

Fit Between Strategy and Structure in Franchise Firms: The Effects on Firm Performance

Key words: (franchising, Porter's strategies, performance, organizational structure)

Abstract

Strategy-structure fit has been one of the focal issues of strategic management literature to understand competitiveness of firms. Empirical evidence indicate that some companies exhibited remarkable resilience over decades due to the high degree of strategy-structure fit. Franchise firms are not monolithic in their structure, but rather complex organizations combining not only company-owned and franchised units, but also various franchise modes within their outlet network. In such a constellation it can be difficult to implement and sustain the chosen business strategy and find the right strategy-structure fit.

This study builds on the findings of the extant strategic management literature and argues that different franchise modes "fit" differently to particular business strategies. The choice of different franchise modes to support the franchise firm strategy is expected to have consequences on the franchise firm performance. This study proposes a conceptual research framework for investigation of the strategy-structure fit in franchising to test the effects of the fit on the performance. In order to take the industry context and the congruence between strategy and environment into consideration, the research model also includes environmental variables such as dynamism and uncertainty and tests its effects on the strategy-structure links. The study proposes several testable hypotheses as well as the measurement of the included variables.