

A Configuration And Contingency Approach To Understanding Export Performance

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This research uses configuration and contingency approaches to determine a relationship between an export performance and the "fit" level of firm's competitive strategy and its context. The research samples are taken from manufacturing firms in East Java. The technique of sampling applied in this research is non probability sampling. The examining of configuration and contingency approaches carried out regression Euclidean distance. The result of configuration and contingency approaches explain that there is "fit" between competitive strategy and the elements of contingency such as external environment, export channel structure and human resources management (HRM) practice. However, if it be analyzed deeply, there is no "fit" between competitive strategy of cost leadership and contingency variable such as export channel structure.

Field of Research Human Resources Management Strategic

1. Introduction

In Indonesia, growing of manufacturing industry is very significant for manufacturing industry, government and society in order to assist in achieving pro-growth, pro-job and pro-poor. Therefore, research concerning in improving of performance especially export performance in manufacturing industry is most actualized. This research concerns in significance of "fit" competitive strategy. It is followed by contingency variable that has effect on export performance of manufacturing industry either configuration or contingency, such as external environment, export channel structure and human resource management practice. Some experts like Lukas, Tan and Hult (2001); Anakwe (2002); Weinsten, Marc and Obloj (2002); Luo (1999); Shane and Kolvereid (1995); Robertson and Chetty (2000); and Muafi (2008a, 2008c) have taken researches that linked between competitive strategy and contingency variables. Generally, the result conclude that "fit" of contingency between competitive strategy as the main variable and contingency variable have effect on performance, however, not at all have "fit" of strategy. This research will examine the effect of "fit" among competitive strategy, external environment, export channel structure and human resource management practice to export performance, since these four variables have typology in the level of organizational analysis, so there is possible examined by configuration and contingency approaches.

2. Review Of Literature

2.1 External Environment

Some experts have examined the external environment theoretically and empirically and the results show different measurement (Muafi, 2008a; 2008c; 2007). In this research, the external environment has point at typology of hostile and benign environments. These typologies have two contradictory continuum. The characteristics of hostile environment are: precarious industry

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settings, harsh, overwhelming business climates, relative lack of exploitable opportunities, high risks, pressure and dominance. Whereas the characteristics of benign environment are: provide a safe setting for business operations due to their overall level of munificence and richness in investment and marketing opportunities and *manipulatable* (Covin and Slevin, 1989; Robertson and Chetty, 2000; Muafi, 2007; 2008a, 2008c; Kean, Gaskill and Leistriz, 1998). Model of contingency theory believe that the interaction between environment and strategy will determine the performance (Shane and Kolvereid, 1995; 38; Muafi, 2008a; 2008c).

Lou (1999) explains that there is no significant effect of munificent environment on strategy of innovation, proactive and high risk. In other word, a complex and dynamic (hostile) environment have relationship with strategy of innovation, proactive and high risk. This result is also supported by Simerly and Li (2000). Lefebvre, Mason and Lefebvre (1997) claims that hostile environment has positive relationship with innovation. Lukas, Tan and Hult (2001) and Li (2001) also assert that the interaction between hostile environment and prospective orientated strategy has effect on the performance. It means that hostile environment is more fit with strategy of innovation, while benign environment is more fit with strategy of cost leadership.

2.2 Export Channel Structure

Along with the bigger and broader of organization, the power and authority will be more centralized in upper level management. Moreover, there is more different distance among relevant sources of information in making decision. However, the more decentralized of an organization, the outcomes are often more effective and better in some aspects. Decentralization, in fact, has relation to enhancing management efficiency, open feed-back communication, work satisfaction and loyal employees. In some cases, a decentralized organization increases work, innovation and creativity in an organization, consequently the performance of organization will grow up although not always assured (Steers, 1977).

Study about structure of organization can not be separated from specialization and formalization. A specialization can be measured in many ways, for instance the amount of divisions in an organization and specific sections in each division (Hall, 1972), the amount of different positions and different sub units in an organization (Blau and Schoenherr, 1971), and the amount of jobs and occupations in an organization (Hage and Aiken, 1967). Applying specialization will enhance the performance since it enables every employee has special skill so it supports in achieving the goal maximally. However, specialization sometimes gives advantages, all at once disadvantages for the employee it can be seen from mental health, work attitude and tendency be settled in an organization (Steers, 1977).

Formalization whereas usually shows determination limit or systematization of employee's work activities through official procedure and regulation (Hall, 1972). The more effect of regulation, systematization and work obligation is the more formalization. Frequently, this formalization disadvantages for the firm because it will impede the creativity, innovation and adaptation, but the advantages are more effective and efficient. Covin and Slevin (1989) finds that in average the high performance firm react towards the hostile environment by creating internal administrative structures in order they can reorganize necessary strategy effectively and efficiently. Therefore, many evidences show that organic structure enable the firm can react faster towards the external power changes in the hostile environment and can be

more improving the firm's performance by implementation strategy of innovation (Muafi, 2008a, 2008c); Covin and Slevin (1989). In the structure of export channel, the definition becomes rules of work flow, communication and authority relation in the relation of distributor – exporter (Covin and Slevin, 1991).

2.3 Human Resources Management Practice

Today, the development of human resources management practice is directed to management and utilization of strategic human resources to attain organizational purposes. The manager consequently will be more consent in human resources management. Since human resources management effectively and efficiently directed by the manager, it will help achieving the organizational purposes that is enhancing the organizational performance.

Armstrong (1992; Schuler and Jackson, 1987) explain that the firm that chose strategy of innovation will implementation human resources management practice with the characteristics as follows: the job needs close interaction among people; the job enables people to develop their skill that can be applied in other position; broader career supporting broader skill development; performance assessment which reflects long term period and achieving based on group. In planning and developing practice of employee, the firm will recruit and maintain the high quality employees with innovative skill and good track record in innovation. It will also develop strategic capability, support and facility to increase innovative skill. Meanwhile, in retain practice will give financial incentive and retain for success innovation.

Whereas the firm that choose strategy of cost leadership will implementation human resource management practice with some characteristics as follows: limited designed position and clear description of position; short term performance assessment, goal orientation, a few of training, tight monitoring towards employee activities. In planning and developing Practice of employee will develop the core of job structure by recruiting employee that will add more value, planning and managing of decreasing employee humanly. The training is designed to improve productivity; related to urgent business needs and can produce improvement in cost effectiveness. Meanwhile, in retain practice will review all of retain incentives to determine unnecessary budget.

Many researchers of human resource management strategy find that human resource management practice will improve the organizational performance (Muafi, 2008a, 2008b); Delaney and Husehild (1996); Delery and Doty (1996); Armstrong (1992). Generally, these researchers underline that human resources management practice and competitive strategy will have effect on the performance. The interaction between innovative/prospector competitive strategy and progressive/innovative human resource management practice will result higher performance than if the firm implementation innovative strategy and non progressive (efficient) human resource management practice. Husehild, Jackson and Schuler (1997) state that attaining competitive superiority technique of human resource management practice is not enough, it needs strategic human resource management practice. The application of this strategic human resource management practice will success if it creates "fit" condition with condition of internal and external organization either contingency or configuration, so this strategic human resource management practice will be difficult to be imitated by competitors.

2.4 Competitive Strategy

According to Porter (1980, 1985), typology of strategy can be classified into three generic strategies: cost leadership, differentiation and focus. In the same typology, Miles and Snow (1984) classify strategy into three types: defender, prospector and analyzer. Refer to strategy classification from Porter and Miles Snow, Schuler and Jackson (1987) clearly differentiate the classification of competitive strategy in human resource management strategy into three: cost reduction, innovation and quality enhancement.

In the competitive strategy of cost reduction, the firm typically achieves competitive superiority through low cost production. Innovative competitive strategy is applied to develop a different product or service from the competitors; the main focus is offering a new or an unique thing. Meanwhile, strategy of product or service quality enhancement is the major focus in the strategy of quality enhancement. This strategy is pure for single unit or in functional area, but it also overlaps where in a business unit or functional area has two or more competitive strategies simultaneously all at once (Schuler and Jackson, 1987). It is said that this strategy must not be separated apart since an organization is possible concerning about one strategy for one product or service and different strategy for another product or service (Mathis and Jackson, 2000).

Based on Muafi (2008a, 2008c) and Kumar, Subramanian and Yauger (1997), actually generic strategy of Porter is similar with Miles and Snow. *Defender* (Miles and Snow) is similar with *low cost* (Porter) and *efficiency*. *Prospector* (Miles and Snow) is similar with *differentiation/innovation* (Porter/Miller and Friesen's). Porter explains that cost leadership and differentiation is mutually exclusive. It is also said that if both of them are combined it will be stuck in the middle, since they are completely contradictory. However, if each strategy cost leadership or differentiation is combined with focus strategy, it will be hybrid. It does not mean that stuck in the middle condition can not happen. Refer to one of researches by Kumar, Subramanian and Yauger (1997) and Hlavacka, Bacharova and Rusnakova (2001) this condition precisely said that the generic strategy by Porter is not mutually exclusive and each strategy can be related to other variation strategy. These variation strategies are able to create competitive superiority. Remember that condition of stuck in the middle can not be predicted previously. Like reactor strategy explained by Miles and Snow, this stuck in the middle never recommended as a way to success (Robbins, 1990).

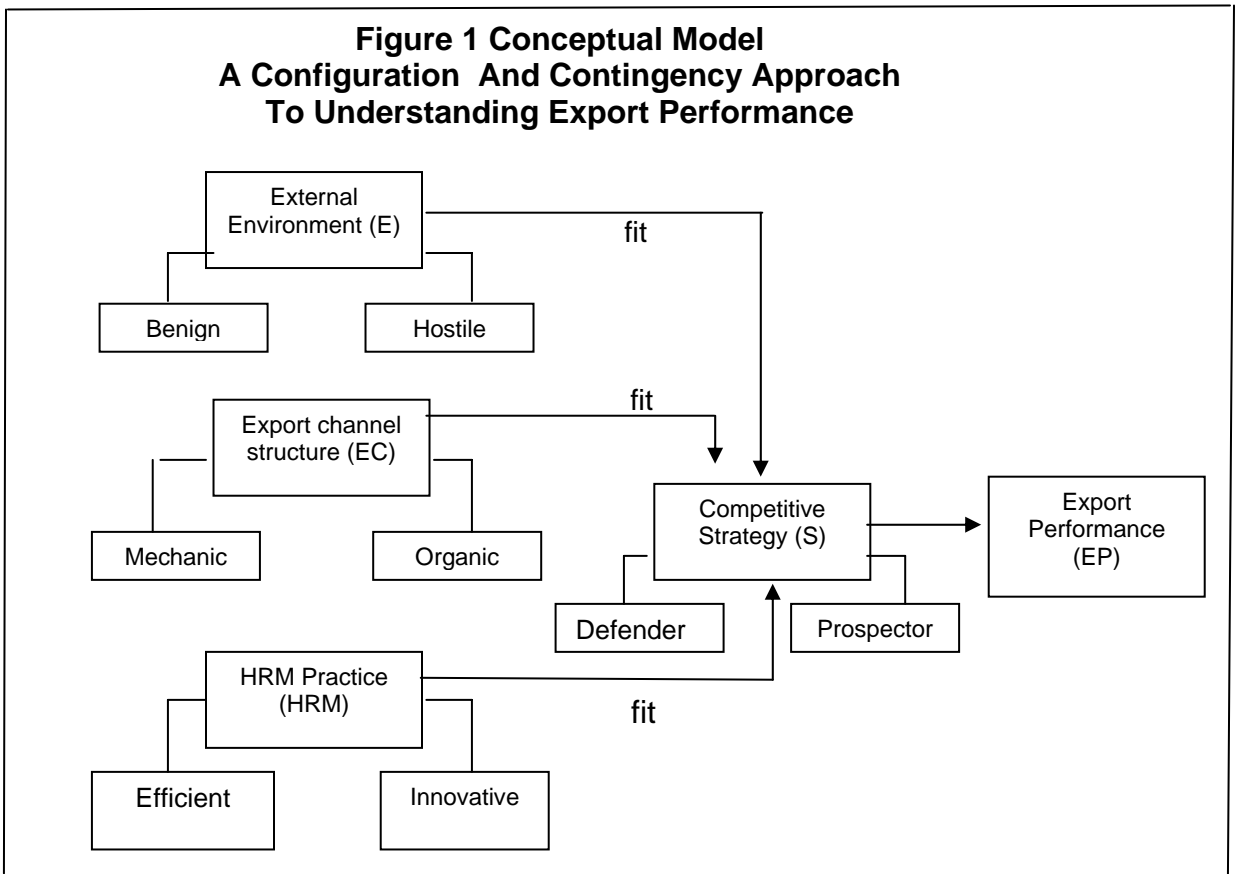
2.5 Export Performance

Beal (2000) clarifies that performance plays the key role in research strategy. Nevertheless, there is considerable controversy in the conceptualization and measurement of performance. Performance complexity is the main contribution in debate. Moreover, agreement among theoreticians who measuring the performance are better based on the manager's perception. As the reason there is no available objective field collecting data, even less a small firm which never publishing it (Muafi, 2008a, 2008c). Furthermore, when there is an available financial report, it is not accurate because not audited. So the owner of the firm or CEO can prepare subjective evaluation for the firm performance. Some experts convinced that a good performance organization will have a few unfit, on the contrary a bad organizational performance will have a lot of unfit. If it has fit, so the organization will be designed and positioned well, effective and efficient in each activity.

3. Research Model And Hypothesis

The research model proposed here is described in figure 1. The research hypothesis are as follows;

- H1. In configuration approach, there is more fit between competitive strategy and each variable of external environment, export channel structure and human resource management practice, it will be able increase the export performance.
- H2. In contingency approach, there is more fit relation between competitive strategy and variable of external environment, it will be able increase the export performance.
- H3. In contingency approach, there is more fit relation between competitive strategy and variable of export channel structure, it will be able increase the export performance.
- H4. In contingency approach, there is more fit relation between competitive strategy and variable of human resource management practice it will be able increase the export performance.



4. Methodology and Research Design

4.1 Sampling And Data Collection

The sample targets in this research are 300 manufacturing firms which have export orientation in East Java. The result of questionnaire spreading is respondents who answer the questions completely are 179 respondents. The data samples cover 179 firms. The subjection mean of employee is 2500. The investigated manufacturing firms are industries of copper, chemistry, paper/carton, printing and furniture. The technique sampling applies non probability sampling by giving questionnaire to be filled in mail. But there are some firms that directly visited and resign to fill the questionnaire. The managers in those firms are determined as the key information in this survey.

4.2 Research Instrument

Technique of scale arrangement applied in this research in asserting the external environment, competitive strategy, organizational structure and human resource management practice utilizes semantic differentials scale, whereas for variable of performance uses Likert scale. This semantic differentials scale is utilized to measure an object or a concept for a respondent and it contains two contrary adjectives (Muafi, 2008a, 2008c). The result of validity and reliability examining conclude that for each indicator in examined variable points out loading factor >0.5 (valid) and significant (Appendix A). However, in reliability examining points out Cronbach Alpha >0.6 (reliable) (Appendix B).

Technique of statistics carried out in this research is Regression Euclidean distance, and also Anova (analysis compare means One Way Anova). Van de Vend and Drain (1985); Selto and Renner (1995); Muafi (2008a, 2008c) suggest that the most appropriate in operationalization of configuration and contingency approaches is fit system approach by looking for Euclidean distance (ED). The excess of this method is the coefficient of regression negative and significant. The bigger of Euclidean distance score the smaller of fit among variable, it means give effect on performance.

5. Result And Discussion

5.1 Result of the Research

A simple regression analysis is utilized to examine the hypothesis like stated in H1, H2, H3 and H4 for group of firms applying prospector and defender strategies. In the simple linier regression equation, each independent variable of Euclidean distance is examined its effect on export performance. The result is shown in Table 1.

Table 1: The Result of Hypothesis Testing Regression The Prospector and Defender Strategies

Regression equation model	R ²	Constanta	Coefficient (beta)	t	sign
H1. Y = a + b1 dist (E.EC.HRM.S)+e	0.307	5.994	-0.554	-8.863	0.000*
H2. Y = a + b1 dist (E.S)+e	0.281	5.073	-0.530	-8.316	0.000*
H3. Y = a + b1 dist (EC.S)+e	0.243	5.003	-0.493	-7.545	0.000*
H4. Y = a + b1 dist (HRM.S)+e	0.070	4.461	-0.264	-3.637	0.000*

* significance at the 5% level

Regression equation is carried out in examining H1, H2, H3 and H4. Actually, all of group points out negative and significant coefficient regression in all model of equation. Seen from t-test result on table 1, significance of each hypothesis is less than 0.05 it means that the first until the fourth hypothesis are accepted. (H1, H2, H3 and H4 accepted). Research continued by proving whether hypothesis 1 until hypothesis 4 is still consistent to be implemented in groups of prospector and defender. In the regression analysis, data is classified into two groups; (1) firm group with prospector strategy (n=130) and (2) defender strategy group (n=49). By applying Anova the result shows that F value is significant (F value = 25,8 with sign. 0.000), it means clearly there is different strategy between prospector and defender groups.

5.2 Regression Analysis of Prospector and Defender Strategy Groups

The final result of examining prospector strategy group concludes that by configuration and contingency there is obviously fit between prospector strategy and external environment, export channel structure and human resource management practice towards the export performance by significant level 0.000 (Table 2). Nevertheless, in the defender strategy groups conclude that there is no fit relation between strategy of defender and export channel structure towards export performance by significant level 0.215 (Table 3).

Table 2: Regression Result of Hypotheses Testing Prospector Strategy

Regression equation model	R ²	Constanta	Coefficient (beta)	t	sign
1. Y = a + b1 dist (E.EC.HRM.S)+e	0.290	6.026	-0.539	-7.238	0.000*
2. Y = a + b1 dist (E.S)+e	0.273	5.200	-0.523	-6.942	0.000*
3. Y = a + b1 dist (EC.S)+e	0.223	5.114	-0.472	-7.065	0.000*
4. Y = a + b1 dist (HRM.S)+e	0.046	4.656	-0.213	-2.471	0.015*

* significance at the 5% level

Table 3: Regression Result of Hypotheses Testing Defender Strategy

Regression equation model	R ²	Constanta	Coefficient (beta)	t	sign
1. Y = a + b1 dist (E.EC.HRM.S)+e	0.100	3.897	-0.316	-2.286	0.027*
2. Y = a + b1 dist (E.S)+e	0.324	4.624	-0.569	-4.741	0.000*
3. Y = a + b1 dist (EC.S)+e	0.033	3.732	-0.180	-1.257	0.215
4. Y = a + b1 dist (HRM.S)+e	0.286	4.530	-0.535	-4.339	0.000*

* significance at the 5% level

5.3 Discussion

Generally, these research findings are prospector and defender strategies applied in manufacturing industry in East Java have had fit strategy with contingency variable such as external environment, export channel structure and human resource management practice from the point of view either configuration or contingency. It means supporting research findings carried out by Covin and Slevin (1989), Robertson and Chetty (2000) and Muafi (2008a, 2008c). Therefore, in manufacturing industry utilized prospector strategy, based on configuration or contingency it has fit in variable of external environment, export channel structure and human resource management practice. However, in manufacturing industry utilized strategy of defender do not have fit in its export channel structure yet. These findings support the research findings by Muafi (2008a, 2008c) who claim that generally manufacturing industry in East Java do not have fit competitive strategy towards contingency variable yet, although it has effect on the performance.

Based on the study findings, it is necessary giving understanding for the manufacturing industry especially which concern in export orientation in East Java that the chosen and implemented strategy should be consistent and appropriate with deal variable of contingency. Based on configuration and contingency, manufacturing industry which applying prospector strategy operating in hostile environment, having organic export channel structure and innovative human resource management practice are expected having more enhancing of export performance than the firm which utilized prospector strategy operating in benign environment, having mechanic export channel structure and efficient human resource management practice.

In this case, the unfit on defender strategy is caused by demand for the manufacturing industry managers to be able to produce high quality and innovative product/service, so it is more proactive and brave to run the risk, but in other side it is faced on troubled industry setting, tight competitive intensity, hard and tight business climate, less opportunity be exploited, full of risks, pressure and domination from competitors. Moreover, the condition of export channel structure is still limited in accessing financial information, operation and market, different style managerial in distribution channel, not flexible management technique encountering the environmental changing, stiff distributors following formal access and formal control towards distributors is still tight. If this condition is neglected, so it will be decreasing export performance at manufacturing firms in East Java.

Made reference to research findings by Luo (1999) explains that there is no significant effect the munificence environment and strategy particularly strategy of innovation, proactive and high risk towards performance. On the contrary, a dynamic (hostile) and complex environments have relation to strategy of innovation, proactive and high risk, and it can enhance the performance. These research findings are also supported by Simerly and Li (2000). Further Lefebvre, Mason and Lefebvre (1997) state that hostile environment has positive relation to innovation. In the stabile environment, innovation is not needed. Added by Lukas, Tan and Hult (2001); Shane and Kolvereid (1995) argue that interaction between hostile environment and prospective strategy has better effect on performance.

There are many evidences which showed that organic structure enable a firm can interact faster towards external power changes in hostile environment. Whereas mechanistic structure is more appropriate in benign/stabile environment where the firm is not necessary make immediate response (Covin and Slevin, 1989). The core is the more dynamic and indefinite environment the more flexible demand. Therefore, organic structure will run to higher organizational performance. Inversely, in the benign/stabile and predicted environments, mechanistic structure is the most appropriate choice. The organic structure is an organization structure which run free and characterized by a few of rule and regulation, teamwork and decentralized decision making structure. The mechanistic structure is an organizational structure which characterized by stiff definite jobs, a lot of rule and regulation, a few of cooperation and teamwork and centralized decision making structure (Covin and Slevin, 1989).

Delaney and Husehild (1996) assert that in progressive (innovative) human resource management practice will be able enhance the competition in global market so it can improve the firm performance. In a configuration perspective, Dolan. Mach and Sierra (2003) study about human resource contribution towards firm's success altogether, there is a relation between policy effectiveness and human resource practice (staffing, compensation, training), the characteristics of human resource department (ratio of professional, rate

of education), some characteristics of organization and totality of firm economic performance. It can be concluded that policy and human resource practice has relation to work productivity. In conclusion, the firm which applied human resource management practice, characteristics of human resource management department and organizational parameter all together has significant effect on the performance either work performance or financial performance. Bjorkman and Xiucheng (2002) conclude that the firm which utilized extensive human resource management practice will have effect on high performance like that the firm with human resource management strategy will have high performance. Harel and Tzafrir (1999) make clear that environment variable and human resource management practice either in private or public sectors have effect on the performance, organizational or marketing performances.

6. Conclusion

In this case, the manufacturing industry entirely in East Java have fit of strategy with external environment, export channel structure and human resource management practice in enhancing export performance either configuration or contingency. Therefore, it goes on manufacturing industry which chose and implemented prospector strategy. However, in manufacturing firms which chose and implemented defender strategy do not have fit with export channel structure contingency variable yet, although by two others contingency variables such as external environment and human resource management practice have fit.

A further implication of this study is that prospector industry achieve better export performance than defender ones, while industry that adopt no explicit competitive strategy may have trouble retaining hostile external environment, organic export channel structure and innovative human resources management practice. It should be emphasized that this study suffer form certain limitation. *First*, one of its limitations it is single industry focus. Undoubtedly, each industry is subject to varying issues arising from competition, manufacturing form, government regulation and level of technological advancement. *Second*, a reliance on subjective measures, due to an inability to source objective data. *Third*, the performance indicators used in the present study are based on subjective response to question comparing the performance respondent manufacturing industry with that of competitors. A few scholars believe that such subjective measures may be as reliable as more objective indicators (Dess and Robinson, 1984).

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Appendix A. Correlation between multiple and single measure

		Pearson Correlation	Sign.
External Environment (3 item)		0.664	0.000
		0.748	0.000
		0.737	0.000
Export channel structure (6 item)		0.854	0.000
		0.889	0.000
		0.808	0.000
		0.883	0.000
		0.775	0.000
		0.821	0.000
HRM Practice (5 item)		0.847	0.000
		0.781	0.000
		0.838	0.000
		0.853	0.000
		0.719	0.000
Competitive Strategy (5 item)		0.805	0.000
		0.810	0.000
		0.625	0.000
		0.845	0.000
		0.769	0.000
Export performance (5 item)		0.762	0.000
		0.771	0.000
		0.793	0.000
		0.800	0.000
		0.705	0.000

Appendix B. Scale reliability

	Standardised Alpha
External Environment (3 item)	0.781
Export channel structure (6 item)	0.722
HRM Practice (5 item)	0.712
Competitive Strategy (5 item)	0.777
Export performance (5 item)	0.751