

SMALL BUSINESS

Franchising Versus Entrepreneurship Through Acquisition

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Forbes Business Council, COUNCIL POST | Membership (fee-based)

Published May 27, 2026, 10:00am EDT

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The search for the right business to acquire often becomes its own full-time job. Daily, I work with clients who have been in the entrepreneurship-through-acquisition game for three, four, sometimes five years.



They have had multiple letters of intent signed, but due diligence fell apart at the finish line. Deals that made sense on paper initially didn't in the end. These are sharp people—including a number of Ivy League MBA graduates—who did everything right and still find themselves on the sideline as the clock ticks.

This experience has pushed a growing number of them to take a serious look at franchising.

Particularly for those seeking a more structured operating model or a faster path into ownership, it can offer a practical path to getting into the business ownership game. But as with any business model, the fit depends heavily on your goals, risk tolerance and long-term strategy.

The Hidden Costs Of Acquisition Entrepreneurship

I want to be clear: In my opinion, entrepreneurship through acquisition (ETA) is a legitimate path. When you find the right business at the right price with the right fundamentals, it can be a powerful move. The allure of this direction makes intuitive sense. You walk into a company with cash flow in place, a customer base, brand awareness in the market and a team running operations. The assumption is that you're buying something predictable.

The broader macro environment is leading toward this growing shift in people seeking entrepreneurship. According to a recent Intuit QuickBooks study, one in three U.S. adults now plan to start a new business or side hustle in 2026. That is a 94% increase over the prior year.

The problem is that ownership transitions are rarely as smooth as the pro forma suggests. Key employees may leave. Long-standing clients often follow the person they built a relationship with, not the company. Culture, which often exists entirely in the founder's personality, shifts in ways that are difficult to anticipate and harder to reverse. You can pay a multiple for stability, but the first 90 days very often reveal that stability was more fragile than the historical financials showed.

Meanwhile, the business search itself has costs that didn't show up anywhere on a spreadsheet. The market for quality acquisitions can be very crowded. There are likely more searchers today than ever before, and quality businesses at reasonable valuations move quickly. The time spent under a letter of intent (LOI) on a deal that falls apart is time that could have been spent building a business.



Building Versus Inheriting

There is also a real difference in what you are actually building. Again, when you acquire a business, you inherit its culture. When you launch a franchise, for the most part you create your own. The hiring decisions are yours; your standards and your leadership style—all of it gets baked in from day one.

Franchisees are still operating within an established brand, operating model and set of standards created by the franchisor, but what you build around it is yours. You are still the owner and this is your operation.

As we are all aware, AI is displacing roles across a variety of industries that once offered reliable career tracks, and professionals who would never have considered business ownership before are now evaluating it as a potentially attractive next step. People want to control their own destinies. They also want to build their own empires.

What franchising can offer those individuals is structure without as long of a search. A proven playbook. A franchisor who acts essentially as a coach with a support team on the sidelines. And I have found that something often gets overlooked: a network of fellow owners across the country running the same business, sharing what works and benchmarking against each other in real time.

The Modern Franchise Economy

Many associate franchising with Subway, McDonald's or other food companies. However, today's candidates are often more interested in opportunities that exist in other arenas, such as home services, health and wellness, business-to-business (B2B) services and categories like seniors and pets.

I am also seeing more clients think seriously about what the long game looks like inside a franchise system. One of my clients came in as a single-unit franchisee in a national moving services brand and has grown to roughly a dozen markets—largely by acquiring other franchisee locations over time as they became available.

This is a dynamic I refer to as "internal entrepreneurship through acquisition." He has since purchased additional brands, creating internal pathways for his best people to step into newly created leadership roles. This is one way to compound this model.



That said, as I stated earlier, ETA is a legitimate path, and there are many entrepreneurs who like to do their own thing, putting their thumbprints on every component of the business. They may also want to avoid making royalty payments to a franchisor and wish to be free to expand outside of a certain geographic footprint.

Franchising As A Foundation

The question I ask clients who are stuck in the acquisition search is simple: What does the next season look like, and what provides the best foundation to build from?

Whatever you do next likely will not be the last thing you ever do. You can acquire businesses later, inside or outside a franchise system. You can add brands. You can expand. But getting in the game and building cash flow, developing your team and establishing yourself as an operator—that foundation matters. ETA isn't always the answer; franchising can be a viable alternative.

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