Best Fit, Best Practice, or Stuck in the Middle?
The Impact of Unit Ownership on Unit HR Performance

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Abstract

Franchising is a very important business model in many retailing and service industries. Since Human Resource Management (HRM) is a critical factor in such industries, it is important to understand how franchisees deal with HRM in their units and how this ultimately affects performance at the unit level. However, the very few studies linking franchisee HRM behaviors to performance have not included multi-unit franchising (MUF) as a type of unit ownership. Given the ever-increasing popularity of MUF and the unique characteristics of MUFs, this represents an important knowledge gap. We aim to fill this gap by building a theoretical framework on how the type of unit ownership affects unit HR performance within franchise systems. Building on agency, resource and entrepreneurship perspectives, we propose that units owned by single-unit franchisees (SUFs) and small MUFs (i.e., franchisees with a very small number of units) adopt a ‘best fit’ system regarding HRM, whereas company-owned units (COs) and units owned by larger MUFs (i.e., franchisees with a large number of units) typically adopt a ‘best practice’ system. Each system has its own advantages and disadvantages, which results in two contrasting propositions regarding their effects on unit performance. Moreover, we expect the units owned by medium-size MUFs to have the lowest performance since they are ‘stuck in the middle’ regarding their HRM system.

Keywords
Agency, entrepreneurship, human resource management (HRM), multi-unit franchising (MUF), resource, unit ownership, unit performance.