Configurations of market environments, competitive strategies, manufacturing technologies and human resource management policies

A two-industry and two-country analysis of fit

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Abstract

In this paper an attempt is made to gain further insight into the environment–strategy–performance linkages. A framework is developed to relate managers’ perceptions of their market environment and competitive strategies to the (advanced) production technologies and human resource management (HRM) policies adopted by their firms. Data from 12 Dutch and 8 British companies in the chemical and food & drink industries reveals that firms with coherent environment–strategy–technology–HRM configurations outperform rivals with incoherent profiles. Further, refined typologies of manufacturing technologies and HRM policies are proposed. © 2002 Elsevier Science Ltd. All rights reserved.

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1. Introduction

A central theme of strategy literature has been and still is the alignment of generic and specific strategies to the environmental context. The assumption underlying the
great majority of these so-called contingency studies is that a fit between 
environment, strategy and structure has to be established if the organization is to 
perform effectively. Over the years this hypothesis has been supported by an 
innumerable number of empirical studies (e.g., Dess & Davis, 1984; Miller, 1988; 
Conant, Mokwa, & Rajan Varadarajan, 1990; Powell, 1992; Schroeder, Congden, & 
Gopinath, 1995; Ward, Bickford, & Keong Leong, 1996). Our main reason for 
adding another study to the impressive stock of existing research is that most 
alignment studies focus on a few elements of the environment–strategy–structure 
relationship only. Rarely have they addressed more than a single internal element at 
the functional strategy level (Zajac, Kraatz, & Bresser, 2000). Although there is a 
somewhat larger body of research in the ‘gestalt’ perspective that addresses 
configurations of mainly environmental, strategy and structural variables simulta-
neously (e.g., Miller & Friesen, 1984; Chakravarthy, 1986; Roth, 1992), the focus in 
this tradition is not on the examination of the specifics of the underlying separate 
relationships. Since the effective implementation of strategy involves the alignment 
of many different elements, there is a need for multi-dimensional empirical studies 
that combine insights from fit as ‘gestalt’ and fit as matching perspectives 
(Venkatraman, 1989; Ward, Bickford, & Keong Leong, 1996).

The purpose of this study is therefore to explore empirically the relationship 
between elements of the market environment, competitive strategy and two 
functional strategies. Specifically, the present study incorporates manufacturing 
technology and human resource management (HRM) variables in the general 
environment–strategy–performance framework, and examines this ‘fit’ argument 
using a British–Dutch data set. The well-established contingency prediction is, then, 
that firms with coherent environment–strategy–technology–HRM configurations 
outperform their rivals whose profiles are incoherent. The current study thus 
provides a contribution to renewing the “strategy–structure–performance paradigm” 
(Galunic & Eisenhardt, 1994) by: (i) applying a multi-variable and complex model of 
fit; (ii) taking account of multi-faceted and potentially reciprocal contingencies; and 
(iii) developing new concepts of co-alignment elements by proposing alternative 
typologies. The approach adopted in this paper consists of three broad steps. After 
discussing our chosen perspective on fit and briefly presenting the sample and 
methodology, we come to step 1, which consists of an empirical specification of the 
core variables; step 2 then builds on this specification and offers some propositions 
on the potential relationships between the variables; step 3 comprises a discussion of 
the results.

2. Different perspectives on fit

In order to study the fit between environmental, strategic and functional 
characteristics, ‘fit’ itself first has to be conceptualized and its domain clearly 
defined (Venkatraman & Camillus, 1984). In this paper fit is conceptualized in terms 
of its content rather than the actual processes of aligning environment, strategy and 
structure. Within the content-of-fit conceptualization three domains or perspectives
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