



Social Franchising as Vehicle to Economic Prosperity in Saudi Arabia

By

Dr. Abdulaziz Alotaibi

Business College, Marketing Department, Al-baha University, Saudi Arabia

akhalid@bu.edu.sa

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Abstract

This study focuses on analyzing the economic effect of social franchising on Saudi Arabia and the ability of the approach to diversify and promote enterprising by Vision 2030. The paper compares the ability of social franchising models to assist social business ventures and entrepreneurs in developing sustainable businesses and promoting employment opportunities and regional growth. Quantitative in methodology, the research asks relevant questions on structures like revenue growth, the generation of revenues, financial soundness, and GDP contributions in structured questionnaires. This suggests smaller effect sizes only for growth and scalability; however, favorable influences are demonstrated by close communication between franchisor/franchisee and government support. The research calls for advancing digital capabilities and applying strategic frameworks to improve social franchising performance. However, the findings of this research can enrich one's understanding of how social franchising may help to narrow the regional divide and advance sustainable economic development in Saudi Arabia, furthering future research to reconsider systemic variables and longitudinal approaches for a better understanding of the problem.

Keywords: Saudi Arabia, social franchising, impact, economy

Introduction

1.1. Study Background

There is a growing appreciation for social franchising as a requisite strategy for addressing economic and social development within Saudi Arabia, given its focus on economic diversification and entrepreneur development in alignment with Vision 2030 goals, as stated by Saudipedia (2024). Al Bakri and Kisswani (2024) opine on the opportunity and prospects that franchising and licensing provide businesses in the GCC region, offering potential revenue generation and quality assurance while underlining their legal and operational issues. Nasri et al. (2020) describe the phenomenon of franchises and focus on the appraisal of the perspectives of Middle Eastern businesses to ensure flexible

development by employing the principles of franchising to accomplish their sustainable development objectives. Saudi Arabia is another country described in entrepreneurship and innovation by Khan and Iqbal (2020) as exemplifying how localized strategies can leverage expectations in supporting innovativeness in business models. Social franchising accords with these insights due to its ability to implement the exchange of knowledge and skills, accumulate human capital, and provide useful frameworks for expanding varied ventures.

Social franchising has contributed significantly to Saudi Arabia's GDP through diversification and the creation of SME business activities in prime economic sectors. Currently, the sector contributes approximately 4% of Saudi Arabia's Gross Domestic Product, indicating the role franchising plays in the country's economy (Newsdesk, 2024). Franchising currently hosts over 1,200 franchisable brands and over 10,000 business opportunities; it allows entrepreneurs to enter markets with comparatively less risk while adopting business models (Newsdesk, 2024). This facilitates innovation, lowers entry barriers, and advances the Kingdom's strategic objective of raising SMEs' GDP contribution from 20% to 35% under Vision 2030 (Vogue Business, 2024). In recent decades, franchising has grown significantly and is still very popular in the largest country in the Gulf. It is projected that the franchise industry will expand by 10% to 20% a year, with fees and royalties expected to reach \$323 million (Shujauddin, 2009). With an anticipated growth rate of 12%–15% annually, the Saudi franchise business was estimated to be worth \$1.3 billion in annual fees and royalties (Shujauddin, 2009). With domestic and foreign franchisees growing quickly, the food and beverage sector is a major force behind franchising. Further supporting consumer spending and economic activity, Khan and Iqbal (2020) discovered that franchises produce jobs, with SMEs contributing significantly to the jobs created. The Franchise Center and Monsha'at have provided institutional support that has expedited the development and sustainability of franchised firms. Social franchising supports Saudi Arabia's long-term economic transformation objectives and boosts the country's GDP by encouraging entrepreneurial endeavors and generating scalable economic prospects (Newsdesk, 2024; Saudipedia, 2024). Thus, social franchising acts as a stimulant for economic growth in Saudi Arabia by empowering social entrepreneurs and firms, creating jobs, and promoting economic diversity.

1.2. Research Rationale

Social franchising is a potential direction to reach economic and social objectives in Saudi Arabia, especially within Vision 2030. Mattar (2021) stresses the relevance of studying franchising laws in the Arab area to discuss how contextual legal environments can help develop new franchising channels, such as social franchising. Abdelwahed (2022) called for entrepreneurship's active participation in the economy's general development, especially among university students in Saudi Arabia. Social franchising will enable local entrepreneurs and businesses to create viable business models that provide lasting solutions to social problems such as unemployment and regional imbalances. Moreover, Bui et al. (2021) identify franchising's robustness wherever there is strong entrepreneurial orientation, market orientation, and franchisor reinforcements, something social franchising can amplify its impact on. Although great opportunities have to overcome the specific cultural and regulatory environments, social franchising provides Saudi business people with the tested operational models and brand awareness necessary to expand the business. Thus, social franchising supports Saudi Arabia's economic diversification and entrepreneurship policies by increasing employment, regional representation, and skill building.

1.3. Research Questions

1.3.1 General Research Question

How can social franchising serve as a vehicle for economic prosperity in Saudi Arabia, benefiting social enterprises and entrepreneurs and contributing to the overall development of the Saudi economy?

1.3.2 Specific Research Questions

- What is the economic impact of social franchising on Saudi social enterprises and entrepreneurs in terms of revenue growth, job creation, and regional development?
- How do social franchising models perform financially and compare to traditional entrepreneurial ventures in terms of scalability?
- What is the relationship between social franchising adoption and its contribution to Saudi Arabia's GDP, and how does it address regional disparities in unemployment?

1.4. Research Aims and Objectives

1.4.1 Research Aim

This research intends to look at how social franchising can be a weapon of change in releasing the economic growth of Saudi Arabia by supporting the growth of social entrepreneurs and enterprises within the nation to increase their reach and profitability. This study intends to determine the processes by which social franchising promotes employment opportunities and skills development and diversification within the economies of the Kingdom of Saudi Arabia as per the Saudi Arabia Vision 2030.

1.4.2 Research Objectives

- To quantify the economic impact of social franchising on Saudi social enterprises and entrepreneurs by analyzing metrics such as revenue growth, job creation, and regional economic development.
- To assess Social Franchising models' financial potential compared to traditional business enterprises and the expansion rates as one of the KPIs.
- To evaluate whether there is a correlation between Saudi social franchising adoption and the economic returns achievable by the Saudi economy, selected data such as franchises' market penetration figures, their GDP contributions, and their roles in informing the gaps in regional employment rates can be used.

1.5. Significance of the Study

With Vision 2030, which aims at economic diversification and entrepreneurial support, Saudi Arabia views social franchising as a chance for all stakeholders to break free from conventional economic and social conditioning within the value creation framework. DeSantola (2021) discusses key operational performance implications related to reproduction, affecting risks and virtues, and developing social franchises. These insights are crucial for the social franchise model to adapt appropriately to the Saudi Arabian market and economy. According to Sorenson (2021), because franchises can develop tried-and-true frameworks to address market entry and portfolio economics hurdles, they can aid in managing systemic societal concerns. Such principles are relevant, especially in Saudi Arabia; social franchising can help SMEs and entrepreneurs address major challenges such as unemployment or regional imbalance and increase GDP growth.

According to McKague et al. (2021), capacity-building for sustained success expands the applicability of the social franchise model of Farm Shops; it focuses on institution-building to support scale-up. This is consistent with the Kingdom of Saudi Arabia's Vision 2030 to support SMEs and improve employment opportunities by extending support instruments. As the franchise sector plays a significant role and is identified to grow by 10–20% per year, social franchising is a scalable solution to unlock job creation, SMEs, and economic opportunities for many (Shujaiddin, 2009). Social franchising integrates profit motives with social benefits and contributes to sustainable development in Saudi Arabia, aligning perfectly with Vision 2030.

The absence of statistical data on social franchising in Saudi Arabia emphasizes the importance of empirical study in validating its potential benefits to Vision 2030's economic diversification, SME growth, and job creation goals. Thus, this study will provide quantitative insights and empirical facts to close the statistical gap, allowing policymakers and stakeholders to better assess and optimize the role of social franchising in accomplishing Vision 2030's goals.

2. Literature Review

2.1 Introduction

There is a need to understand the presence of the theoretical arguments of social franchising as a strategic form of economic development and how it is anchored to the principles of social entrepreneurship and economic diversification in detail as part of the literature review. Moreover, the issues to be explored during the review include the role of social franchising in stimulating the Saudi Arabian economy's GDP performance and reducing the unemployment rate, as well as the regional distribution of the impacts of social franchising. The final section of the chapter will highlight research limitations, including the paucity of studies on the contextual use of social franchising in Saudi Arabia.

2.2 The Economic Impact of Social Franchising on Enterprises and Entrepreneurs

The potential advantages of franchising for Saudi Arabian business owners and entrepreneurs are highlighted in the GCC region. Al Bakri and Kisswani (2024) and Nasri et al. (2020) discussed some aspects of franchising in the Gulf Cooperation Council (GCC) region, which can be useful for the analysis

of social franchising's impact on enterprises as well as Saudi Arabian entrepreneurs. In consonance with the thoughts set out by Al Bakri and Kisswani (2024), Saudi businesses attempting to apply social franchising for economic development would benefit from adjusting franchising arrangements to a specific market. However, as Nasri et al. (2020) note in their analysis of opportunities for local Middle Eastern franchises, it can also favor regional franchise growth and help diversify the local economy. While Nasri et al. (2020) may focus on the strategic maneuvering strategies of indigenous franchisees, Al Bakri and Kisswani (2024) examine the legal questions. According to Nasri et al. (2020) and Al Bakri and Kisswani (2024), franchising can help uplift businesses and economic growth. The challenges in Saudi Arabia highlight that one of the most potent threats to social franchising is the absence of adequate rules.

Moreover, in the GCC, franchising emphasizes the potential advantages for Saudi Arabian businesses and entrepreneurs, stressing the significance of local company growth prospects and legal issues. Khan and Iqbal (2020) and Mattar (2021) explain franchising and its role in enhancing Saudi Arabian enterprises and entrepreneurs. Khan and Iqbal (2020) contend that social franchising is very important in attaining economic diversification goals because local business owners can grow their businesses and practice established business templates. Conversely, according to Mattar (2021), the region may have uneven or underdeveloped regulations that could hinder the growth and scale of different franchises, including social franchises, which can be confusing for investors and testers. While Khan and Iqbal (2020) focus on outcomes such as employment and profitability, Mattar (2021) concentrates on the legalities and structures that would allow for the sustained expansion of franchising in the long term. Mattar (2021) and Khan and Iqbal (2020) agree that franchising plays a significant role in economic development, but their focal points of discussion are completely different. As such, these findings suggest that one needs to address legal factors to maximize the financial advantages related to franchising.

Several themes explore social franchising as a means of positively contributing to the Saudi Arabian economy by analyzing it from various perspectives, discussing the importance of investing in human capital development, understanding the franchisor-franchisee relationship, and addressing the sustainable development of entrepreneurship. Other themes are developed by Bui et al. (2021) and Abdelwahed (2022) from different

perspectives to understand the contribution of social franchising to the overall Saudi Arabian economy. Important characteristics delineated by Bui et al. (2021) include the sustainability of factions operating based on proper entrepreneurial competencies and continuous franchise appreciation by franchisors. On the other hand, Abdelwahed (2022) shows that human capital development is vital for the growth of businesses and the diversification of the Saudi economy. This perspective is more appropriate in Saudi Arabia because capacity development for entrepreneurship supports Vision 2030 goals. These findings suggest a need to acquire and develop superior entrepreneurial assets to sustain and grow enterprises. Nevertheless, Bui et al. (2021) concentrate on dynastic franchisee roles and franchisor interaction, whereas Abdelwahed (2022) takes a developmental perspective focused on producing new-generation entrepreneurs. These findings thus highlight how important operating services and capacity building are to realizing the financial benefits of social franchising.

2.3 Financial Performance and Scalability of Social Franchising Models

Effective networks, scalability tactics, and the importance of strategic planning for both commercial and social success are highlighted by social franchising models, which examine financial results and scaling. The financial outcomes and scalability of social franchising models are presented by Giudici et al. (2018) and DeSantola (2021); however, the two studies focus on different facets of the scaling procedure. Giudici et al. (2018) demonstrate that the ability of franchisees to manage effective networks and central facilities makes it possible to achieve improved financial performance outcomes while conscientiously attending to social obligations. Nonetheless, DeSantola (2021) offers a theoretical viewpoint on the growth of social franchising models. For example, DeSantola (2021) underscores the need for scalability techniques, focusing on costs and efficiency when dealing with larger markets characterized by various socioeconomic conditions. Superimposing the typology proposed here onto Giudici et al. (2018) and DeSantola (2021), the work is strongly outcome-oriented and insists on best practices. In contrast, the latter becomes more focused on the organizational and procedural aspects. The reader will also find that both slightly neglect scalability, though not wholly. Such findings suggest that establishing and growing a social franchising business requires strategic planning and practical adaptation aimed at achieving both the social and financial objectives of scalability while analyzing the franchise business in its best interest.

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Empirical data on social franchising models underscore the significance of financial performance, scalability, localized adaptability, solid alliances, and community participation for attaining scaled success. Furthermore, some empirical evidence is available on the financial performance and scalability of social franchising models. At the same time, Sorenson (2021) focuses on the performance of the outward FDI stock, and McKague et al. (2021) offer interesting perspectives on the topic from a different angle. Sorenson (2021) emphasizes that franchisees should be motivated to act in a way that maximizes performance and meets organizational and social performance objectives. Conversely, according to McKague et al. (2021), scaling up replicated programs while ensuring strong bilateral and financial performance is vital, and the roles of localized adaptation, strong partnerships, and community engagement must be acknowledged. While Sorenson (2021) concentrates on theoretical issues, McKague et al. (2021) deliberate on operational issues like supply chain and quality requirements usually faced during growth. Both Sorenson (2021) and McKague et al. (2021) agree that while focusing on financial targets is necessary, social goals are equally crucial when expanding social franchise business models. Hence, these results establish the strategic complementarity of theoretical planning with practical execution to bring about scalable success in social franchising.

2.4 Social Franchising and its Contribution to Saudi Arabia's GDP and Unemployment Reduction

Social franchising can significantly affect Saudi Arabia's GDP and unemployment by fostering entrepreneurship, creating jobs, and advancing regional development. Both Sfakianakis (2024) and Kayal (2024) have contributed their perspectives on the potential effects of social franchising on Saudi Arabia's GDP and unemployment rate. According to Sfakianakis (2024), social franchising is one of the key instruments in the Vision 2030 framework since it has boosted the entrepreneurial sector, supported regional development, and created jobs. Sfakianakis (2024) asserts that social franchising can boost GDP through higher company activity and lower unemployment, especially in neglected areas, when included in the larger economic framework. Conversely, Kayal (2024) emphasizes the necessity of social franchising as an effective large-scale solution for tackling the unemployment problem and promoting the goals

of entrepreneurship growth. Kayal (2024) considers the constraints and limitations of implementation, unlike Sfakianakis (2024), who discusses social franchising as a more general anti-crisis economic strategy. As a result, even though Sfakianakis (2024) and Kayal (2024) have somewhat different perspectives on the topic and extent of social franchising, both recognize the enormous potential for social franchising schemes to drive drastic change. These findings thus highlight the importance of adjusting macroeconomic policies with community-based initiatives to influence Saudi Arabia's GDP and unemployment rate.

The current state of the Saudi Arabian economy and the potential for social franchising to lower unemployment and raise GDP per capita highlight the importance of digital platforms, education, innovation, and capacity building. AlzaidAlsharif (2022) and Alotaibi and Aljaafari (2024) discuss today's Saudi Arabian economy and the potential for social franchising to raise GDP per capita and lower unemployment. Alotaibi and Aljaafari (2024) note that social franchising with digital platforms should positively contribute to generating new employment opportunities for young and female individuals in the kingdom, along with addressing the regional shift in the economy. Nevertheless, AlzaidAlsharif (2022) insists on the importance of education, development, innovation, and staff capacity to consider social franchising as a long-term solution for GDP growth and unemployment reduction. Despite having different interests, Alotaibi and Aljaafari (2024) and AlzaidAlsharif (2022) agree that social franchising can transform society. Digitalization, as demonstrated by Alotaibi and Aljaafari (2024), and the foundation of human capital development, as stated by AlzaidAlsharif (2022), are the features most strongly emphasized. Therefore, to improve the efficacy of social franchising in Saudi Arabia, policymakers should be made aware of the necessity of an integrated approach that considers technical advancement and capacity development.

2.5 Theoretical Perspective of Social Franchising

2.5.1 Transaction Cost Theory (TCT)

From the TCT studies on franchising, some requirements include high-quality contractual relations, low transaction cost, and flexibility as elements of high-performing social franchising. There is a limited body of research on TCT in the franchising literature that allows for an understanding of social franchising,

and that is why Tsai et al. (2020) and Hajdini and Windsperger (2020). Thus, as Tsai et al. (2020) noted, social franchising possesses both standardization and flexibility. However, as Hajdini and Windsperger (2020) highlighted, one of the factors is the requirement for social franchising contracts to have low transaction costs and the ability to adapt. These two propositions of Hajdini and Windsperger (2020) are called franchising, while competency and cost, as emphasized by Tsai et al. (2020), are not part of franchising. Hajdini and Windsperger (2020) and Tsai et al. (2020) regard it as providing a theoretical foundation for the organization's social franchising under TCT. These conclusions indicate that the reduction of such costs and flexibility improvement is crucial for the further development of social franchising.

2.5.2 Agency Theory

The relationship between agency theory and social franchising highlights the importance of reducing agency costs, promoting common goals, and leveraging CSR to produce long-term results. By extending the work of Alon et al. (2020) and Naatu (2022), it is possible to describe the relationship between agency theory and social franchising using two main techniques. Alon et al. (2020) emphasize the need to cut agency costs to improve the network's performance, aligning with the social franchise objectives of attaining sustainable results. Conversely, in addition to avoiding agency costs for external stakeholders, generic CSR-oriented social franchising models offer brand image and value to other investors and customers, argues Naatu (2022). As Alon et al. (2020) and Naatu (2022) highlight, agency costs need to be reduced to foster the effectiveness of social franchising. While Alon et al. (2020) build on traditional alignment tools, Naatu (2022) focuses on CSR as a postmodern value-creation approach. These findings suggest that reducing agency costs associated with managing relations between agents and promoting overall common goals and organizational culture is crucial for mitigating agency issues in social franchising.

2.6 Research Gap

Significant gaps within the social franchising context have not yet been addressed in published literature. First, though Al Bakri and Kisswani (2024) and Nasri et al. (2020) discuss the overall economic effects of franchising in the GCC,

opportunities for replicating social franchising in Saudi Arabia are scarce. Moreover, whereas Khan and Iqbal (2020) and Mattar (2021) consider the opportunities for entrepreneurship and restrictive frameworks for the franchising industry, less discussion is provided on how such frameworks can be enriched to allow for social franchising as part of Vision 2030 economic diversification. Additionally, the work of Bui et al. (2021) and Abdelwahed (2022) stresses the aspects of entrepreneurial capabilities and training programs. However, there is a lack of research on how these concepts could be incorporated into the social franchising framework to contribute to both social and financial performance. Tsai et al. (2020) and Hajdini and Windsperger (2020) mainly use transaction cost theory. However, the extent to which this theoretical lens could be deployed to understand the nature of social franchising—which has two primary goals of making a profit and being a viable social intervention tool—has not been empirically investigated extensively. Similarly, although Alon et al. (2020) and Naatu (2022) address agency theory, more studies should focus on understanding CSR’s role in preventing agency issues in Saudi social franchising environments. Furthermore, there is a scarcity of statistical data on social franchising in Saudi Arabia, limiting scientific confirmation of its economic and social consequences in light of Vision 2030.

3. Methodology

3.1 Introduction

This chapter provides details of the research method used in this study, based on the systematic method applied in analyzing the economic effects of social franchising in Saudi Arabia. This section provides an overview of the general methodology used in the research, data collection, and data analysis, as well as the general structure of the present study.

3.2 Research Design

This study adopts a descriptive quantitative research design to analyze the economic impact of social franchising in Saudi Arabia. The descriptive research design aims to accrue quantitative data on the functionality and effectiveness of the social franchising of the participating social enterprises and social entrepreneurs concerning aspects such as raised income, employment

generation, and enhancement in the regional economy. Moreover, the quantitative data determined the frequency with which franchises are established and other financial performance indicators. Because descriptive research design provides a glimpse of the relationship between social franchising and economic development without secondary data, it is suitable to employ a descriptive quantitative research design, as Bretas and Alon (2021) pointed out. Bias is minimized through measurement instruments and questionnaires that have undergone accuracy and consistency testing, and relevant information is only highlighted in the study using questionnaires because it captures the experience and the results of social franchising programs from the go-down perspective.

3.3 Research Philosophy

The present study is based on a positivist research philosophy, whereby the study of research is developed with objective analysis and quantifiable data that help reach conclusions. As such, observable and measured relationships are the subject of this study, including the economic impact of social franchising in Saudi Arabia. Positivism, therefore, is deemed most appropriate for this study. This philosophy embodies the very spirit of this piece: it represents an effort to achieve generalizable findings through the promotion and use of rigor, neutrality, and empirical evidence regarding measurable outcomes concerning social franchising programs (Ali, 2024).

3.4 Research Approach

This quantitative study employs a deductive research approach to verify current theories on the economic effects of social franchising in Saudi Arabia. According to Hall et al.'s (2023) study, a deductive approach is one that essentially starts with well-established theoretical frameworks and uses structured methodologies, like statistical analysis and questionnaires, to assess the research questions regarding the connections between social franchising and economic indicators like employment and income generation. Hence, it enables methodically gathering information and testing theories for reproducibility and dependability (Hall et al., 2023). The deductive approach would offer objective, broadly applicable insights that bolster evidence-based conclusions regarding the economic impacts of social franchising, as it would quantify the outcomes that the research aimed to achieve.

3.5 Research Methodology

This study adopts a quantitative research technique to assess the economic impact of social franchising in Saudi Arabia. All the relevant data regarding several aspects of economic growth indicators, including income and employment opportunities offered, regional development contraction questionnaires were administered to several social enterprises and entrepreneurs engaging in social franchising. Further, it was easier to evaluate the reliability according to the participant's responses on the franchise expansion rates and other related financial aspects. To construct the actual picture of the economic impact of social franchising, the quantitative research method enables the analysis of these factors systematically and comparatively (Alon et al., 2020). Quantitative research is more focused on analyzing patterns or existing relationships of data, and depending on the kind of data gathered, it can be statistically processed to develop research questions, according to Guzik and Więckowska (2023). Since the questionnaires enable the participants to deliberate on the reality of the social franchising ecosystem they have experienced, the investigation results represent the social franchising environment.

3.6 Data Collection

Since the participants in this study were emailed a structured questionnaire, data collection was conducted online. The questionnaires included 29 closed-ended questions to establish quantitative data on the economic effects and factors such as revenue growth, employment opportunities, and financial profitability. As the researcher works in the Saudi social franchising sector, the initial research participants were identified in the workplace. The researcher approached colleagues who are experts in social franchising as part of the initial recruitment. The study then utilized a snowball sampling technique, where the respondents recruited other participants by recommending friends and colleagues who are also experts in social franchising. The structured online questionnaire was sent to participants via email.

The snowballing technique was suited for this study because it enabled the discovery of hard-to-reach individuals with specific knowledge of social franchising, resulting in a diverse and relevant population (Abd Aziz et al., 2022). Participants were given one week to complete the questionnaires in their free

time, as it was believed this provided enough time for thoughtful and realistic responses. The online data collection method was chosen for its effectiveness and practicality, allowing participants to fill out the questionnaire anytime and anywhere, thereby increasing the likelihood of reaching a broader audience (Druart et al., 2023). Furthermore, using closed-ended questions minimized ambiguity and facilitated statistical analysis by ensuring consistency in data collection (Bhushan & Anand, 2022). This approach made it easier to quickly gather large volumes of standardized data, making it ideal for a quantitative study examining the financial effects of social franchising in Saudi Arabia.

3.7 Population and Sampling

The study's population involves social enterprises and entrepreneurs firmly involved in operating social franchises, focusing on the healthcare and education sectors in the Eastern Province of Saudi Arabia. These sectors are selected for their community transformational and social orientation in line with Saudi Arabia's Vision 2030 concerning economic diversification and social reform. Community stakeholders include individual practitioners, and by choosing 100 participants in this study, the researcher can be assured of data richness and variation. Due to its nature, a purposive sampling technique was used to target business owners, managers, and key decision-makers who reported having first-hand experience in the social franchising sector. Purposive sampling is appropriate for this study because it ensures the selection of participants with unique, relevant experiences in social franchising within the targeted healthcare and education sectors, which aligns with the goals of Saudi Arabia's Vision 2030 (Abd Aziz et al., 2022). Moreover, the study was limited to the Eastern Province to conclude the challenges and opportunities of the particular region regarding social franchising and its impact on the economic development of the mentioned area.

3.8 Data Analysis

The data analysis of the study sample questionnaires for this study was conducted using SPSS to analyze the economic impact of social franchising in Saudi Arabia. For the first research question, the economic growth of Saudi social enterprises and entrepreneurs who are the major utilizers of social franchising, job creation, and regional stock economic development was investigated using descriptive analyses alongside regression analysis. Regression analysis evaluated

pre- and post-franchising key performance indicators, allowing an assessment of the overall franchisee effect (Levine et al., 2022). Key performance indicators, such as franchise growth rates as determined by questionnaire responses using descriptive statistical analysis with regression analysis, were used in conjunction with multiple linear regression and descriptive statistics to compare social franchising models' scalability and financial performance to traditional business models. Both metrics assessed the financial disparities across the variables under investigation. The effects of social franchising on market penetration, GDP contributions, and overall unemployment in various districts were confirmed using correlation and cluster analysis. Correlation and cluster analysis were selected to gain better results from quantitative research. Besides, correlation and cluster analysis can handle big data, correct issues related to fuzzy data, and offer several statistical tests for the analyses (Jasiński, 2021). The study applied descriptive, regression, correlation, and cluster analysis to measure KPI, economic growth, employment generation, and regional development to evaluate the economic effects of social franchising in Saudi Arabia.

3.9 Ethical Considerations

Ensuring ethical research methods makes the respondent answer the questions ethically and willingly. According to Taherdoost (2021), the results' credibility, quality, and reliability can be achieved when appropriate data collection methods and tools are used. Thus, this study secured the input for each respondent in a structured manner that meets the ethical research guidelines enumerated by Huallpa et al. (2023). The research has maintained integrity in the participation process by ensuring that the participants understood the purpose of the study and their freedom to withdraw from the study process at any one time. Huallpa et al. (2023) added that participant identification had to be prevented at all costs to ensure confidentiality. They also tried to ensure that the participant data collected was secure. The ethical clearance was supported again by the Institutional Review Board (IRB) of the research in the study. These ethical guidelines ensured the study was informed, fair, and open to any participant without subjecting them to prejudice or physical harm, thus upholding media research integrity. This method particularly underscores a strong commitment to ethical practices as a determinant of a responsible and courteous research atmosphere.

3.10 Methodological Limitations

This study's methodological shortcomings stem from its dependence on self-reported data from structured questionnaires. It may be biased due to various factors, such as the propensity for social desirability or memory errors. The findings may not be as generalizable in settings outside of Saudi Arabia's Eastern Province or in industries other than healthcare and education, even though purposeful sampling assisted in identifying the intended key informants. Similarly, Bhushan and Anand (2022) argued that close-ended questionnaires restrict responses and may overlook crucial qualitative information. The mode of data collection for this study was purely web-based, which, although more convenient, may lock out confident respondents from participating due to a lack of reliable internet access and introduce a selection bias (Druart et al., 2023). Furthermore, the study's cross-sectional nature denies the possibility of long-term trends or causality.

4. Results

4.1 Descriptive Statistics

The descriptive data depicts the participants' backgrounds and demographics (Table 1 to Table 5). The majority of participants (26.0%) were between the ages of 45 and 54, followed by those aged 25–34 (21.0%) and 55 and older (19.0%) (Table 1, Figure 1). In terms of gender distribution, there were slightly more men (53.0%) than women (43.0%), and 4.0% of respondents said they would rather not reveal their gender (Table 2). Although there were differences in educational backgrounds, the largest percentage (25.0%) had just completed high school, while the next largest percentage (20.0%) had a master's degree (Table 3). According to Table 4, Figure 2, the majority were either employed (25.0%) or jobless (23.1%) (See Appendix A).

4.2 Objective 1 Output

A quantitative approach was used in the research study to assess the level of social franchising on Saudi social enterprises and entrepreneurs in terms of revenue generation, employment opportunities, and regional development (Appendix B). These results imply that all the independent variables are insignificant in determining the Saudi franchise sector's growth potential (all $p < 0.05$). For example, the site revenue growth coefficient was positive, although it was statistically insignificant ($B = 0.075$, $t = 0.427$). In the same regard, employment creation had a relatively positive correlation, which was very small

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($B = 0.045$, $p = 0.630$). Its contribution to reducing regional economic disparities was also negligible ($B = -0.032$, $p = 0.743$). Promotion of regional development in more unfavorable areas was also insignificant ($B = -0.012$, $p = 0.900$). Systemic improvements are required to realize their full potential in contributing to Vision 2030 objectives.

4.3 Objective 2 Output

The regression analysis assessed the profitability prospects of social franchising models against traditional business franchises, bearing in mind sustainability, expansion, profitability, risks, and returns (Appendix C). The findings show no significant correlations between the independent and dependent variables—franchising as skills development for entrepreneurs (all $p > 0.05$). For example, the coefficient for financial sustainability was negative and — ($B = -0.025$, $p = 0.817$), which implied no significant value proposition over traditional enterprise. As for scalability, both the main effects of scalability and the interaction effect of scalability by the group were non-significant ($B = -0.017$, $p = 0.873$). The same was valid for ROI and the primary and interaction effects of ROI by group ($B = -0.044$, $p = 0.693$). Likewise, the impact of reducing market entry risks ($B = -0.105$, $p = 0.310$) and enhancing the firm's profitability ($B = -0.077$, $p = 0.490$) were suboptimal and statistically insignificant.

4.4 Objective 3 Output

This paper used correlation analysis to establish whether social franchising adoption has economic benefits in Saudi Arabia regarding GDP, market share, and regional employment (Appendix D). Altogether, the findings show that all the focal variables are, at best, weakly and, more often, not significantly related. For instance, actual social franchising and growth in GDP were also found to have a very low association ($r = 0.055$, $p = 0.584$), which implies that the variables had a negligible direct effect. Likewise, the social franchising with Vision 2030 economic diversification objectives had no significant association ($r = -0.058$, $p = 0.567$). Notably, policy support was a predictor of franchising performance with a coefficient of 0.242 ($p < 0.05$), support for the policy role. Nonetheless, Monsha'at support via other entities ($r = -0.099$, $p = 0.329$) and employment effects of franchising on the region ($r = -0.097$, $p = 0.337$) produced insignificant results. Therefore, these findings pinpoint systemic changes that would unlock the social franchising economics in Saudi Arabia.

5. Discussion

5.1 Objective 1: The Economic Impact of Social Franchising on Enterprises and Entrepreneurs

The results of the current study provide meaningful implications for social franchising and its theoretical frameworks of TCT and Agency Theory and compare it with the Saudi experience. TCT focuses on decreasing transaction costs and providing flexibility for better-performing social franchise networks, as Tsai et al. (2020) and Hajdini and Windsperger (2020) pointed out. These principles are aligned with the twin objective of social franchising, which is to make profits and to undertake social missions. However, the current research indicates that social franchising factors do not affect the growth of the franchise sector in Saudi Arabia ($F = 0.128, p > 0.05$), thus playing a negligible economic function despite TCT theoretical postulation on cost-effectiveness and flexibility. Likewise, Agency Theory emphasizes minimizing agency costs and attaining stakeholder alignment, as Alon et al. (2020) and Naatu (2022) stated. These concepts relate well to sustainable franchise networks but do not appear to have a phenomenological impact in the Saudi case in light of the meager results for revenues ($B = 0.075, p = 0.427$) and employment ($B = 0.045, p = 0.63$). This might be due to the inadequate adoption of digital enablers and hedging diversification mechanisms, as postulated by AlzaidAlsharif (2022). Extending the results of TCT and Agency Theory, it is found that digital enablers and economic transformation strategies should be prioritized to address these theoretical shortcomings and make the social franchising concept more effective in achieving Saudi Arabia's Vision 2030 objectives.

5.2 Objective 2: Financial Performance and Scalability of Social Franchising Models

The outcomes of this research show that the resource-based theory of TCT and Agency Theory, in particular, is not entirely in concord with the pragmatic performance of social franchising in Saudi. Despite TCT, which warns social franchising must emphasize the two non-financial components of scale and flexibility furthermore, this study found the research results no increase in the growth drivers such as revenue ($B = 0.075, p = 0.427$) or job creation ($B = 0.045, p = 0.63$). Likewise, Agency Theory emphasizes reducing agency costs and ensuring that the stakeholders' goals are congruent to produce a better performance. Still, results showed that all the social franchising factors

significantly differed ($p < 0.05$). Still, none of the social franchising factors had any relationship with the development of entrepreneurial skills (all p -values > 0.05), which negates this theory in the Saudi context. On the contrary, Giudici et al. (2018) have stressed decentralized decision-making, mission-oriented brand identity, and low-income market-specific replication strategies for scale, providing a broader perspective on financial sustainability and scale in social franchising. Hence, the present study's negative coefficients for scalability ($B = -0.017$, $p = 0.873$) and financial sustainability ($B = -0.025$, $p = 0.817$) also reveal the lack of realism of theoretical frameworks that are presently still not fully accounting for dynamic factors such as digital enablers or approaches of localized scaling. These findings indicate that, though pertinent theory offers an initial understanding, a finite understanding of successful social franchising in Saudi is needed to support Vision 2030 goals.

The conceptual models, including TCT and Agency Theory, established the theoretical understanding of social franchising's cost efficiency and goal congruence. However, the strategies discussed are irrelevant in Saudi Arabia, emphasizing the need for new theoretical models that reflect digital transformation and the adapted scaling approach. Subsequent studies should extend these models to other dynamic factors that affect social franchising in emerging economies, especially under economic transformation agendas such as Vision 2030.

5.3 Objective 3: Social Franchising and its Contribution to Saudi Arabia's GDP and Unemployment Reduction

The results of the present research, where the results showed that there was a moderate negative correlation between government support and social franchising innovation ($r = -.257$, at $p = .010$) and a positive correlation with strong franchisor-franchisee relations ($r = .242$ at $p = .015$), conform partially in TCT and Agency Theory. TCT emphasizes using contractual high-quality ties and flexibility to minimize transaction costs, as Tsai et al. (2020) and Hajdini and Windsperger (2020) rightly argue. The positive association with good franchisor-franchisee relations supports these principles, indicating that franchise networks can benefit from cooperation to reduce costs and enhance efficiency. As explained by Agency Theory, the interaction between the franchisor and franchisee, Alon et al. (2020) and Naatu (2022) noted minimized agency costs

and optimal goal convergence, which are associated with better operational performance. Conversely, the insignificant contributions to the GDP and the continuous regional employment disparities imply that the problems are systematic, including poor regional economic diversification and poor match between education systems. This supports AlzaidAlsharif (2022), who points out that more fundamental economic change requires macro-level changes such as improving education policies and globalization undertakings. These results show that although key relational and structural aspects apply to franchising, systemic changes must complement them to create conditions for qualitative innovation, employment growth, and high economic outcomes.

The findings of this study have significant implications for practice and policy. First, the economic underperformance of the social franchise, confirmed in this paper, can be resolved by enhancing the relations between the franchisor and the franchisee. It is, therefore, important for policymakers to establish specific programs and interventions, including digital literacy programs and strategic capacity-building workshops, to ensure that franchisees can manage and operate in different markets and face technological changes. Furthermore, it will be argued that adopting social franchising as part of the Vision 2030 agenda can help to redress regional imbalances and unemployment. Policymakers should also assess the present legal frameworks to establish an environment that reduces transaction and agency costs for the growth of sustainable franchise networks.

5.4 Research Limitations

Some limitations were encountered during the research, such as the comparatively low number of participants (n=100), which may limit the conclusions drawn to the general population of Saudi. There is a glaring issue of self-generated data, which influenced the results on how familiar the respondents were with the franchising models and the perceived economic effects of franchising. Furthermore, the cross-sectional study design of the present work restricted a study of extended time trends and conclusions regarding causes and effects. Although the discovery partially supports another investigation by AlzaidAlsharif (2022), the failure to provide qualitative insights on the subsystems, including people capital and internationalization, limited the inquiry depth. Future research should consider these limitations for better outcomes to be achieved.

6. Conclusion and Recommendations

6.1 Conclusion

In conclusion, the study sought to assess the contribution of social franchising to economic development in Saudi Arabia in terms of its effects on enterprises, entrepreneurs, and the total economy. The presented research questions were answered in detail by completing all three objectives of the study: the economic profitability of the social franchising concept, the contribution to GDP and unemployment decrease in Saudi Arabia, and the financial feasibility of the social franchising business model. The analysis showed no significant correlation between social franchising and economic performance indices like revenues, employment generation, growth, and scalability, Although the study was vigorously able to unearth essential facts about the future, challenges, and prospects of the sector. The moderate level of interconnection between government support for franchisors and innovative capacity and the nature of franchisor-franchisee relations offered insight into other underlying organizational issues. Proven concepts like TCT and Agency Theory provided insights, but knowledge gaps pointed to the need for more applied-oriented conceptualizations. Thus, these results substantiate that social franchising could be effective but should undergo systemic changes consistent with the Saudi Arabia Vision 2030.

This research underscores the untapped potential of social franchising in Saudi Arabia's economic diversification and entrepreneurial development. The social franchising model can thus be linked with Vision 2030 to achieve social and business returns. In this context, overcoming systemic constraints, including legal framework constraints and digital infrastructure shortcomings, will be important for stimulating its potential to support GDP growth and employment decline. Further, this study emphasizes the need for a designed environment that engages stakeholders from the government, academic institutions, and the business community to advance and spread sustainable franchising approaches. Future works should also examine the temporal trends and cross-country and cross-sectoral comparisons to further understand the power of social franchising.

6.2 Recommendations

Researchers should study the collaboration of digital capacity and strategic models for the better scalability and economic value of social franchises in Saudi Arabia in the future. However, larger sample sizes and longitudinal studies could better represent the long-term secular changes and cause-effect relationships. Conversely, qualitative research is necessary to understand the context's social and organizational factors, including human and social capital, in Millennium Development Goal 8, done through social franchises. Giudici et al. (2018) and AlzaidAlsharif (2022) have highlighted the significance of developing strategic planning and educational development, which future research must consider incorporating to overcome the existing study limitations.

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Appendices

Appendix A: Descriptive Statistics

Table 1.

Age of the Participants

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-24	18	18.0	18.0	18.0
	25-34	21	21.0	21.0	39.0
	35-44	16	16.0	16.0	55.0
	45-54	26	26.0	26.0	81.0
	55 and above	19	19.0	19.0	100.0
	Total	100	100.0	100.0	

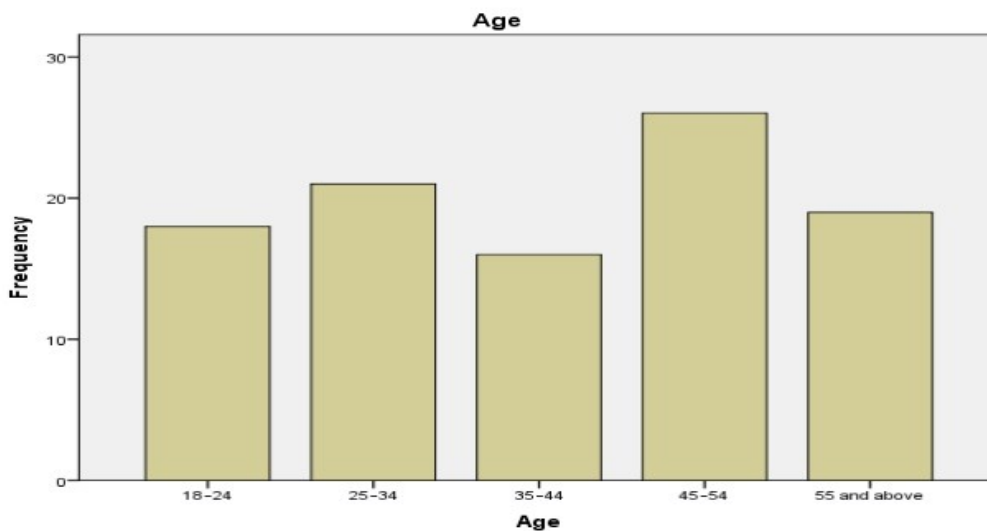


Figure 1. *Age of the Participants*

Table 2. *Gender of the Participants*

		Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	43	43.0	43.0	43.0
	Male	57	57.0	57.0	100.0
	Total	100	100	100	

Table 3. Educational Background

Educational Background					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor's degree	15	15.0	15.0	15.0
	Doctorate	21	21.0	21.0	36.0
	High school	25	25.0	25.0	61.0
	Master's degree	23	23.0	23.0	84.0
	Other	16	16.0	16.0	100.0
	Total	100	100.0	100.0	

Table 4. Occupation of the Participants

Occupation					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employee	25	25.0	25.0	25.0
	Entrepreneur	18	18.0	18.0	43.0
	Other	24	24.0	24.0	67.0
	Unemployed	23	23.0	23.0	100.0
	Total	100	100.0	100.0	

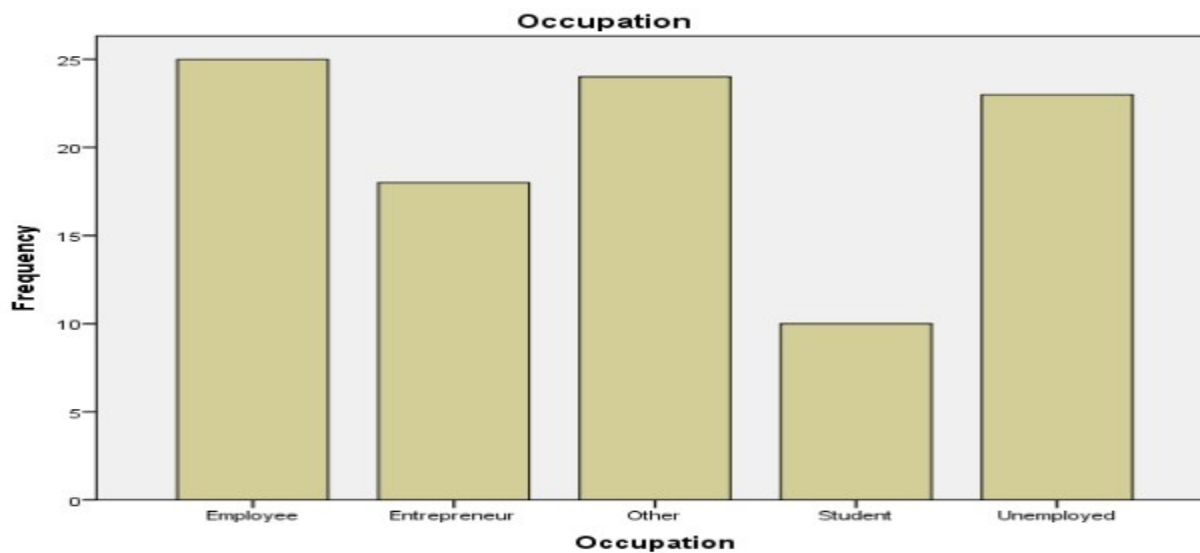


Figure 2. Occupation

Appendix B: Objective 1 Output

Table 5. Multiple Regression Output

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.016	.713		4.229	.000
	Social franchising provides significant opportunities for revenue growth in Saudi social enterprises.	.075	.094	.082	.797	.427
	Social franchising promotes regional economic development in underserved areas.	-.012	.099	-.013	-.126	.900
	Job creation is positively influenced by the adoption of social franchising in Saudi Arabia.	.045	.094	.050	.483	.630
	Social franchising models enable entrepreneurs to address unemployment more effectively than traditional business models.	-.051	.097	-.054	-.525	.601
	Social franchising has contributed to reducing regional economic disparities in Saudi Arabia.	-.032	.098	-.034	-.329	.743

a. Dependent Variable: The franchise sector in Saudi Arabia has a high potential for growth over the next decade.

Appendix C: Objective 2 Output

Table 6. Multiple Regression Model

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.907	.752		5.194	.000
	Social franchising is more financially sustainable than traditional entrepreneurial ventures.	-.025	.107	-.024	-.232	.817
	Social franchising offers higher scalability compared to independent business models.	-.017	.107	-.017	-.160	.873
	Entrepreneurs adopting social franchising experience higher return on investment (ROI).	-.044	.110	-.042	-.397	.693
	Social franchising helps mitigate market entry risks for Saudi entrepreneurs.	-.105	.103	-.108	-1.020	.310
	Established operational frameworks in social franchising improve profitability for entrepreneurs.	-.077	.111	-.072	-.693	.490
a. Dependent Variable: Franchising models play a role in fostering skills development among entrepreneurs.						

Appendix D: Correlation Output

Correlations		Social franchising contributes significantly to Saudi Arabia's GDP growth.	Social franchising aligns with Vision 2030 goals by promoting economic diversification.	Franchising models play a role in fostering skills development among entrepreneurs.	Social franchising improves access to essential services across different regions.	The adoption of social franchising enhances innovation and entrepreneurial culture in Saudi Arabia.	Government support plays a critical role in the success of social franchising in Saudi Arabia.	Institutional frameworks such as Monsha'at are effective in supporting franchising ventures.	Social franchising benefits from market dynamics in Saudi Arabia, such as demand for franchised brands.	Strong franchisor-franchisee relationships contribute to the success of social franchising models.	Social franchising is well-supported by policies and regulations in Saudi Arabia.
Social franchising contributes significantly to Saudi Arabia's GDP growth.	Pearson Correlation	1	-.058	.174	-.097	-.025	.011	-.099	.043	.055	.047
	Sig. (2-tailed)		.567	.083	.337	.807	.915	.329	.672	.584	.640
	Sum of Squares and Cross-products	202.910	-10.880	36.330	-20.420	-5.000	2.150	-20.040	8.910	11.000	9.570
	Covariance	2.050	-.110	.367	-.206	-.051	.022	-.202	.090	.111	.097
	N	100	100	100	100	100	100	100	100	100	100
Social franchising aligns with Vision 2030 goals by promoting economic diversification.	Pearson Correlation	-.058	1	.096	-.038	-.171	-.055	.121	.032	.093	.103
	Sig. (2-tailed)	.567		.341	.706	.089	.584	.232	.753	.360	.309
	Sum of Squares and Cross-products	-10.880	173.840	18.560	-7.440	-32.000	-10.200	22.720	6.120	17.000	19.240
	Covariance	-.110	1.756	.187	-.075	-.323	-.103	.229	.062	.172	.194
	N	100	100	100	100	100	100	100	100	100	100
Franchising models play a role in fostering skills development	Pearson Correlation	.174	.096	1	-.132	-.159	-.066	-.079	.123	-.069	-.005
	Sig. (2-tailed)	.083	.341		.191	.115	.512	.434	.221	.497	.959
	Sum of Squares	36.330	18.560	213.790	-28.460	-33.000	-13.550	-16.520	26.330	-14.000	-1.090

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among entrepreneurs.	and Cross-products										
	Covariance	.367	.187	2.159	-.287	-.333	-.137	-.167	.266	-.141	-.011
	N	100	100	100	100	100	100	100	100	100	100
Social franchising improves access to essential services across different regions.	Pearson Correlation	-.097	-.038	-.132	1	.024	.023	.021	-.090	.015	.056
	Sig. (2-tailed)	.337	.706	.191		.814	.822	.834	.372	.885	.582
	Sum of Squares and Cross-products	-20.420	-7.440	-28.460	218.040	5.000	4.700	4.480	-19.420	3.000	11.660
	Covariance	-.206	-.075	-.287	2.202	.051	.047	.045	-.196	.030	.118
	N	100	100	100	100	100	100	100	100	100	100
The adoption of social franchising enhances innovation and entrepreneurial culture in Saudi Arabia.	Pearson Correlation	-.025	-.171	-.159	.024	1	-.257**	-.010	.106	.081	.178
	Sig. (2-tailed)	.807	.089	.115	.814		.010	.922	.294	.424	.076
	Sum of Squares and Cross-products	-5.000	-32.000	-33.000	5.000	202.000	-51.000	-2.000	22.000	16.000	36.000
	Covariance	-.051	-.323	-.333	.051	2.040	-.515	-.020	.222	.162	.364
	N	100	100	100	100	100	100	100	100	100	100
Government support plays a critical role in the success of social franchising in Saudi Arabia.	Pearson Correlation	.011	-.055	-.066	.023	-.257**	1	.082	-.039	.242*	-.091
	Sig. (2-tailed)	.915	.584	.512	.822	.010		.415	.703	.015	.370
	Sum of Squares and Cross-products	2.150	-10.200	-13.550	4.700	-51.000	194.750	16.400	-7.850	47.000	-17.950
	Covariance	.022	-.103	-.137	.047	-.515	1.967	.166	-.079	.475	-.181
	N	100	100	100	100	100	100	100	100	100	100
Institutional frameworks such as Monsha'at are effective in supporting franchising ventures.	Pearson Correlation	-.099	.121	-.079	.021	-.010	.082	1	-.015	.030	-.084
	Sig. (2-tailed)	.329	.232	.434	.834	.922	.415		.885	.766	.404
	Sum of Squares and Cross-products	-20.040	22.720	-16.520	4.480	-2.000	16.400	203.760	-3.040	6.000	-17.080
	Covariance	-.202	.229	-.167	.045	-.020	.166	2.058	-.031	.061	-.173
	N	100	100	100	100	100	100	100	100	100	100

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	N	100	100	100	100	100	100	100	100	100	100
Social franchising benefits from market dynamics in Saudi Arabia, such as demand for franchised brands.	Pearson Correlation	.043	.032	.123	-.090	.106	-.039	-.015	1	-.044	.017
	Sig. (2-tailed)	.672	.753	.221	.372	.294	.703	.885		.662	.865
	Sum of Squares and Cross-products	8.910	6.120	26.330	-19.420	22.000	-7.850	-3.040	212.910	-9.000	3.570
	Covariance	.090	.062	.266	-.196	.222	-.079	-.031	2.151	-.091	.036
	N	100	100	100	100	100	100	100	100	100	100
Strong franchisor-franchisee relationships contribute to the success of social franchising models.	Pearson Correlation	.055	.093	-.069	.015	.081	.242*	.030	-.044	1	-.086
	Sig. (2-tailed)	.584	.360	.497	.885	.424	.015	.766	.662		.395
	Sum of Squares and Cross-products	11.000	17.000	-14.000	3.000	16.000	47.000	6.000	-9.000	194.000	-17.000
	Covariance	.111	.172	-.141	.030	.162	.475	.061	-.091	1.960	-.172
	N	100	100	100	100	100	100	100	100	100	100
Social franchising is well-supported by policies and regulations in Saudi Arabia.	Pearson Correlation	.047	.103	-.005	.056	.178	-.091	-.084	.017	-.086	1
	Sig. (2-tailed)	.640	.309	.959	.582	.076	.370	.404	.865	.395	
	Sum of Squares and Cross-products	9.570	19.240	-1.090	11.660	36.000	-17.950	-17.080	3.570	-17.000	201.390
	Covariance	.097	.194	-.011	.118	.364	-.181	-.173	.036	-.172	2.034
	N	100	100	100	100	100	100	100	100	100	100
**. Correlation is significant at the 0.01 level (2-tailed).											
*. Correlation is significant at the 0.05 level (2-tailed).											

