

# The Relationships between Environment, Integration and Performance in Supply Chain Contexts

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## Abstract

The aim of this research is to test the relationships between environment, strategy and performance of Korean FDI firms in China. The relationships between variables are tested by multiple regression analysis concerned with causal relationships and cluster analysis, analysis of variance and post hoc analysis concerned with contingency relationships. The results are as follows.

First, heterogeneity has an influence on internal integration, dynamism has a negative influence on the integration and the other factors do not influence the integration. Second, munificence and heterogeneity have an influence on external integration but dynamism has a negative influence on the integration and hostility does not influence the integration. The results become the root of investigating the contingency relationships between variables. Third, firms which recognize stable environment are ascertained as achieving high cost performance through enhancing internal integration. Fourth, the research verifies that firms which show a high recognition of environmental uncertainty achieve high service performance through enhancing external integration.

Key Words : Contingency Theory, Environment, Integration, Performance, FDI

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## **I. Introduction**

Environmental variations concerned with globalization and the development of information technology have led to integration of the world market and competition is very keen in the market. Firms following this keen competition try to adapt to the changed environment through logistics integration, supply chain management (SCM), strategic alliance and so on. In these circumstances, they would carry out foreign direct investment (FDI) to low cost countries to acquire cost leadership. In particular, increased investment in China raises a need for research on the environment of the Chinese market.

Firms would achieve competitive advantages in the market through attaining internal efficiency, providing customers with various services to use internal resources and enhancing collaboration between suppliers and customers for survival in changing environment and where there is keen competition.<sup>1)</sup>

Environmental estimation of these firms could be achieved by systemic tests of internal and external environments by themselves. Internal environmental estimation should include the ability for analysis of strengths and weaknesses, past performances, the reason of past failures and the possibility of future plans.<sup>2)</sup> External environmental analysis should include political, economical, social, cultural and technological trends of the environment and analysis of external events. Opportunities and threats to emerge from this environmental analysis have an influence on creating the strategy of firms.<sup>3)</sup> Their strategy is connected with achieving goals as it is their strategic orientation. Therefore, firms could more accurately measure their performance if they ascertain that the environment has an influence on strategy.

Research on Environment-Strategy-Performance in logistics and SCM is based on contingency theory emerging from the 1960s. The theory explains strategic behavior of firms in different environment and it aims to find the best strategy in the particular environment with which firms are faced.<sup>4)</sup> Research on Environment-Strategy-Performance with which firms are faced was performed

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1) Bae and Rhee (2010), pp. 299-327.

2) Bae and Yun (2009), pp. 411-442.

3) Kim (2004), p.29.

4) Pholf and Zollner (1997), pp. 306-320.

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