemplify this replication logic by enabling business concepts to be systematically transferred and implemented by new owners. Consequently, ownership acquisition within structured business systems may depend less on entrepreneurial discovery and more on access to transferable organizational capabilities. This possibility challenges conventional assumptions regarding the nature of entrepreneurial entry and raises important questions concerning how ownership opportunities are created and distributed. It also suggests that entrepreneurial success may depend not only on opportunity recognition but also on access to organizational systems capable of transferring legitimacy and capabilities at scale (Szulanski & Jensen, 2006)

Another overlooked dimension concerns the relationship between ownership and identity. Psychological ownership theory suggests that individuals develop feelings of possession, responsibility, and attachment toward organizational assets when they perceive them as “theirs” (Pierce *et al*., 2001, 2003). In entrepreneurial contexts, ownership extends beyond legal rights and economic control to include identity transformation and personal investment. Individuals transitioning from employees to owners experience a fundamental shift in how they perceive their roles, responsibilities, and future opportunities. Yet entrepreneurship research has rarely examined this transition as a structured developmental process. Recent identity-based perspectives further indicate that entrepreneurial identity formation often serves as a precursor to long-term entrepreneurial commitment and growth-oriented behavior (Fauchart & Gruber, 2011; Murnieks *et al.*, 2014)

The absence of a dedicated theoretical framework for ownership transition has created an important gap at the intersection of entrepreneurship, franchising, and organizational capability research. Existing theories explain how opportunities are discovered, how ventures are created, and how firms grow. However, they provide limited insight into how organizational systems facilitate the transformation of individuals into business owners. As a result, an important pathway of entrepreneurial participation remains conceptually underdeveloped.

This article addresses this gap by introducing the concept of ownership transition, defined as the process through which individuals move from employee status to business ownership through structured business systems. Building upon insights from entrepreneurship theory, franchising research, knowledge transfer literature, psychological ownership theory, and capability-based perspectives, the article develops an integrated conceptual framework explaining how organizational systems create conditions that enable ownership acquisition and entrepreneurial development.

Specifically, this paper proposes the Ownership Transition Framework (OTF), which conceptualizes ownership transition as a multi-stage process involving ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion. By shifting analytical attention from venture creation to ownership acquisition, the framework extends existing entrepreneurship theory and offers a new perspective on how organizations create entrepreneurs through structured pathways.

Accordingly, the central question guiding this conceptual paper is: How do structured business systems facilitate ownership transition from employee to owner?

Answering this question contributes to entrepreneurship and business management literature in three ways. First, it broadens the understanding of entrepreneurial entry beyond independent venture creation. Second, it reconceptualizes franchising as an ownership creation mechanism rather than merely a firm growth strategy. Third, it introduces ownership transition as a distinct theoretical construct capable of explaining how organizational systems enable entrepreneurial participation and long-term business ownership.

2. Theoretical Background

2.1 Entrepreneurship as Venture Creation

Entrepreneurship research has traditionally conceptualized entrepreneurial activity as a process through which individuals discover, create, and exploit opportunities by establishing new ventures. This perspective has served as the dominant foundation of modern entrepreneurship theory and has significantly shaped scholarly understanding of entrepreneurial behavior. Shane & Venkataraman (2000) argued that entrepreneurship concerns the nexus between opportunities and enterprising individuals, emphasizing how opportunities are discovered and exploited. Similarly, Sarasvathy (2001) proposed effectuation theory, highlighting how entrepreneurs navigate uncertainty through iterative decision-making rather than predictive planning.

The venture creation perspective was further reinforced by creation and discovery theories of entrepreneurial opportunities. Alvarez & Barney (2007) argued that entrepreneurial opportunities may either exist objectively and be discovered or emerge through entrepreneurial actions and interactions. Regardless of the underlying mechanism, both perspectives ultimately view venture formation as the central entrepreneurial outcome. Consequently, entrepreneurship scholars have devoted substantial attention to issues such as opportunity identification, venture emergence, entrepreneurial cognition, resource acquisition, and new firm creation.

This dominant orientation has generated important insights regarding entrepreneurial behavior under uncertainty. For example, McMullen & Shepherd (2006) explained how uncertainty influences entrepreneurial action, while Baker & Nelson (2005) demonstrated how entrepreneurs create ventures through bricolage by recombining available resources. Similarly, Davidsson & Honig (2003) highlighted the role of human and social capital in facilitating entrepreneurial emergence. More recent studies have extended these arguments by emphasizing entrepreneurial ecosystems, institutional support structures, and heterogeneous pathways of entrepreneurial participation (Audretsch *et al.*, 2021; Welter *et al.*, 2017). These developments suggest that entrepreneurship increasingly occurs within enabling environments rather than solely through isolated individual action.

Despite these contributions, the venture creation paradigm implicitly assumes that entrepreneurship begins with organizational creation. Individuals are expected to establish new ventures, develop business models, assemble resources, and create organizational legitimacy independently. As a result, entrepreneurship research has devoted relatively limited attention to pathways through which individuals become entrepreneurs without creating entirely new organizations. This limitation becomes increasingly important as contemporary business environments offer alternative mechanisms through which entrepreneurial participation may occur.

Recent scholarship has begun questioning the founder-centric assumptions underlying traditional entrepreneurship theory. Foss & Klein (2012) argued that entrepreneurial action can emerge through organizational arrangements that provide access to decision rights, resources, and ownership opportunities without requiring independent venture creation. Similarly, Autio *et al.* (2018) emphasized that entrepreneurial participation increasingly occurs through structured systems that lower uncertainty and facilitate market entry. These observations suggest that venture creation may represent only one of several entrepreneurial pathways.

Accordingly, while venture creation remains a critical form of entrepreneurship, it may not represent the only pathway to entrepreneurial ownership. Alternative forms of entrepreneurial entry deserve greater theoretical attention, particularly those involving structured organizational arrangements that reduce uncertainty and facilitate business ownership acquisition.

2.2 Franchising and Structured Entrepreneurship

Among the various organizational arrangements that facilitate entrepreneurial participation, franchising represents one of the most influential and extensively adopted business systems worldwide. Traditionally, franchising has been studied from governance, agency, and organizational economics perspectives. Early research focused primarily on explaining why firms adopt franchising and how franchise relationships are managed effectively (Combs *et al.*, 2004; Kaufmann & Dant, 1999)

The dominant franchising literature emphasizes issues such as contractual governance, monitoring mechanisms, incentive alignment, and system performance. Combs *et al.* (2004) identified agency theory, resource scarcity theory, and plural form theory as major explanations for franchising adoption. Subsequent studies expanded this perspective by examining franchise management capabilities, network governance, and strategic performance outcomes (Combs *et al.*, 2011; W. E. Gillis *et al.*, 2020).

Although valuable, these perspectives largely treat franchisees as organizational actors within a governance system rather than as entrepreneurs undergoing ownership transformation. Consequently, the entrepreneurial significance of franchising has often remained underexplored. This gap is particularly notable given that franchise systems provide individuals with opportunities to acquire ownership while operating within established organizational structures.

Several scholars have challenged the assumption that franchisees are merely managers implementing franchisor directives. Dada *et al.* (2012) argued that franchisees exhibit entrepreneurial behaviors despite operating within standardized systems. Their work introduced the notion of franchisee entrepreneurship, suggesting that entrepreneurial initiative, local adaptation, and opportunity exploitation remain relevant within franchise contexts. Similar arguments have emerged in recent studies emphasizing entrepreneurial agency, local innovation, and franchisee-driven value creation within franchise networks (Hadjielias *et al.*, 2021; Kim & Tiwana, 2022).

Building upon this argument, Dada (2018) proposed that franchise systems create conditions under which entrepreneurial autonomy can emerge despite structural constraints. Similarly, W. Gillis & Castrogiovanni (2012) described franchising as an entrepreneurial growth alternative that provides individuals with access to proven business concepts and organizational support mechanisms. These perspectives collectively suggest that franchising should be viewed not merely as a business expansion strategy but also as a structured pathway into entrepreneurship.

The concept of structured entrepreneurship emerges from this observation. Unlike independent entrepreneurs who face substantial uncertainty regarding markets, products, routines, and legitimacy, individuals entering structured business systems benefit from pre-existing organizational templates. Such systems provide codified knowledge, established operating procedures, recognized brands, and support infrastructures that reduce barriers to entrepreneurial participation. This interpretation aligns with broader ecosystem perspectives suggesting that entrepreneurial opportunities are embedded within institutional and organizational structures that shape access to resources and legitimacy (Spigel, 2017; Stam, 2015).

Although entrepreneurship has traditionally been associated with independent venture creation, contemporary business environments provide multiple pathways through which individuals may enter entrepreneurial activities. Comparing these pathways helps clarify the distinctive characteristics of structured entrepreneurship and highlights the conceptual relevance of ownership transition. Table 1 summarizes the major differences among conventional employment, independent entrepreneurship, and structured entrepreneurship.

Table 1. Comparative Perspectives on Entrepreneurial Entry Pathways

Dimension	Conventional Employment	Independent Entrepreneurship	Structured Entrepreneurship
Primary Role	Employee	Founder	Owner-Operator
Organizational Creation	No	Yes	No
Ownership Rights	None	Full Ownership	Partial or Full Ownership
Business Model Development	Provided by Employer	Developed Independently	Provided by Organizational System
Market Legitimacy	Derived from Employer	Must Be Created	Transferred from Existing System
Capability Development	Job-Specific Learning	Self-Developed	Organizationally Supported
Entrepreneurial Risk	Low	High	Moderate
Resource Requirements	Minimal	High	Moderate
Access to Organizational	High	Limited	High
Growth Pathway	Career Advancement	Venture Growth	Ownership Expansion
Dominant Outcome	Employment Stability	Venture Creation	Ownership Formation

Source: Developed by the authors based on Shane and Venkataraman (2000), Sarasvathy (2001), Kaufmann and Dant (1999), Dada et al. (2012), and related literature synthesized in this study.

Table 1 highlights that structured entrepreneurship occupies an intermediate position between conventional employment and independent entrepreneurship. Unlike employees, individuals participating in structured entrepreneurship possess ownership rights and entrepreneurial incentives. Unlike independent entrepreneurs, however, they benefit from established business models, organizational support systems, and transferred legitimacy. This comparison reinforces the argument that ownership acquisition represents a distinct entrepreneurial pathway that cannot be fully explained by existing employment or venture-creation perspectives.

Consequently, franchising represents an important context for understanding how entrepreneurship can occur through ownership acquisition rather than independent venture creation. This perspective provides a foundation for examining ownership transition as a distinct entrepreneurial phenomenon.

2.3 Psychological Ownership and Business Ownership

Understanding ownership transition requires a broader conceptualization of ownership itself. Traditional economic perspectives often define ownership in terms of legal rights and control over assets. However, psychological ownership theory suggests that ownership extends beyond formal property rights and encompasses subjective feelings of possession, responsibility, and attachment.

Pierce *et al.* (2001) introduced psychological ownership as a state in which individuals perceive a target object as “theirs.” According to this perspective, ownership involves cognitive and emotional connections that influence attitudes, behaviors, and identity formation. Individuals develop psychological ownership when they exercise control over an object, invest themselves in it, or become intimately familiar with it.

Subsequent work by Pierce *et al.* (2003) expanded this framework by integrating findings from organizational psychology, sociology, and management research. Their review demonstrated that ownership perceptions significantly influence commitment, accountability, stewardship, and organizational citizenship behaviors. Later studies further showed that psychological ownership serves as an important mechanism linking individual agency, responsibility, and long-term engagement with organizational outcomes (Avey *et al.*, 2009; Dawkins *et al.*, 2017).

The relevance of psychological ownership for entrepreneurship is substantial. Entrepreneurs often experience strong psychological attachments to their businesses because ventures become extensions of personal identity, aspirations, and achievements. Ownership therefore involves not only economic investment but also identity transformation. Individuals transitioning from employees to owners undergo fundamental changes in how they perceive their roles, responsibilities, and future opportunities.

Recent entrepreneurship research increasingly highlights the role of identity construction in entrepreneurial behavior. Entrepreneurial identity shapes opportunity recognition, strategic decision-making, and commitment to entrepreneurial activities (Fauchart & Gruber, 2011; Murnieks *et al.*, 2014). As individuals assume ownership responsibilities, they gradually reconstruct their identities around entrepreneurial roles, thereby strengthening both psychological ownership and entrepreneurial commitment.

This perspective suggests that ownership transition should not be understood solely as a legal or financial event. Instead, it should be viewed as a developmental process through which individuals internalize ownership responsibilities and construct entrepreneurial identities. Such a perspective complements entrepreneurship theory by explaining how ownership emerges at both structural and psychological levels.

Consequently, psychological ownership provides a critical theoretical lens for understanding how structured business systems facilitate the transformation of employees into owners. It helps explain why ownership acquisition may generate behavioral and cognitive changes that extend beyond formal organizational arrangements.

2.4 Organizational Capability Transfer and Replication

A central question underlying ownership transition concerns how individuals acquire the knowledge and capabilities required to operate businesses successfully. Traditional entrepreneurship research often assumes that entrepreneurs develop capabilities through experimentation, experience, and learning-by-doing. However, organizational learning and knowledge transfer literature suggests that capabilities can also be transferred across organizational contexts.

Argote & Ingram (2000) identified knowledge transfer as a fundamental source of competitive advantage. Their work demonstrated that organizations can transfer routines, practices, and expertise across units, thereby facilitating performance improvements. Similarly, Darr *et al.* (1995) showed how productivity-enhancing knowledge was transferred across franchise units, highlighting the importance of organizational learning mechanisms within franchise systems.

Entrepreneurial learning scholars have reached similar conclusions. Politis (2005) argued that entrepreneurial knowledge develops through experiential learning processes, while Cope (2005) emphasized the dynamic and socially embedded nature of entrepreneurial learning. Together, these perspectives suggest that entrepreneurial capabilities may be developed through both individual experiences and organizational support systems.

Beyond organizational learning, capability-based theories provide additional insights into how entrepreneurial competence can be developed and transferred. Helfat & Peteraf (2003) argued that capabilities evolve through identifiable developmental pathways, while Helfat *et al.* (2007) emphasized the role of dynamic managerial capabilities in shaping organizational outcomes. More recently, Felin *et al.* (2012) highlighted the microfoundational mechanisms through which capabilities emerge and are reproduced across organizational settings. These arguments imply that entrepreneurial capabilities can be systematically cultivated through organizational arrangements rather than emerging exclusively from independent entrepreneurial experience.

Replication theory further strengthens this argument. Winter & Szulanski (2001) conceptualized replication as a strategic process through which organizations reproduce successful business models across multiple locations. Rather than creating entirely new systems, replication involves transferring and reproducing proven organizational templates. Franchising represents one of the most visible manifestations of this logic because franchise systems rely heavily on standardized routines, codified knowledge, and transferable organizational practices.

The implications for ownership transition are significant. If entrepreneurial capabilities can be transferred through organizational systems, then business ownership may become accessible to individuals who lack prior entrepreneurial experience. Structured business systems effectively lower barriers to entrepreneurial participation by reducing uncertainty and providing access to organizational resources that would otherwise require years of independent development. Moreover, capability transfer may function as a mechanism through which organizational systems democratize access to entrepreneurial participation by enabling prospective owners to leverage accumulated organizational knowledge.

Therefore, capability transfer and replication mechanisms represent essential components of ownership transition. They explain how structured business systems create environments in which individuals can acquire entrepreneurial competencies while simultaneously assuming ownership responsibilities. This perspective provides a crucial bridge between entrepreneurship theory, franchising research, and ownership studies, thereby laying the foundation for the development of an integrated Ownership Transition Framework.

3. Conceptual Gap Analysis

3.1 The Venture Creation Bias in Entrepreneurship Research

Entrepreneurship has traditionally been conceptualized as a process through which individuals identify opportunities and establish new ventures. This assumption has shaped the dominant paradigms within entrepreneurship research for several decades. The opportunity-based perspective proposed by Shane & Venkataraman (2000) positioned entrepreneurship as the nexus between opportunities and individuals capable of exploiting them. Similarly, effectuation theory emphasized how entrepreneurs create ventures under uncertainty through iterative actions and stakeholder commitments (Sarasvathy, 2001). Subsequent theoretical developments continued to focus on venture emergence, opportunity creation, entrepreneurial action, and new firm formation (Alvarez & Barney, 2007; McMullen & Shepherd, 2006).

While these perspectives have substantially advanced understanding of entrepreneurial behavior, they share a common assumption: entrepreneurship begins with organizational creation. Entrepreneurs are typically portrayed as founders who initiate new ventures, assemble resources, and establish organizations independently. Consequently, entrepreneurial success is frequently evaluated in terms of venture creation, survival, growth, innovation, and performance. Even contemporary entrepreneurship research that emphasizes ecosystems, institutions, and entrepreneurial contexts continues to treat venture formation as the dominant entrepreneurial outcome (Audretsch *et al.*, 2021; Welter *et al.*, 2017).

This emphasis has generated what may be termed a venture creation bias. Existing theories explain how organizations are founded, but they provide limited insight into how individuals acquire ownership through already-established organizational systems. In other words, entrepreneurship research has focused extensively on creating firms but comparatively little on acquiring ownership positions within structured business arrangements. The implicit assumption is that ownership emerges naturally once a venture is created, leaving relatively little room for theorizing ownership acquisition as an independent entrepreneurial process.

This limitation is increasingly problematic because entrepreneurial participation now occurs through multiple organizational pathways. Structured business systems such as franchising, licensing arrangements, business acquisition programs, and other organizational formats enable individuals to become owners without independently developing products, brands, or organizational routines. Such pathways challenge the conventional equation of entrepreneurship with venture creation because entrepreneurial entry may occur through ownership acquisition rather than organizational founding.

Recent scholarship has begun questioning founder-centric assumptions and advocating broader conceptualizations of entrepreneurial participation (Foss & Klein, 2012). However, despite these developments, the literature still lacks a coherent explanation of how ownership emerges when entrepreneurial entry occurs through structured organizational systems. Existing theories successfully explain entrepreneurial founding but provide insufficient insight into entrepreneurial ownership acquisition. This omission represents the first major conceptual gap addressed by the present study.

3.2 The Governance Bias in Franchising Research

A second gap emerges within the franchising literature itself. Although franchising represents one of the most prominent forms of structured entrepreneurship, scholarly attention has predominantly focused on governance-related issues. Research has examined why firms franchise, how franchisors control franchisees, how contracts are designed, and how governance mechanisms affect performance outcomes (Combs *et al.*, 2004; Kaufmann & Dant, 1999).

This governance orientation has produced valuable theoretical contributions. Agency theory, resource scarcity theory, plural form theory, and organizational economics perspectives have improved understanding of franchise systems and their strategic implications (Combs *et al.*, 2004, 2011). More recent studies have explored network governance, franchise capabilities, contractual adaptation, and system performance (W. E. Gillis *et al.*, 2020; Kim & Tiwana, 2022). As a result, franchising has become one of the most theoretically developed domains within business format entrepreneurship.

Despite these advances, franchising research has largely examined franchisees as actors within organizational networks rather than as individuals undergoing entrepreneurial transformation. The primary analytical focus remains on the efficiency, governance, and effectiveness of franchise systems rather than on the developmental journey of franchise owners themselves. Consequently, the literature explains how franchise systems function but offers limited understanding of how franchise systems create entrepreneurs.

Emerging studies have begun to recognize entrepreneurial behavior among franchisees (Dada, 2018; Dada *et al.*, 2012). Recent research has similarly highlighted entrepreneurial agency, local innovation, and capability development among franchise operators (Hadjielias *et al.*, 2021). However, even these contributions primarily examine entrepreneurial behavior within franchise systems rather than the broader process through which individuals transition into ownership roles. Questions regarding how individuals move from employee identities to ownership identities, how ownership capabilities are developed, and how ownership opportunities are expanded remain largely unanswered.

This omission is theoretically significant because franchising fundamentally involves ownership participation. Individuals entering franchise systems do not merely implement routines developed by franchisors; they assume ownership responsibilities, entrepreneurial risks, and long-term strategic commitments. Yet the literature has largely treated ownership as a contractual condition rather than as a developmental process. Accordingly, the second conceptual gap concerns the absence of a framework explaining franchising as an ownership creation mechanism rather than merely a governance structure.

3.3 The Capability Bias in Entrepreneurship and Management Research

A third gap emerges from capability-based perspectives within management and entrepreneurship research. Research on dynamic capabilities, organizational learning, resource orchestration, and entrepreneurial learning has significantly advanced understanding of how organizations develop and deploy strategic resources (Sirmon *et al.*, 2011; Teece, 2007).

These perspectives emphasize the importance of knowledge acquisition, capability development, and resource integration in achieving organizational performance. Entrepreneurial learning studies similarly explain how entrepreneurs develop competencies through experience, experimentation, and reflection (Cope, 2005; Politis, 2005). More recent work on dynamic managerial capabilities and microfoundations further suggests that organizational capabilities can be systematically developed, transferred, and reproduced across different organizational settings (Felin *et al.*, 2012; Helfat *et al.*, 2007).

Although these literatures explain how capabilities emerge and diffuse, they rarely address capability development as a pathway to ownership acquisition. The dominant assumption is that capabilities serve organizational performance objectives rather than ownership outcomes. Consequently, entrepreneurial capabilities are generally conceptualized as inputs into venture success rather than mechanisms enabling transitions into business ownership.

This perspective overlooks the role of structured business systems in transferring entrepreneurial capabilities to prospective owners. Research on franchise productivity and knowledge transfer demonstrates that organizational routines and managerial knowledge can be replicated effectively across franchise units (Argote & Ingram, 2000; Darr *et al.*, 1995). Replication theory similarly suggests that organizational templates can be reproduced and implemented by different actors while maintaining operational consistency (Szulanski & Jensen, 2006; Winter & Szulanski, 2001).

These findings imply that entrepreneurial capabilities need not be developed exclusively through independent venture creation. Instead, they may be transferred through organizational systems that simultaneously facilitate ownership acquisition. Yet no integrated framework currently explains how capability transfer contributes to ownership formation. Existing theories explain how capabilities support performance, but they do not explain how capabilities support ownership transition.

Thus, the third conceptual gap concerns the absence of theoretical integration between capability transfer mechanisms and ownership formation processes.

3.4 The Missing Theory of Ownership Transition

The preceding analysis reveals a broader theoretical problem. Entrepreneurship theory explains venture creation. Franchising theory explains governance systems. Capability theory explains knowledge development and transfer. Psychological ownership theory explains subjective perceptions of ownership (Pierce *et al.*, 2001, 2003). However, these literatures have evolved largely in parallel rather than in an integrated manner.

As a consequence, no unified framework currently explains how structured organizational systems transform individuals from employees into owners. Existing theories address isolated components of the process but fail to explain the complete ownership transition journey. More specifically, four major theoretical disconnects remain unresolved.

First, entrepreneurship theory explains entrepreneurial entry but not ownership acquisition. Second, franchising theory explains governance arrangements but not ownership transformation. Third, capability theory explains knowledge transfer but not how transferred capabilities facilitate ownership participation. Fourth, psychological ownership theory explains ownership perceptions but not how organizational systems generate ownership opportunities in the first place.

Taken together, these disconnects indicate the absence of a dedicated theory capable of explaining employee-to-owner transitions within structured business environments. This omission becomes increasingly important as contemporary business systems create entrepreneurial opportunities that differ substantially from traditional venture creation pathways. Individuals increasingly enter entrepreneurship through organizational arrangements that provide established business models, transferable capabilities, operational support, legitimacy, and ownership opportunities. Such pathways challenge conventional assumptions regarding how entrepreneurs emerge and how ownership is acquired.

Therefore, a new theoretical perspective is needed. Rather than focusing exclusively on venture creation, governance structures, capability development, or ownership perceptions independently, future theory should explain how these elements interact to facilitate ownership acquisition. Addressing this need, the present study proposes the OFT, which conceptualizes ownership transition as a multi-stage process involving ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion.

Despite substantial advances in entrepreneurship, franchising, capability, and psychological ownership research, these theoretical traditions have evolved largely in parallel. Each perspective explains a specific component of entrepreneurial participation and ownership development, yet none provides an integrated explanation of how structured business systems transform individuals from employees into owners. Figure 1 summarizes this theoretical fragmentation and highlights the unresolved phenomenon that motivates the development of the Ownership Transition Framework.

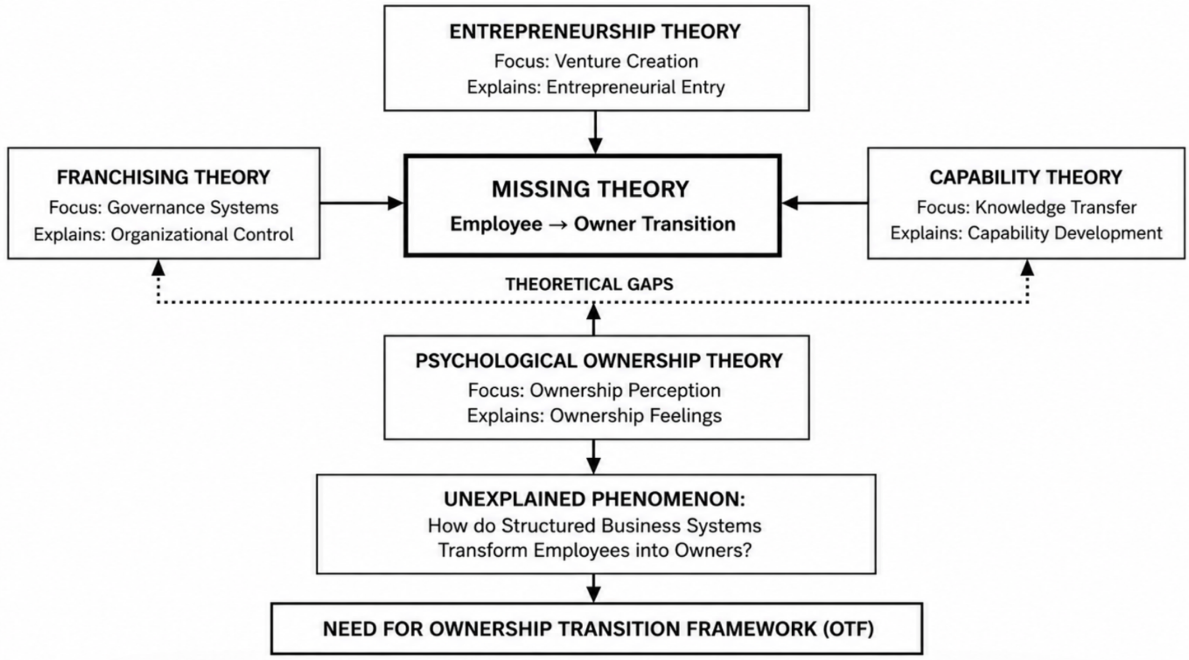

Figure 1. Existing Theoretical Fragmentation and the Missing Ownership Transition Theory
Source: Developed by the authors based on Shane and Venkataraman (2000), Kaufmann and Dant (1999), Argote and Ingram (2000), Pierce et al. (2001), and related literature synthesized in this study.

Figure 1 illustrates that existing theories address entrepreneurial entry, governance mechanisms, capability transfer, and ownership perceptions independently, but fail to explain the complete ownership transition process. The resulting theoretical fragmentation leaves an important phenomenon insufficiently understood: how structured business systems facilitate the transformation of employees into business owners. This unresolved gap provides the conceptual justification for developing the Ownership Transition Framework, which integrates these previously disconnected perspectives into a unified explanation of ownership formation.

By integrating insights from entrepreneurship, franchising, capability, legitimacy, and ownership literatures, the proposed framework seeks to explain a phenomenon that existing theories have addressed only partially. In doing so, the framework establishes ownership transition as a distinct theoretical construct and positions it as an important outcome within entrepreneurship and business management research.

4. Proposed Conceptual: The Ownership Transition Theory

4.1 Introducing the Ownership Transition Framework

The preceding analysis demonstrates that existing entrepreneurship, franchising, capability, legitimacy, and ownership literatures provide only partial explanations of how individuals become business owners through structured business systems. Entrepreneurship research explains venture creation, franchising research explains governance mechanisms, capability research explains knowledge transfer, legitimacy research explains stakeholder acceptance, and psychological ownership theory explains ownership perceptions. However, none of these perspectives independently explains the complete process through which individuals transition from employee status to business ownership.

To address this limitation, this article proposes the OFT. The framework conceptualizes ownership transition as a structured developmental process through which organizational systems facilitate the transformation of individuals into business owners. Unlike traditional entrepreneurship models that focus primarily on venture creation, OTF focuses on ownership acquisition and ownership development as central entrepreneurial outcomes.

The framework argues that ownership transition does not occur as a single event. Rather, it unfolds through a sequence of interconnected stages in which organizational accessibility, capability transfer, legitimacy development, identity transformation, and ownership expansion jointly contribute to the emergence of entrepreneurial ownership. Consequently, ownership is conceptualized as a process phenomenon rather than a static condition.

The proposed framework consists of five sequential but mutually reinforcing stages:

1) Ownership Accessibility
2) Capability Acquisition
3) Entrepreneurial Legitimation
4) Ownership Internalization
5) Ownership Expansion

Collectively, these stages explain how structured business systems transform entrepreneurial participation from a high-uncertainty individual endeavor into a managed process of ownership creation.

Importantly, OTF departs from traditional entrepreneurship theories in a fundamental way. Existing theories typically assume that entrepreneurial ownership emerges after venture creation. In contrast, OTF proposes that ownership itself can be the primary outcome of entrepreneurial participation and that organizational systems can actively facilitate this process by lowering entry barriers, transferring capabilities, conferring legitimacy, and supporting identity transformation.

4.2 Stage One: Ownership Accessibility

The first stage of ownership transition concerns ownership accessibility, defined as the extent to which organizational systems lower barriers that typically prevent individuals from entering business ownership.

Traditional entrepreneurship frequently requires entrepreneurs to identify opportunities, develop products, establish brands, secure resources, create organizational routines, and acquire legitimacy simultaneously (Baker & Nelson, 2005; Shane & Venkataraman, 2000). These requirements create substantial entry barriers that limit entrepreneurial participation, particularly among individuals lacking entrepreneurial experience, financial resources, or market legitimacy.

Structured business systems fundamentally alter this situation. Franchise systems, for example, provide individuals with access to established business concepts, recognized brands, proven operating procedures, and support infrastructures (Combs *et al.*, 2004; Kaufmann & Dant, 1999). Such systems reduce uncertainty and lower the costs associated with entrepreneurial entry.

Beyond resource accessibility, structured business systems also provide legitimacy accessibility. Legitimacy literature suggests that organizations require social acceptance and stakeholder confidence to secure resources and survive (Suchman, 1995; Zimmerman & Zeitz, 2002). New ventures often struggle to obtain legitimacy because they lack track records, reputational signals, and institutional credibility. By contrast, structured business systems transfer pre-existing legitimacy to prospective owners through established brands, reputations, and organizational affiliations.

Accordingly, ownership accessibility extends beyond access to resources and opportunities. It also encompasses access to legitimacy, organizational support, and institutional credibility. This broader interpretation helps explain why structured business systems can attract individuals who might otherwise remain excluded from entrepreneurial participation.

Ownership accessibility therefore functions as the enabling mechanism that initiates the ownership transition process.

4.3 Stage Two: Capability Acquisition

Access to ownership opportunities alone does not guarantee successful ownership transition. Individuals must also acquire the capabilities necessary to manage and operate business activities effectively.

The second stage, capability acquisition, refers to the process through which prospective owners obtain operational, managerial, and entrepreneurial competencies through organizational support systems.

Knowledge transfer literature suggests that organizations can successfully transfer routines, practices, and expertise across units (Argote & Ingram, 2000). Franchise systems provide a particularly effective context for such transfers because they rely heavily on codified knowledge, standardized procedures, training systems, and operational monitoring mechanisms (Darr *et al.*, 1995).

Unlike independent entrepreneurs who often learn through experimentation and trial-and-error processes, individuals operating within structured business systems acquire capabilities through institutionalized learning mechanisms. These mechanisms include formal training, operational manuals, mentoring arrangements, performance monitoring systems, peer-learning networks, and continuous organizational support.

Capability acquisition can also be understood through a microfoundational perspective. Organizational capabilities do not emerge automatically; they are built through the accumulation of individual knowledge, skills, routines, and decision-making competencies (Felin *et al.*, 2012). Structured business systems accelerate this process by embedding prospective owners within environments where entrepreneurial knowledge has already been codified, validated, and standardized.

Replication research further suggests that organizational knowledge becomes transferable when routines are sufficiently standardized and reproducible (Szulanski & Jensen, 2006; Winter & Szulanski, 2001). Consequently, capability acquisition represents the mechanism through which structured business systems transform organizational knowledge into entrepreneurial competence.

Accordingly, capability acquisition functions as the developmental bridge between ownership accessibility and effective entrepreneurial participation.

4.4 Stage Three: Entrepreneurial Legitimation

The acquisition of capabilities creates conditions for the third stage: entrepreneurial legitimation.

Entrepreneurial legitimation refers to the process through which individuals become recognized, both by themselves and by relevant stakeholders, as legitimate business owners and entrepreneurial actors.

Traditional entrepreneurship often requires founders to establish legitimacy independently. New ventures frequently encounter credibility deficits because stakeholders possess limited information regarding entrepreneurial competence and organizational viability (Zimmerman & Zeitz, 2002). Structured business systems reduce these challenges by providing entrepreneurs with access to pre-existing organizational legitimacy.

Research suggests that organizational affiliation contributes significantly to entrepreneurial credibility and stakeholder acceptance (Dada *et al.*, 2012). Franchise systems provide entrepreneurs with recognized brands, validated business models, and established reputations, thereby reducing legitimacy deficits commonly experienced by independent startups.

However, entrepreneurial legitimation extends beyond external stakeholder recognition. Individuals must also internalize entrepreneurial roles and develop entrepreneurial identities. Identity-based entrepreneurship research suggests that entrepreneurial behavior is strongly influenced by how individuals perceive themselves and how they are perceived by others (Fauchart & Gruber, 2011; Murnieks *et al.*, 2014).

As ownership responsibilities increase, individuals gradually shift from perceiving themselves as employees or operators to viewing themselves as entrepreneurial actors. This transformation is reinforced by stakeholder interactions, organizational responsibilities, and ownership-related decision-making authority.

Thus, entrepreneurial legitimation represents both a social and psychological process. It establishes the conditions under which ownership becomes recognized, accepted, and enacted as a legitimate entrepreneurial role.

4.5 Stage Four: Ownership Internalization

The fourth stage of the framework concerns ownership internalization, which refers to the process through which individuals psychologically embrace ownership responsibilities, rights, and identities.

Psychological ownership theory provides important insights into this stage. According to Pierce *et al.* (2001), individuals develop feelings of ownership when they exercise control, invest personal resources, and become closely connected to a target object. Ownership therefore extends beyond legal arrangements and involves subjective experiences of possession, responsibility, and stewardship.

As individuals gain operational control over business activities and invest effort into organizational success, they gradually develop stronger ownership perceptions. Over time, ownership becomes embedded within personal identity structures and influences decision-making processes.

Recent studies suggest that psychological ownership is associated with greater commitment, accountability, proactive behavior, and long-term orientation (Avey *et al.*, 2009; Dawkins *et al.*, 2017). Within ownership transition contexts, these outcomes become particularly important because they transform formal ownership participation into genuine entrepreneurial engagement.

Ownership internalization therefore functions as a critical mediating mechanism between entrepreneurial participation and entrepreneurial growth. While ownership accessibility provides opportunities and capability acquisition provides competencies, ownership internalization provides motivational commitment.

This stage represents the point at which ownership becomes self-reinforcing. Once ownership is psychologically embedded, entrepreneurial behavior is increasingly driven by stewardship, value creation, and long-term wealth-building motivations rather than by compliance with organizational requirements.

Thus, ownership internalization transforms formal ownership rights into entrepreneurial ownership identities.

4.6 Stage Five: Ownership Expansion

The final stage of the framework involves ownership expansion, defined as the process through which individuals extend ownership beyond a single business unit or operational entity.

Traditional entrepreneurship research frequently associates growth with organizational expansion. Within the Ownership Transition Framework, however, growth is conceptualized more specifically as expansion of ownership scope.

Once individuals successfully acquire capabilities, legitimacy, and ownership identity, they become more likely to pursue additional ownership opportunities. Franchise research demonstrates that successful franchisees frequently evolve into multi-unit owners, managing portfolios of business units rather than single locations (Kacker *et al.*, 2016; Sorenson & Sørensen, 2001).

Ownership expansion reflects a transition from entrepreneurial participation to entrepreneurial scaling. At this stage, individuals move beyond operating businesses to strategically managing ownership portfolios.

Resource orchestration theory suggests that successful scaling depends on the ability to coordinate resources across multiple organizational units (Sirmon *et al.*, 2011). Similarly, entrepreneurial growth research highlights the importance of capability accumulation, strategic coordination, and opportunity management in facilitating expansion (McKelvie & Wiklund, 2010).

Through accumulated experience, legitimacy, and ownership confidence, individuals become increasingly capable of managing larger ownership structures. Ownership expansion therefore represents the culmination of the ownership transition process and reflects the long-term developmental outcome of entrepreneurial ownership.

4.7 Integrating the Ownership Transition Process

The Ownership Transition Framework proposes that ownership transition emerges through the interaction of ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion.

The framework therefore departs from traditional entrepreneurship theories in three important ways.

First, it shifts analytical attention from venture creation to ownership acquisition as a primary entrepreneurial outcome.

Second, it conceptualizes organizational systems as active mechanisms of entrepreneurial development rather than merely governance structures or growth vehicles.

Third, it explains how ownership emerges through a structured developmental process involving accessibility, learning, legitimacy, identity formation, and expansion.

Importantly, the framework suggests that entrepreneurial participation is not solely determined by individual opportunity recognition or venture creation capabilities. Instead, entrepreneurial participation is also shaped by the accessibility of ownership opportunities, the transferability of capabilities, the availability of legitimacy, and the development of ownership identities.

Accordingly, ownership transition should be understood not as a single transaction but as a progressive transformation through which individuals evolve from employees into entrepreneurs and ultimately into business owners capable of expanding and sustaining ownership over time.

Before presenting the integrated Ownership Transition Framework, it is useful to summarize the conceptual meaning and theoretical foundations of each stage. Table 2 consolidates the key constructs, definitions, theoretical anchors, and expected outcomes associated with the ownership transition process.

Table 2. Conceptual Components of the Ownership Transition Framework (OTF)

OTF Stage	Definition	Primary Theoretical Foundation	Expected Outcome
Ownership Accessibility	Access to ownership opportunities, resources, organizational systems, and legitimacy	Entrepreneurship Theory; Franchising Theory; Legitimacy Theory	Entrepreneurial Entry
Capability Acquisition	Development of entrepreneurial, managerial, and operational competencies	Organizational Learning Theory; Capability Theory	Entrepreneurial Competence
Entrepreneurial Legitimation	Recognition as a credible and legitimate entrepreneurial actor	Legitimacy Theory; Identity Theory	Entrepreneurial Credibility
Ownership Internalization	Psychological integration of ownership roles and responsibilities	Psychological Ownership Theory	Ownership Commitment
Ownership Expansion	Expansion of ownership scope, portfolio, and entrepreneurial activities	Entrepreneurship Theory; Resource Orchestration Theory	Entrepreneurial Growth

Source: Developed by the authors based on entrepreneurship theory, franchising research, capability theory, legitimacy theory, psychological ownership theory, and resource orchestration literature synthesized in this study.

Table 2 demonstrates that ownership transition is not a single event but a multi-stage developmental process grounded in multiple theoretical traditions. Each stage contributes a distinct mechanism that collectively enables the transformation of individuals from employees into owners. The table also highlights the integrative nature of the framework by linking each construct to its primary theoretical foundation and expected developmental outcome.

Building upon the theoretical gaps identified earlier, the Ownership Transition Framework conceptualizes ownership formation as a structured developmental process rather than a discrete ownership event. The framework proposes that structured business systems facilitate employee-to-owner transformation through a sequence of accessibility, capability, legitimacy, identity, and expansion mechanisms. Figure 2 presents the overall architecture of the proposed framework.

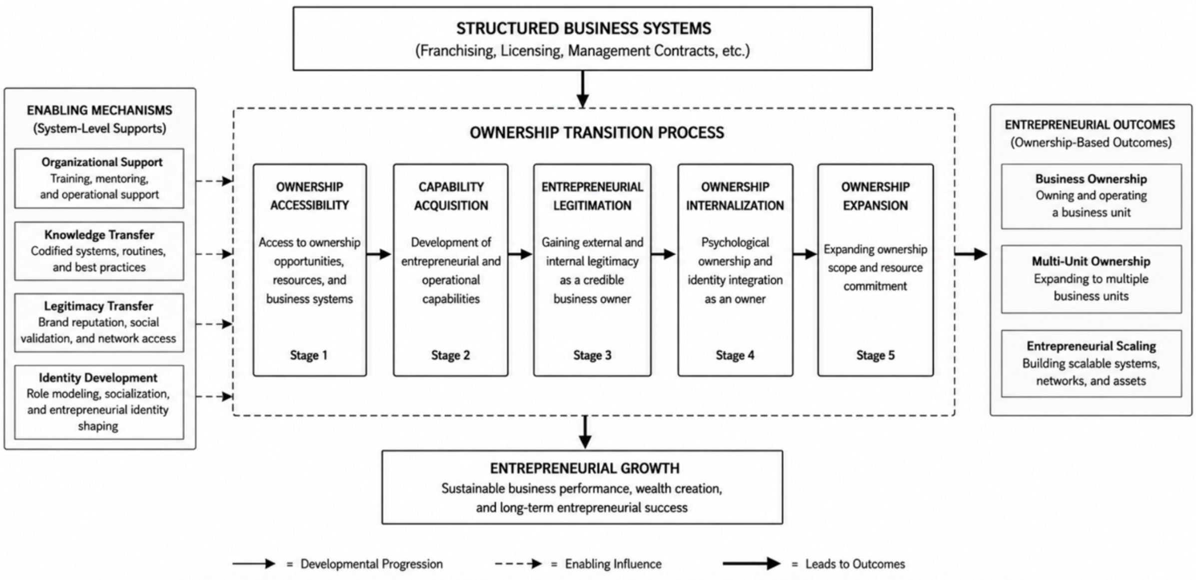

Figure 2. Ownership Transition Framework (OTF): A Process Model of Employee-to-Owner Transformation Through Structured Business Systems

Source: Developed by the authors based on entrepreneurship theory, franchising research, capability theory, legitimacy theory, and psychological ownership theory synthesized in this study.

Figure 2 illustrates that ownership transition emerges through a progressive developmental sequence beginning with ownership accessibility and culminating in ownership expansion and entrepreneurial growth. Structured business systems function as enabling infrastructures that facilitate knowledge transfer, legitimacy acquisition, capability development, and identity transformation throughout the process. Consequently, ownership is conceptualized not as a static legal condition but as a dynamic entrepreneurial outcome that evolves through organizationally supported developmental stages.

5. Proposition Development

The OFT conceptualizes ownership transition as a developmental process through which structured business systems facilitate the transformation of individuals from employees into business owners. Building upon entrepreneurship theory, franchising research, organizational learning literature, legitimacy theory, capability-based perspectives, and psychological ownership theory, this section develops six propositions that explain the relationships among the framework's core constructs.

Rather than viewing ownership as a discrete event, the framework proposes that ownership emerges progressively through a sequence of accessibility, learning, legitimacy formation, identity development, and ownership expansion. Accordingly, each proposition reflects a specific mechanism within the broader ownership transition process.

5.1 Ownership Accessibility and Capability Acquisition

The first stage of the framework suggests that ownership accessibility creates conditions that facilitate capability acquisition. Individuals cannot acquire entrepreneurial competencies within ownership systems unless they first gain access to organizational arrangements that provide ownership opportunities.

Traditional entrepreneurship often requires individuals to develop capabilities independently through experimentation and resource mobilization (Baker & Nelson, 2005; Shane & Venkataraman, 2000). In contrast, structured business systems reduce entry barriers and provide direct access to established knowledge resources, operational routines, and organizational support mechanisms (Combs *et al.*, 2004; Kaufmann & Dant, 1999).

Knowledge transfer theory suggests that organizations can effectively transmit routines, expertise, and managerial know-how across organizational units (Argote & Ingram, 2000). Franchise systems, in particular, rely on codified knowledge and standardized operating procedures that facilitate organizational learning among prospective owners (Darr *et al.*, 1995). Consequently, ownership accessibility not only creates opportunities for participation but also exposes individuals to environments where entrepreneurial capabilities can be systematically developed.

From a capability-development perspective, accessibility functions as the gateway through which prospective owners gain exposure to learning mechanisms, training systems, and operational experience. The greater the accessibility of ownership opportunities, the greater the likelihood that individuals will acquire the competencies necessary for entrepreneurial participation.

Proposition 1 (P1): *Ownership accessibility positively influences capability acquisition within structured business systems.*

5.2 Capability Acquisition and Entrepreneurial Legitimation

The second relationship concerns the influence of capability acquisition on entrepreneurial legitimation.

Legitimacy literature suggests that individuals and organizations gain legitimacy when stakeholders perceive them as competent, credible, and capable of fulfilling expected roles (Suchman, 1995; Zimmerman & Zeitz, 2002). Entrepreneurial legitimacy therefore depends partly on the possession of relevant knowledge, skills, and managerial competencies.

Entrepreneurial learning research demonstrates that capability development enhances decision-making quality, confidence, and entrepreneurial effectiveness (Cope, 2005; Politis, 2005). Similarly, human capital theory suggests that accumulated knowledge and skills increase individuals' ability to perform complex economic roles successfully (Becker, 1964). Within structured business systems, capability acquisition enables individuals to demonstrate competence as business operators and entrepreneurial actors.

Capability acquisition also influences self-legitimation. As individuals gain entrepreneurial knowledge and operational expertise, they become increasingly confident in their ability to perform ownership responsibilities. This process strengthens entrepreneurial self-recognition and contributes to identity transformation.

Accordingly, entrepreneurial legitimacy emerges not only from external stakeholder evaluations but also from individuals' perceptions of their own entrepreneurial competence. The acquisition of capabilities therefore serves as a critical precursor to entrepreneurial legitimation.

Proposition 2 (P2): *Capability acquisition positively influences entrepreneurial legitimation.*

5.3 Entrepreneurial Legitimation and Ownership Internalization

The third stage of the framework proposes that entrepreneurial legitimation facilitates ownership internalization.

Entrepreneurial legitimation involves recognition by both external stakeholders and the individuals themselves that they occupy legitimate entrepreneurial roles. Such recognition reinforces perceptions of authority, competence, and responsibility associated with ownership.

Identity theory suggests that individuals internalize social roles when those roles become validated through social interactions and institutional recognition (Fauchart & Gruber, 2011). Similarly, entrepreneurial identity research demonstrates that entrepreneurial behavior becomes more persistent when individuals increasingly define themselves as entrepreneurs (Murnieks *et al.*, 2014).

Psychological ownership theory provides a complementary explanation. Individuals are more likely to develop ownership perceptions when they experience control, responsibility, and personal investment in organizational outcomes (Pierce *et al.*, 2001, 2003). Entrepreneurial legitimation strengthens these conditions by validating ownership-related roles and reinforcing ownership authority.

As individuals become recognized as legitimate entrepreneurs, ownership evolves from a contractual arrangement into a meaningful component of personal identity. This transformation increases commitment, accountability, and stewardship-oriented behavior.

Thus, entrepreneurial legitimation provides the social and psychological foundation upon which ownership internalization develops.

Proposition 3 (P3): *Entrepreneurial legitimation positively influences ownership internalization.*

5.4 Ownership Internalization and Ownership Expansion

Ownership internalization represents the psychological transformation through which individuals embrace ownership responsibilities and develop long-term commitment toward business ownership.

Psychological ownership literature suggests that ownership perceptions influence motivation, accountability, and stewardship behavior (Avey *et al.*, 2009; Dawkins *et al.*, 2017). Individuals who strongly internalize ownership identities become increasingly committed to preserving and expanding the value of owned assets.

Entrepreneurship research similarly suggests that growth-oriented behavior often emerges when entrepreneurial activities become integrated into personal identity structures (Murnieks *et al.*, 2014). Owners who perceive business ownership as part of who they are become more likely to pursue expansion opportunities, invest additional resources, and engage in long-term strategic planning.

Evidence from franchise systems indicates that successful franchisees frequently expand beyond single-unit ownership and pursue multi-unit ownership strategies (Kacker *et al.*, 2016; Sorenson & Sørensen, 2001). Such expansion is not solely driven by economic incentives. It is also influenced by ownership-related motivations, confidence, and commitment developed through prior ownership experiences.

Consequently, ownership internalization increases the likelihood that individuals will seek broader ownership opportunities and expand their ownership portfolios over time.

Proposition 4 (P4): *Ownership internalization positively influences ownership expansion.*

5.5 The Sequential Logic of Ownership Transition

Although the preceding propositions describe individual relationships, the Ownership Transition Framework argues that ownership transition is fundamentally a process phenomenon.

Process theories emphasize that outcomes emerge through cumulative sequences of interdependent events rather than isolated causal relationships. Ownership development similarly unfolds through a progressive sequence in which earlier stages create conditions for later stages.

Ownership accessibility enables capability acquisition. Capability acquisition facilitates entrepreneurial legitimation. Entrepreneurial legitimation promotes ownership internalization.

Ownership internalization encourages ownership expansion. Each stage therefore functions as both an outcome of previous stages and a prerequisite for subsequent stages.

Importantly, the framework does not assume that ownership transition occurs instantaneously. Rather, ownership develops gradually through repeated interactions among organizational structures, learning processes, legitimacy mechanisms, and identity formation processes.

This sequential interpretation is consistent with developmental perspectives within entrepreneurship and organizational learning research, which suggest that entrepreneurial competencies and identities emerge progressively over time rather than through single events.

Proposition 5 (P5): *Ownership transition unfolds through a sequential process linking ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion.*

5.6 The Mediating Role of Ownership Transition

The final proposition addresses the overall contribution of the Ownership Transition Framework.

Existing franchising and entrepreneurship research generally explains how organizational systems contribute to performance outcomes, growth, and governance efficiency (Combs *et al.*, 2011; W. Gillis & Castrogiovanni, 2012). However, these studies rarely explain the mechanism through which organizational systems create entrepreneurs and owners.

The Ownership Transition Framework argues that structured business systems influence entrepreneurial growth indirectly through ownership transition mechanisms. Organizational systems do not simply produce performance outcomes. Rather, they create conditions that facilitate ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion.

From this perspective, ownership transition represents the missing mechanism linking organizational systems to entrepreneurial development. It explains how organizational structures become translated into entrepreneurial outcomes through a sequence of developmental processes.

Accordingly, entrepreneurial growth should not be viewed solely as a consequence of individual opportunity recognition or organizational performance. It may also emerge as a consequence of ownership transition processes facilitated by structured business systems.

Therefore:

Proposition 6 (P6): *Ownership transition mediates the relationship between structured business systems and entrepreneurial growth.*

The central argument of the Ownership Transition Framework is that structured business systems do not directly generate entrepreneurial growth. Rather, their influence operates through a developmental ownership process that transforms individuals from employees into owners. Figure 4 summarizes this higher-level theoretical contribution by positioning ownership transition as the missing mechanism linking organizational systems to entrepreneurial outcomes.

The central argument of the Ownership Transition Framework is that structured business systems do not directly generate entrepreneurial growth. Rather, their influence operates through a developmental ownership process that transforms individuals from employees into owners. Figure 3 summarizes this higher-level theoretical contribution by positioning ownership transition as the missing mechanism linking organizational systems to entrepreneurial outcomes.

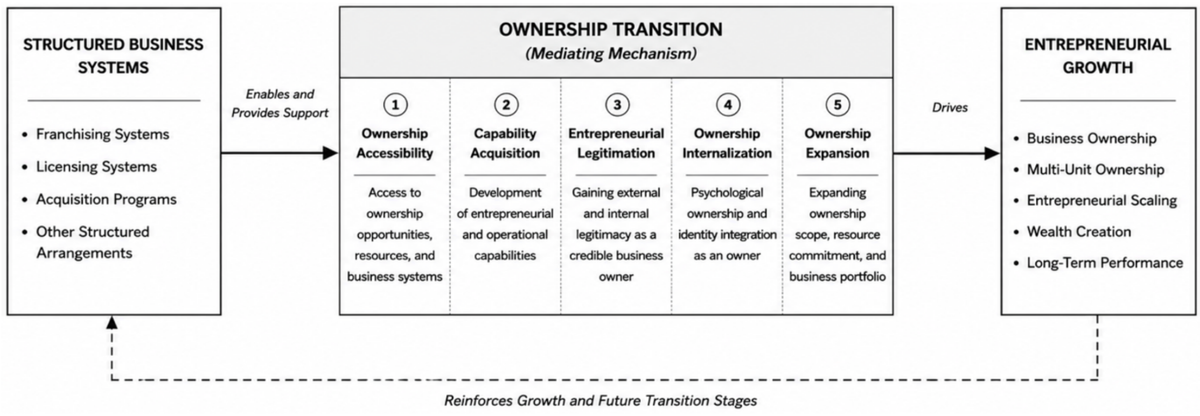

Figure 3. Ownership Transition as the Mediating Mechanism Between Structured Business Systems and Entrepreneurial Growth

Source: Developed by the authors based on the Ownership Transition Framework proposed in this study.

Figure 3 highlights the mediating role of ownership transition within the broader entrepreneurship process. The framework suggests that structured business systems create entrepreneurial outcomes not merely by providing organizational support but by facilitating accessibility, capability development, legitimacy acquisition, ownership internalization, and ownership expansion. Accordingly, entrepreneurial growth is conceptualized as the outcome of a developmental ownership process rather than the direct consequence of organizational participation alone.

5.7 Summary of Propositions

The Ownership Transition Framework generates six interrelated propositions:

P1: *Ownership accessibility positively influences capability acquisition.*

P2: *Capability acquisition positively influences entrepreneurial legitimation.*

P3: *Entrepreneurial legitimation positively influences ownership internalization.*

P4: *Ownership internalization positively influences ownership expansion.*

P5: *Ownership transition unfolds through a sequential process linking the five core constructs.*

P6: *Ownership transition mediates the relationship between structured business systems and entrepreneurial growth.*

Collectively, these propositions establish ownership transition as a distinct theoretical process through which organizational systems facilitate entrepreneurial participation and business ownership development. They also provide a foundation for future empirical studies aimed at validating, refining, and extending the Ownership Transition Framework.

6. Discussion and Implications

6.1 Reframing Entrepreneurship Through Ownership Transition

The primary objective of this article has been to address an overlooked phenomenon within entrepreneurship and business management research: the transition from employee to owner through structured business systems. Existing theories have provided valuable explanations regarding opportunity discovery, venture creation, entrepreneurial action, organizational growth, and innovation. However, relatively little attention has been devoted to understanding how organizational systems facilitate the transformation of individuals into business owners.

The OFT contributes to addressing this omission by introducing ownership transition as a distinct entrepreneurial process. Rather than treating ownership as a by-product of venture creation, the framework positions ownership acquisition and ownership development as central entrepreneurial outcomes. This distinction is important because ownership fundamentally alters economic incentives, decision-making authority, resource control, identity formation, and long-term wealth accumulation opportunities.

The framework therefore challenges the implicit assumption that entrepreneurship necessarily begins with the creation of new organizations. Traditional entrepreneurship theories generally portray entrepreneurs as founders who identify opportunities and establish ventures independently (Alvarez & Barney, 2007; Shane & Venkataraman, 2000). While these perspectives remain highly influential, they do not adequately explain situations in which entrepreneurial participation occurs through access to pre-existing organizational systems.

By focusing on ownership acquisition rather than organizational founding, the Ownership Transition Framework broadens the conceptual boundaries of entrepreneurship research. It recognizes that entrepreneurial participation may emerge through multiple pathways and that business ownership itself constitutes a meaningful entrepreneurial outcome worthy of independent theorization.

More importantly, the framework shifts scholarly attention from the question of how firms are created toward the question of how owners are created. This shift represents a significant conceptual extension because it positions entrepreneurship not merely as a process of organizational formation but also as a process of ownership formation.

6.2 Structured Entrepreneurship as an Alternative Entrepreneurial Pathway

A second contribution of this article is the introduction and theoretical elaboration of structured entrepreneurship.

Entrepreneurship literature has traditionally emphasized two dominant economic roles: employees and entrepreneurs. Employees operate within existing organizational structures, whereas entrepreneurs are expected to establish new ventures independently. This dichotomy has shaped much of the entrepreneurship literature and influenced assumptions regarding entrepreneurial entry, risk, and uncertainty.

However, contemporary business environments increasingly contain organizational arrangements that blur the distinction between employment and entrepreneurship. Franchise systems, licensing systems, business acquisition programs, and other ownership-oriented organizational arrangements provide individuals with opportunities to engage in entrepreneurial activity while benefiting from pre-existing organizational resources and support structures.

The Ownership Transition Framework conceptualizes these arrangements as forms of structured entrepreneurship. Structured entrepreneurship differs from independent entrepreneurship because entrepreneurial participation occurs through access to established organizational systems rather than through entirely autonomous venture creation. Yet it also differs from traditional employment because individuals retain ownership rights, entrepreneurial incentives, and strategic decision-making responsibilities.

Accordingly, structured entrepreneurship may be viewed as a third pathway situated between conventional employment and independent venture creation. This perspective enriches entrepreneurship theory by recognizing greater diversity in entrepreneurial entry mechanisms and by acknowledging that entrepreneurial participation can emerge through organizational design rather than exclusively through individual venture formation.

Theoretically, this contribution aligns with growing calls for broader conceptualizations of entrepreneurship that account for heterogeneity in entrepreneurial pathways, institutional arrangements, and opportunity structures (Audretsch *et al.*, 2021; Welter *et al.*, 2017). The Ownership Transition Framework extends these discussions by providing a specific mechanism through which structured entrepreneurial participation can occur.

6.3 Extending Franchising Research Beyond Governance

A third theoretical contribution concerns franchising research.

Historically, franchising literature has focused heavily on governance issues, including contractual arrangements, agency relationships, incentive alignment, monitoring mechanisms, and system performance (Combs *et al.*, 2004, 2011). These perspectives have generated substantial insights into why firms franchise and how franchise systems function.

While valuable, governance-oriented perspectives tend to treat franchisees primarily as actors operating within organizational systems. As a result, the developmental role of franchising in creating business owners has received comparatively less attention.

The Ownership Transition Framework offers an alternative perspective by conceptualizing franchising as an ownership creation mechanism. Rather than viewing franchise systems exclusively as strategic expansion tools, the framework emphasizes their capacity to facilitate ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion.

This perspective suggests that the value of franchising extends beyond efficiency, monitoring, and growth. Franchise systems also function as developmental infrastructures through which entrepreneurial participation is enabled and ownership opportunities are distributed.

Such a reinterpretation broadens the theoretical relevance of franchising. Franchising becomes not merely a governance arrangement but also a mechanism through which organizations create entrepreneurs. This insight contributes to franchising research by shifting analytical attention from organizational control toward entrepreneurial development.

Moreover, the framework helps explain why franchising continues to attract individuals seeking entrepreneurial opportunities despite the availability of alternative business entry modes. The attractiveness of franchising may derive not only from operational support but also from its ability to facilitate ownership transition while reducing uncertainty.

6.4 Integrating Entrepreneurship, Capability, Legitimacy, and Ownership Literatures

A fourth contribution lies in the integration of several previously disconnected theoretical streams.

The literature review demonstrated that entrepreneurship theory, franchising research, capability-based perspectives, legitimacy theory, and psychological ownership research have evolved largely in parallel. Entrepreneurship scholars have concentrated on opportunity exploitation and venture formation. Capability scholars have examined learning, resource orchestration, and knowledge transfer. Legitimacy scholars have explored stakeholder acceptance and organizational credibility. Psychological ownership scholars have focused on ownership perceptions and identity formation.

Although each perspective provides valuable insights, none independently explains how individuals become owners through structured organizational arrangements.

The Ownership Transition Framework addresses this limitation by integrating concepts from these literatures into a single developmental model. Ownership accessibility draws upon entrepreneurship, franchising, and legitimacy theories. Capability acquisition reflects organizational learning and capability-development perspectives. Entrepreneurial legitimation incorporates legitimacy and identity-based explanations. Ownership internalization builds on psychological ownership theory. Ownership expansion draws from entrepreneurship and resource orchestration perspectives.

Although the Ownership Transition Framework integrates insights from multiple theoretical traditions, each stage of the framework is anchored in a specific body of literature. Understanding these theoretical foundations is important because the framework does not replace existing theories; rather, it combines complementary explanations into a unified account of ownership formation. Figure 4 illustrates how the major theoretical streams contribute to the development of the Ownership Transition Framework and its resulting conceptual contributions.

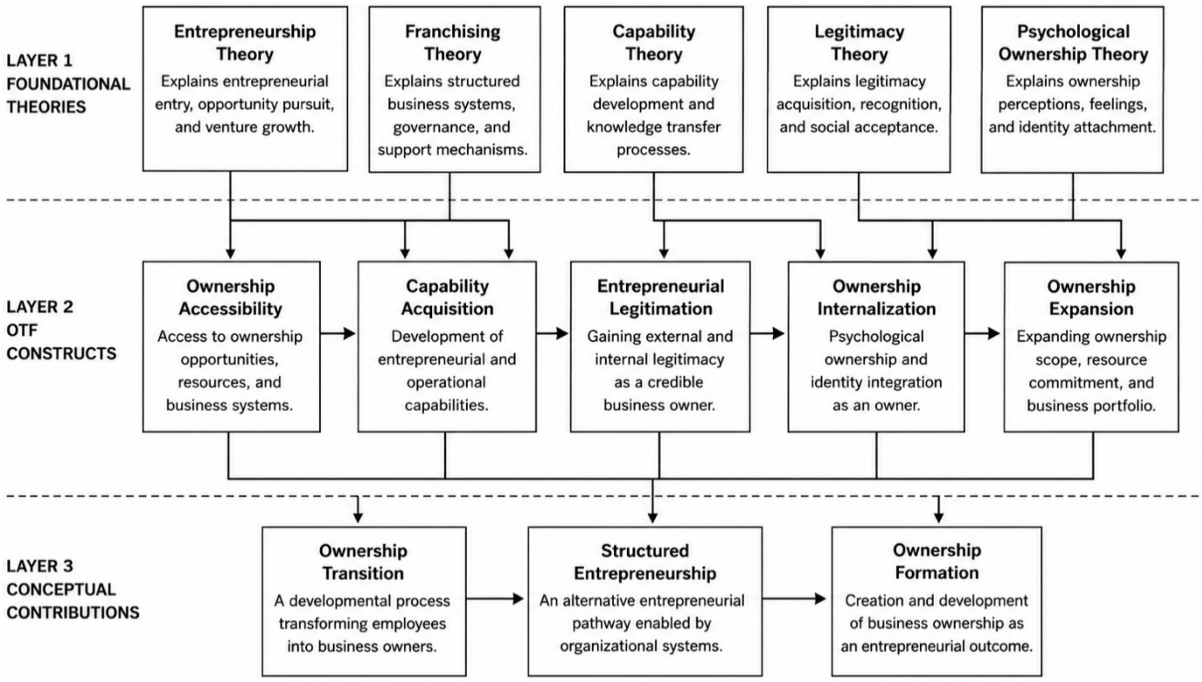

Figure 4. Multi-Theory Integration Underlying the Ownership Transition Framework (OTF)
Source: Developed by the authors based on entrepreneurship theory, franchising research, capability theory, legitimacy theory, and psychological ownership theory synthesized in this study.

Figure 4 demonstrates that the Ownership Transition Framework emerges from the integration of previously disconnected theoretical traditions. Entrepreneurship theory contributes insights regarding entrepreneurial entry and growth, franchising theory explains structured ownership opportunities and support mechanisms, capability theory informs capability acquisition processes, legitimacy theory explains entrepreneurial recognition and acceptance, and psychological ownership theory provides the foundation for ownership internalization. The integration of these perspectives generates a broader theoretical explanation of ownership transition and supports the development of structured entrepreneurship and ownership formation as new conceptual domains.

The resulting framework provides a more comprehensive explanation of ownership formation than any individual theoretical perspective can offer independently. By integrating these previously disconnected literatures, the framework contributes to a more holistic understanding of entrepreneurial participation and ownership development.

Importantly, this integrative contribution is particularly relevant in contemporary business environments where entrepreneurial participation increasingly occurs through organizational systems that simultaneously provide access, legitimacy, capabilities, and ownership opportunities.

6.5 Theoretical Implications for Business Ownership Research

Beyond entrepreneurship and franchising, the Ownership Transition Framework contributes to the broader study of business ownership.

Ownership has often been treated as a relatively static organizational characteristic. Existing research commonly focuses on ownership structure, ownership concentration, governance arrangements, family ownership, or ownership-performance relationships. Comparatively little attention has been devoted to understanding how ownership itself emerges.

The Ownership Transition Framework shifts attention toward ownership formation as a dynamic developmental process. Rather than conceptualizing ownership as a fixed condition, the framework suggests that ownership evolves through a sequence of accessibility, learning, legitimacy construction, identity transformation, and expansion.

This process perspective offers several theoretical advantages.

First, it explains why ownership opportunities are not distributed equally across individuals and organizations. Access to ownership depends partly on the availability of organizational systems capable of facilitating ownership transition.

Second, it demonstrates that ownership development is influenced not only by financial resources but also by capability transfer, legitimacy access, and identity formation.

Third, it introduces ownership transition as an intermediate mechanism connecting organizational systems to entrepreneurial outcomes.

Collectively, these insights contribute to the emergence of business ownership as a distinct domain of inquiry within entrepreneurship and management research.

6.6 Managerial Implications

The framework also offers several practical implications for managers, franchisors, entrepreneurial support organizations, and policymakers.

For franchisors, the framework suggests that franchise systems should be viewed not only as distribution and expansion mechanisms but also as ownership development systems. Franchisors may benefit from designing programs that deliberately support franchisees' progression through the stages of ownership transition.

Particular attention should be devoted to capability acquisition and entrepreneurial legitimation. Training programs, mentoring arrangements, peer-learning networks, leadership development initiatives, and knowledge-sharing mechanisms may accelerate ownership transition and improve long-term system performance.

For prospective entrepreneurs, the framework highlights the importance of structured ownership pathways. Individuals lacking prior entrepreneurial experience may benefit substantially from organizational systems that provide access to established business models, legitimacy resources, and capability-development opportunities.

The framework therefore challenges the assumption that successful entrepreneurship necessarily requires independent venture creation. Structured ownership pathways may represent viable alternatives for individuals seeking entrepreneurial participation while managing uncertainty and resource constraints.

For entrepreneurial support organizations and business development agencies, the framework suggests that entrepreneurial participation can be expanded not only by encouraging venture creation but also by facilitating access to ownership-oriented organizational systems.

6.7 Toward a New Research Agenda on Ownership Systems

Perhaps the most significant implication of the Ownership Transition Framework is its potential to stimulate a new research agenda centered on ownership systems.

The framework suggests that organizations can actively create entrepreneurs by lowering barriers to ownership, transferring capabilities, facilitating legitimacy, supporting identity development, and enabling ownership expansion. This proposition shifts attention away from entrepreneurship as an exclusively individual phenomenon and toward entrepreneurship as a process influenced by organizational design.

Future research may therefore examine how different organizational systems facilitate ownership transition. Franchise systems represent only one example. Similar processes may occur within licensing arrangements, employee ownership programs, management buyouts, cooperative enterprises, acquisition-based entrepreneurship, and partnership-oriented business structures.

By recognizing ownership transition as a distinct theoretical phenomenon, scholars may develop richer explanations of how entrepreneurial participation emerges, evolves, and expands within contemporary business environments.

Ultimately, the Ownership Transition Framework contributes to a broader understanding of how organizations create owners rather than merely creating firms. This shift in perspective represents an important step toward a more comprehensive theory of entrepreneurship, ownership formation, and business participation.

7. Future Research Directions

The OFT provides a conceptual foundation for understanding how structured business systems facilitate the transformation of individuals from employees into business owners. While the framework contributes to entrepreneurship, franchising, and ownership research, it also raises several important questions that warrant future investigation. More importantly, the framework opens opportunities for a broader research agenda focused on ownership formation, ownership development, and ownership expansion within contemporary business environments. Accordingly, this section outlines several promising directions for extending and refining the proposed framework.

7.1 Developing and Validating Ownership Transition Measures

A primary priority for future research is the operationalization and measurement of ownership transition.

As a newly proposed construct, ownership transition currently exists at the conceptual level. Empirical research is needed to develop valid and reliable measurement instruments capable of capturing the multiple dimensions of the transition process. Future studies may examine ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion as distinct but interconnected dimensions.

Scale-development research could investigate whether ownership transition is best represented as a higher-order construct or as a sequence of related developmental stages. Such efforts would provide the methodological foundation necessary for testing the Ownership Transition Framework empirically.

Longitudinal validation studies may be particularly valuable because ownership transition is inherently process-oriented and unfolds over time rather than occurring instantaneously. Researchers could examine how individuals progress through the proposed stages and whether certain stages exert stronger effects on entrepreneurial outcomes than others.

The development of robust measurement instruments would represent an important first step toward establishing ownership transition as a distinct construct within entrepreneurship and management research.

7.2 Testing Ownership Transition Across Different Ownership Systems

Although the present article focuses primarily on structured business systems such as franchising, future research should investigate whether ownership transition occurs in other organizational contexts.

Several organizational arrangements provide opportunities for individuals to enter ownership positions without creating entirely new ventures. Examples include licensing systems, employee ownership programs, management buyouts, business acquisitions, partnership-based ventures, cooperative enterprises, and family business succession arrangements.

Comparative studies could examine whether the mechanisms proposed in the Ownership Transition Framework operate similarly across these different ownership systems. Such investigations would help determine the generalizability and boundary conditions of the framework.

For example, future research may explore whether capability acquisition plays a more important role in franchising than in management buyouts, or whether legitimacy transfer is more critical in licensing systems than in family business succession contexts. Understanding these differences would contribute to a more nuanced theory of ownership transition.

Such studies would also clarify whether ownership transition represents a general entrepreneurial phenomenon or one that is contingent upon specific organizational structures.

7.3 Exploring the Temporal Dynamics of Ownership Transition

The Ownership Transition Framework conceptualizes ownership transition as a developmental process. However, the temporal dynamics underlying this process remain largely unexplored.

Future research should investigate how ownership transition unfolds over time and whether individuals progress through the proposed stages in a linear, recursive, or cyclical manner. It is possible that ownership transition involves feedback loops in which ownership expansion creates new opportunities for capability development, legitimacy accumulation, and identity reinforcement.

Longitudinal research designs would be particularly useful for examining the sequencing, timing, and duration of ownership transition stages. Such studies could identify critical transition points at which individuals either advance toward ownership expansion or discontinue entrepreneurial participation.

Researchers may also investigate whether ownership transition accelerates under certain organizational conditions or whether particular stages require longer developmental periods than others.

Understanding these temporal dynamics would significantly strengthen the explanatory power of the Ownership Transition Framework and contribute to broader process-based theories of entrepreneurship.

7.4 Investigating Identity Formation and Psychological Ownership

The framework highlights ownership internalization as a critical stage linking entrepreneurial participation to ownership expansion. Nevertheless, the psychological mechanisms underlying this process remain underdeveloped.

Future research should examine how entrepreneurial identity, self-efficacy, ownership perceptions, and psychological commitment influence ownership transition outcomes. Studies grounded in psychological ownership theory may provide deeper insights into how individuals develop ownership-related motivations and behaviors over time.

Particular attention should be devoted to understanding how entrepreneurial identities evolve during the transition from employee to owner. Researchers may investigate whether identity transformation occurs gradually through accumulated experiences or emerges through critical ownership-related events.

Future studies could also explore how different forms of organizational support influence identity formation and psychological ownership. For example, mentoring programs, peer-learning communities, and leadership-development initiatives may strengthen ownership internalization and accelerate entrepreneurial development.

Such research would enrich understanding of the microfoundations of ownership transition and strengthen integration between entrepreneurship, identity, and ownership literatures.

7.5 Examining Ownership Expansion and Entrepreneurial Scaling

The final stage of the Ownership Transition Framework concerns ownership expansion. While entrepreneurship research has extensively examined firm growth and organizational scaling, relatively little is known about growth from an ownership perspective.

Future studies should investigate how individuals expand ownership portfolios after successfully completing the ownership transition process. Important questions remain regarding the capabilities, resources, strategic choices, and organizational conditions that enable owners to move from single-unit operations to multi-unit ownership structures.

Research may also explore the relationship between ownership expansion and entrepreneurial outcomes such as business performance, wealth creation, resilience, strategic flexibility, and long-term entrepreneurial sustainability.

Additionally, scholars should examine factors that constrain ownership expansion, including resource limitations, managerial complexity, institutional barriers, governance challenges, and capability deficiencies. Such studies would provide valuable insights into why some owners successfully scale ownership while others remain limited to single-unit operations.

By shifting attention from firm growth to ownership growth, future research may generate new perspectives on entrepreneurial scaling and business development.

7.6 Multi-Level and Cross-National Perspectives on Ownership Transition

Another promising direction involves examining ownership transition across multiple levels of analysis.

At the individual level, researchers may investigate how human capital, prior experience, risk preferences, and entrepreneurial motivations influence ownership transition outcomes. At the organizational level, studies may examine how business systems, governance arrangements, and capability-transfer mechanisms facilitate or constrain ownership formation. At the ecosystem level, researchers may explore how institutional environments, entrepreneurial cultures, and support infrastructures influence ownership accessibility.

Cross-national studies may be particularly valuable because ownership opportunities are embedded within broader institutional and cultural contexts. Differences in regulatory systems, market structures, entrepreneurial norms, and property-rights regimes may influence the effectiveness of ownership-transition mechanisms.

Such investigations would help establish the contextual boundary conditions of the Ownership Transition Framework and contribute to a more globally relevant understanding of ownership formation.

7.7 Concluding Remarks on Future Research

Collectively, these research directions suggest that ownership transition represents a promising and underdeveloped domain within entrepreneurship and business management research. By encouraging empirical investigation of ownership accessibility, capability transfer, entrepreneurial legitimation, ownership internalization, and ownership expansion, future studies can refine, validate, and extend the Ownership Transition Framework.

More importantly, these research directions support a broader shift in entrepreneurship scholarship—from focusing exclusively on venture creation toward understanding how organizational systems create, develop, and expand business ownership. Such a shift has the potential to generate richer theoretical insights into entrepreneurial participation and the mechanisms through which ownership opportunities emerge within contemporary business environments.

Accordingly, the Ownership Transition Framework should be viewed not as a final theory but as a starting point for a broader research program dedicated to understanding ownership formation as a central entrepreneurial phenomenon.

8. Conclusion

This study set out to address an important but largely overlooked question within entrepreneurship and business management research: how do individuals transition from employee status to business ownership through structured business systems? While entrepreneurship scholarship has traditionally focused on opportunity recognition, venture creation, entrepreneurial action, and firm growth, considerably less attention has been devoted to understanding how organizational systems facilitate the acquisition and development of business ownership. As demonstrated throughout this article, existing theoretical perspectives provide valuable but fragmented explanations of this phenomenon. Entrepreneurship theory explains venture creation, franchising research focuses on governance and organizational design, capability-based perspectives examine learning and knowledge transfer, legitimacy theory addresses social acceptance and credibility, and psychological ownership theory explores ownership perceptions and identity formation. However, no single framework has adequately explained how these mechanisms collectively contribute to the transformation of individuals from employees into owners. Addressing this gap, the present study developed the OFT, a conceptual model that reconceptualizes ownership transition as a distinct entrepreneurial process and positions business ownership as a meaningful entrepreneurial outcome deserving independent theorization.

The novelty of this study lies in its shift of analytical attention from organizational creation to ownership formation. Existing entrepreneurship research has largely equated entrepreneurial participation with the creation of new ventures, thereby reinforcing a founder-centric view of entrepreneurship. In contrast, this study argues that entrepreneurial participation may also emerge through structured organizational arrangements that provide access to ownership opportunities, transferable capabilities, legitimacy resources, and developmental support mechanisms. By introducing ownership transition as a distinct construct, the article broadens the conceptual boundaries of entrepreneurship and challenges the assumption that entrepreneurial ownership necessarily follows independent venture creation. In doing so, the study contributes to emerging discussions regarding entrepreneurial heterogeneity, alternative entrepreneurial pathways, and the growing importance of organizational systems in shaping entrepreneurial participation.

The Ownership Transition Framework advances current knowledge by integrating previously disconnected streams of literature into a unified explanatory model. Specifically, the framework conceptualizes ownership transition as a developmental process consisting of five interrelated stages: ownership accessibility, capability acquisition, entrepreneurial legitimation, ownership internalization, and ownership expansion. Through this integration, the framework explains how organizational systems reduce barriers to entrepreneurial entry, transfer entrepreneurial competencies, confer legitimacy, facilitate identity transformation, and ultimately enable the expansion of ownership opportunities. This process-oriented perspective extends existing entrepreneurship theory by recognizing ownership acquisition as an entrepreneurial outcome, extends franchising research by repositioning franchising as an ownership creation mechanism rather than solely a governance structure, and enriches capability and psychological ownership research by connecting learning and identity processes to ownership formation. The resulting framework therefore offers a more comprehensive explanation of entrepreneurial participation than can be provided by any single theoretical perspective in isolation.

The study also generates several important theoretical implications. First, it introduces ownership transition as a new conceptual lens for understanding entrepreneurial development. Second, it advances the notion of structured entrepreneurship, highlighting the existence of entrepreneurial pathways that exist between conventional employment and independent venture creation. Third, it contributes to a growing recognition that organizations do not merely create firms or generate economic activity; they may also function as mechanisms for creating owners. Collectively, these contributions encourage scholars to reconsider fundamental assumptions regarding how entrepreneurship emerges, how ownership opportunities are distributed, and how entrepreneurial capabilities are developed within organizational contexts. Beyond its theoretical implications, the framework offers practical relevance for franchisors, entrepreneurial support organizations, and business development institutions. By emphasizing ownership accessibility, capability transfer, legitimacy development, and identity formation, the framework suggests that successful ownership creation requires more than financial investment alone. Organizations seeking to foster entrepreneurial participation may benefit from designing systems that deliberately support the developmental progression of prospective owners through these interconnected stages.

Notwithstanding these contributions, several limitations should be acknowledged. As a conceptual study, the framework remains theoretical and has not yet been subjected to empirical validation. Consequently, the proposed relationships and propositions require systematic testing across diverse organizational contexts and institutional environments. In addition, while franchising serves as the primary illustrative context for the framework, ownership transition may operate differently across alternative ownership systems such as licensing arrangements, employee ownership programs, business acquisitions, cooperative enterprises, and family business succession structures. The framework therefore represents an initial theoretical foundation rather than a definitive explanation of ownership formation. These limitations, however, should be viewed as opportunities for further theoretical refinement and empirical investigation rather than weaknesses of the framework itself.

Future research should focus on developing and validating measures of ownership transition, examining the temporal dynamics of ownership development, and investigating the conditions under which ownership accessibility translates into entrepreneurial growth. Comparative studies across ownership systems, industries, and national contexts would help establish the generalizability and boundary conditions of the framework. Additional attention should also be devoted to the micro-level processes through which entrepreneurial identities, psychological ownership, and legitimacy perceptions evolve during ownership transition. Furthermore, research exploring ownership expansion, portfolio ownership, and multi-unit entrepreneurial growth could substantially enrich understanding of how ownership develops beyond initial acquisition. Such investigations would not only test the assumptions underlying the Ownership Transition Framework but also contribute to a broader theory of ownership formation within contemporary entrepreneurial ecosystems.

In conclusion, this study argues that entrepreneurship should not be understood exclusively as the creation of new ventures but also as the creation and expansion of ownership opportunities. By developing the Ownership Transition Framework, the article offers a new perspective on how organizational systems transform employees into owners through processes of accessibility, capability development, legitimacy construction, identity internalization, and ownership expansion. More broadly, the framework highlights the possibility that entrepreneurial participation is shaped not only by individual initiative but also by the organizational structures that make ownership attainable. As business environments continue to evolve and alternative pathways to entrepreneurship become increasingly important, understanding how organizations create owners may prove as significant as understanding how entrepreneurs create firms. The Ownership Transition Framework therefore provides a foundation for a new stream of research that places ownership formation at the center of entrepreneurship and business management scholarship, opening new possibilities for theory development, empirical inquiry, and practical innovation in the study of entrepreneurial participation.

References

Alvarez, S. A., & Barney, J. B. (2007). Discovery and creation: alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, *1*(1–2), 11–26. https://doi.org/10.1002/sej.4

Argote, L., & Ingram, P. (2000). Knowledge Transfer: A Basis for Competitive Advantage in Firms. *Organizational Behavior and Human Decision Processes*, *82*(1), 150–169. https://doi.org/10.1006/obhd.2000.2893

Audretsch, D. B., Belitski, M., & Cherkas, N. (2021). Entrepreneurial ecosystems in cities: The role of institutions. *PLOS ONE*, *16*(3), e0247609. https://doi.org/10.1371/journal.pone.0247609

Autio, E., Nambisan, S., Thomas, L. D. W., & Wright, M. (2018). Digital affordances, spatial affordances, and the genesis of entrepreneurial ecosystems. *Strategic Entrepreneurship Journal*, *12*(1), 72–95. https://doi.org/10.1002/sej.1266

Avey, J. B., Avolio, B. J., Crossley, C. D., & Luthans, F. (2009). Psychological ownership: theoretical extensions, measurement and relation to work outcomes. *Journal of Organizational Behavior*, *30*(2), 173–191. https://doi.org/10.1002/job.583

Baker, T., & Nelson, R. E. (2005). Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage. *Administrative Science Quarterly*, *50*(3), 329–366. https://doi.org/10.2189/asqu.2005.50.3.329

Becker, G. S. (1964). *Human capital: A theoretical and empirical analysis, with special reference to education*. University of Chicago Press.

Combs, J. G., Ketchen, D. J., & Short, J. C. (2011). Franchising Research: Major Milestones, New Directions, and its Future within Entrepreneurship. *Entrepreneurship Theory and Practice*, *35*(3), 413–425. https://doi.org/10.1111/j.1540-6520.2011.00443.x

Combs, J. G., Michael, S. C., & Castrogiovanni, G. J. (2004). Franchising: A Review and Avenues to Greater Theoretical Diversity. *Journal of Management*, *30*(6), 907–931. https://doi.org/10.1016/j.jm.2004.06.006

Cope, J. (2005). Toward a Dynamic Learning Perspective of Entrepreneurship. *Entrepreneurship Theory and Practice*, *29*(4), 373–397. https://doi.org/10.1111/j.1540-6520.2005.00090.x

Dada, O. (Lola). (2018). A Model of Entrepreneurial Autonomy in Franchised Outlets: A Systematic Review of the Empirical Evidence. *International Journal of Management Reviews*, *20*(2), 206–226. https://doi.org/10.1111/ijmr.12123

Dada, O. (Lola), Watson, A., & Kirby, D. A. (2012). Toward a model of franchisee entrepreneurship. *International Small Business Journal: Researching Entrepreneurship*, *30*(5), 559–583. https://doi.org/10.1177/0266242610376078

Darr, E. D., Argote, L., & Epple, D. (1995). The Acquisition, Transfer, and Depreciation of Knowledge in Service Organizations: Productivity in Franchises. *Management Science*, *41*(11), 1750–1762. https://doi.org/10.1287/mnsc.41.11.1750

Davidsson, P., & Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing*, *18*(3), 301–331. https://doi.org/10.1016/S0883-9026(02)00097-6

Dawkins, S., Tian, A. W., Newman, A., & Martin, A. (2017). Psychological ownership: A review and research agenda. *Journal of Organizational Behavior*, *38*(2), 163–183. https://doi.org/10.1002/job.2057

Fauchart, E., & Gruber, M. (2011). Darwinians, Communitarians, and Missionaries: The Role of Founder Identity in Entrepreneurship. *Academy of Management Journal*, *54*(5), 935–957. https://doi.org/10.5465/amj.2009.0211

Felin, T., Foss, N. J., Heimeriks, K. H., & Madsen, T. L. (2012). Microfoundations of Routines and Capabilities: Individuals, Processes, and Structure. *Journal of Management Studies*, *49*(8), 1351–1374. https://doi.org/10.1111/j.1467-6486.2012.01052.x

Foss, N. J., & Klein, P. G. (2012). *Organizing entrepreneurial judgment: A new approach to the firm*. Cambridge University Press.

Gillis, W., & Castrogiovanni, G. J. (2012). The franchising business model: an entrepreneurial growth alternative. *International Entrepreneurship and Management Journal*, *8*(1), 75–98. https://doi.org/10.1007/s11365-010-0158-8

Gillis, W. E., Combs, J. G., & Yin, X. (2020). Franchise management capabilities and franchisor performance under alternative franchise ownership strategies. *Journal of Business Venturing*, *35*(1), 105899. https://doi.org/10.1016/j.jbusvent.2018.09.004

Hadjielias, E., Dada, O. (Lola), & Eliades, K. (2021). Entrepreneurial process in international multiunit franchise outlets: A social capital perspective. *Journal of Business Research*, *134*, 13–28. https://doi.org/10.1016/j.jbusres.2021.05.022

Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M. A., Singh, H., eece, D. J., & Winter, S. G. (2007). *Dynamic capabilities: Understanding strategic change in organizations*. Blackwell Publishing.

Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: capability lifecycles. *Strategic Management Journal*, *24*(10), 997–1010. https://doi.org/10.1002/smj.332

Kacker, M., Dant, R. P., Emerson, J., & Coughlan, A. T. (2016). How Firm Strategies Impact Size of Partner-Based Retail Networks: Evidence From Franchising. *Journal of Small Business Management*, *54*(2), 506–531. https://doi.org/10.1111/jsbm.12155

Kaufmann, P. J., & Dant, R. P. (1999). Franchising and the domain of entrepreneurship research. *Journal of Business Venturing*, *14*(1), 5–16. https://doi.org/10.1016/S0883-9026(97)00095-5

Kim, S. K., & Tiwana, A. (2022). Franchising contracts as routines: Untangling the adaptive value of incomplete contracts. *Journal of Business Research*, *152*, 177–190. https://doi.org/10.1016/j.jbusres.2022.07.046

McKelvie, A., & Wiklund, J. (2010). Advancing Firm Growth Research: A Focus on Growth Mode Instead of Growth Rate. *Entrepreneurship Theory and Practice*, *34*(2), 261–288. https://doi.org/10.1111/j.1540-6520.2010.00375.x

McMullen, J. S., & Shepherd, D. A. (2006). Entrepreneurial Action And The Role Of Uncertainty In The Theory Of The Entrepreneur. *Academy of Management Review*, *31*(1), 132–152. https://doi.org/10.5465/amr.2006.19379628

Murnieks, C. Y., Mosakowski, E., & Cardon, M. S. (2014). Pathways of Passion. *Journal of Management*, *40*(6), 1583–1606. https://doi.org/10.1177/0149206311433855

Pierce, J. L., Kostova, T., & Dirks, K. T. (2001). Toward a Theory of Psychological Ownership in Organizations. *Academy of Management Review*, *26*(2), 298–310. https://doi.org/10.5465/amr.2001.4378028

Pierce, J. L., Kostova, T., & Dirks, K. T. (2003). The State of Psychological Ownership: Integrating and Extending a Century of Research. *Review of General Psychology*, *7*(1), 84–107. https://doi.org/10.1037/1089-2680.7.1.84

Politis, D. (2005). The Process of Entrepreneurial Learning: A Conceptual Framework. *Entrepreneurship Theory and Practice*, *29*(4), 399–424. https://doi.org/10.1111/j.1540-6520.2005.00091.x

Sarasvathy, S. D. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review*, *26*(2), 243–263. https://doi.org/10.5465/amr.2001.4378020

Shane, S., & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *Academy of Management Review*, *25*(1), 217–226. https://doi.org/10.5465/amr.2000.2791611

Sieger, P., Gruber, M., Fauchart, E., & Zellweger, T. (2016). Measuring the social identity of entrepreneurs: Scale development and international validation. *Journal of Business Venturing*, *31*(5), 542–572. https://doi.org/10.1016/j.jbusvent.2016.07.001

Sirmon, D. G., Hitt, M. A., Ireland, R. D., & Gilbert, B. A. (2011). Resource Orchestration to Create Competitive Advantage. *Journal of Management*, *37*(5), 1390–1412. https://doi.org/10.1177/0149206310385695

Sorenson, O., & Sørensen, J. B. (2001). Finding the right mix: franchising, organizational learning, and chain performance. *Strategic Management Journal*, *22*(6–7), 713–724. https://doi.org/10.1002/smj.185

Spigel, B. (2017). The Relational Organization of Entrepreneurial Ecosystems. *Entrepreneurship Theory and Practice*, *41*(1), 49–72. https://doi.org/10.1111/etap.12167

Stam, E. (2015). Entrepreneurial Ecosystems and Regional Policy: A Sympathetic Critique. *European Planning Studies*, *23*(9), 1759–1769. https://doi.org/10.1080/09654313.2015.1061484

Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, *20*(3), 571–610. https://doi.org/10.5465/amr.1995.9508080331

Szulanski, G., & Jensen, R. J. (2006). Presumptive adaptation and the effectiveness of knowledge transfer. *Strategic Management Journal*, *27*(10), 937–957. https://doi.org/10.1002/smj.551

Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic Management Journal*, *28*(13), 1319–1350. https://doi.org/10.1002/smj.640

Welter, F., Baker, T., Audretsch, D. B., & Gartner, W. B. (2017). Everyday Entrepreneurship—A Call for Entrepreneurship Research to Embrace Entrepreneurial Diversity. *Entrepreneurship Theory and Practice*, *41*(3), 311–321. https://doi.org/10.1111/etap.12258

Winter, S. G., & Szulanski, G. (2001). Replication as Strategy. *Organization Science*, *12*(6), 730–743. https://doi.org/10.1287/orsc.12.6.730.10084

Zahra, S. A., Sapienza, H. J., & Davidsson, P. (2006). Entrepreneurship and Dynamic Capabilities: A Review, Model and Research Agenda*. *Journal of Management Studies*, *43*(4), 917–955. https://doi.org/10.1111/j.1467-6486.2006.00616.x

Zimmerman, M. A., & Zeitz, G. J. (2002). Beyond Survival: Achieving New Venture Growth by Building Legitimacy. *Academy of Management Review*, *27*(3), 414–431. https://doi.org/10.5465/amr.2002.7389921

.