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Strategic flexibility, rigidity and barriers to the development of absorptive capacity in business markets: Themes and research perspectives

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Abstract

The marketing and strategy literature hail strategic flexibility as a key success factor in creating continuously customer value and generating competitive advantage. However, empirical evidence indicates that rigidity in market strategies and actions is more the rule than the exception in organizations. The focus of this special issue is on better understanding rigidity and flexibility in business markets. This lead article seeks to elaborate on why companies face rigidity and how they can create flexibility. To do this, we relate rigidity in organizations to the concepts of dominant logic, industry recipe and persistence. The case illustrations highlight barriers to the development of absorptive capacity in business organizations. Identifying such barriers is a first step in better understanding how companies can remain agile and flexible in demanding and fast changing markets. The paper then proceeds with a brief introduction to the other contributions of this special issue and concludes with a research agenda.

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1. Introduction

The focus of this special issue is on better understanding rigidity and flexibility in business markets. The discussion of rigidity and flexibility is often linked to escalating levels of environmental turbulence. Dynamic business markets call for a new marketing approach and increasing strategic flexibility in business organizations. Consider the following arguments made in the literature.

According to Sheth and Sisoida (1999), new growth economics based on knowledge assets and increasing returns to scale, market diversity and simultaneous competition and cooperation create a new marketing context that undermines marketing's lawlike generalizations. Hitt, Keats, and DeMarie (1998) pinpoint strategic discontinuities such as the elimination of industry

boundaries, fewer distinctions between industrial and service businesses, major advances in logistics, computer aided design and communication, hypercompetitive markets and the opening of global markets. Eisenhardt (2002) argues that the global, 'high velocity playing field' creates unstable and unpredictable business conditions which make strategy temporal. Facing these challenges, marketing managers and their organizations are forced to be alert, learn quickly, transform ideas quickly into action, and revise marketing plans continuously. Hitt et al. (1998) state that success in the 21st century organization depends on the creation of flexibility and on the ability to balance stable and fluid states. However, when competitive rules change and markets are reconceived, major incumbents and/or the more successful players might be the slowest to adapt. They might remain stuck in existing customer relations and networks. They might be too focused on known performance drivers and existing market conceptions. Hence organizational and market routines hinder necessary adaptations.

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Also Shimizu and Hitt (2004) argue that maintaining strategic flexibility is one of the most important yet most difficult tasks of managers and companies in dynamic environments. They define strategic flexibility “as an organization’s capability to identify major changes in the external environment, to quickly commit resources to new courses of action in response to change, and to recognize and act promptly when it is time to halt or reverse such resource commitments” (p.45). Strategic flexibility is a multidimensional concept. Evans (1991) describes how flexibility maneuvers might be developed before or after a triggering event. It might be based on offensive or defensive logics, resulting in four types of flexibility. Golden and Powel (2000) define flexibility as the organizational capacity to adapt to environmental changes. They describe how different conceptions of flexibility vary in terms of (1) the length of time needed to respond to environmental changes, (2) the range of options available, (3) the perspective taken (offensive or defensive) and (4) the focus area in which the flexibility is created (external or internal).

To further substantiate the key role of flexibility in industrial marketing, we explore in the next paragraph two situations in which industrial companies are challenged to revise their market strategies and fail to do so. A third section focuses on an interpretation of these observed phenomena. Rigidity present in the case illustrations leads to a conceptual reasoning that relates (the lack of) flexibility to the construct of absorptive capacity. Building flexibility requires the development of absorptive capacity. Therefore, identifying the barriers to this development is a first step in better understanding how business organizations can remain agile and flexible in demanding and fast changing markets. In the fourth section, the different articles of the special issue are introduced. The article closes with an agenda for future inquiry into the flexibility issue.

2. Rigidity in marketing decision making: two challenging situations

Consider the following situations in which a number of business marketers face a variety of challenges and threats, forcing them to display strategic flexibility.

2.1. Case situation 1: Declining margins and the anxious search for value additions in the installation industry

The Dutch electro technical installation industry can be characterized as a stable industry. As entry barriers are low and exit barriers appear to be high, fierce competition has characterized this industry for years. In periods of economic downturn the rivalry among incumbents becomes a struggle for life with heavy price competition. The industry focuses on the design, installation and maintenance of electro technical installations for energy generation, distribution and transformation, and on installations for data generation,

transmission, monitoring, etc. Although customer problems tend to be diverse requiring tailoring and specific designs, most installers focus on the pure installation and maintenance stages of projects, thereby facing bidding processes and dominant price competition. Nevertheless, the industry is complex with a wide range of techniques and potential applications that give room to further specialization or even niche strategies. These applications lie in the construction and refurbishing of private houses, offices, dwellings, infrastructure (e.g., tunnels), and industrial applications (e.g., calibration of machines or automation of industrial production processes). The industry is fragmented (although some ‘cluster’ companies exist) because local market presence, close to the applications, is required.

Typically, new technologies are introduced by upstream suppliers such as ABB, Schneider or Alcatel. The installer buys these components directly from the manufacturer or (mostly) through wholesalers. Installers are supplier independent, i.e., they remain indifferent as to the specific brand requested and prescribed by the end customer. Most installers complain about the overall working conditions. On the one hand, they had to upgrade their technical skills dramatically due to built-in intelligence in components and ever increasing complexity in installations. On the other, margins remained under pressure. Over the last five years, some installers went for a differentiation strategy and created new value added perspectives. The majority, though, continued to follow the mainstream.

One of these new perspectives aimed at the position of ‘system integration’. Pioneers in this first group intended to building a broad competence-driven company able to tackle the total electro technical problem of the customer, and offering an integral service solution to any application. At the same time, they understood that this focus required subcontracting of specific activities. Another group of pioneers went for pure specialization. Building upon the reputation of their company, they went after the most complex projects (e.g., in the security field, in information and communication networks etc.) and focused on the engineering, contracting and maintenance of highly technology-intensive projects. Again, simpler tasks are outsourced. A final group of firms went for the opposite direction: operational excellence. These firms stripped off their organizations from ‘unnecessary’ high technology units in order to focus on the fast and efficient realization of relatively simple projects. Predominantly, these firms relied on sound cost calculations, scale efficiencies, multi-task personnel and efficient productivity.

Experts agree that these three revised generic strategies make sense in this industry and could all three lead to a differentiated position and improved margins. Nevertheless, companies’ strategic intents seem hard to be realized. Most, if not all, companies did not succeed in streamlining their organizations in the direction of one of these revised strategies. The old market behavior of companies’ local affiliates persisted. In fact, local affiliates ‘kept their people

busy' at any cost, thereby grasping every opportunity for any project, even the type of projects that did not fit with the renewed corporate strategy. Moreover, while in most cases customers did appreciate these revised market strategies of their suppliers, their buying behavior remained the same. They continued to leave limited room for supplier initiatives and integral solutions. As a consequence, pure price competition persisted.

2.2. Case situation 2: Facing adverse conditions in international business markets

Company Alpha is a Dutch value added reseller of used business vehicles. Although the company has only about 150 employees, it can be considered a globally dominant company in its industry. The rationale for its worldwide sales lies in the life cycle of commercial vehicles. A truck, for instance, might be newly bought in the more developed markets such as the Netherlands or Germany. After about four years, the owner disposes off its used vehicle and sells it to company Alpha, which ships it, after necessary refurbishment, to less advanced markets such as Eastern Europe. Some years later, the used truck is bought again, refurbished and shipped to Africa or South America. Today, Alpha is doing business in more than eighty countries.

In the mid 1970s, the company started exporting to Belgium, as the Belgian life cycle lagged behind the Dutch. However, as the Belgian life cycle caught the Dutch, the Belgian affiliate changed from a local sales office into a second hub for the local purchase and international sales of used vehicles. The subsidiary gained high levels of autonomy and started to specialize on the African market—a market the Dutch had not aimed at until then. This dual-hub situation lasted for more than ten years. In the late 1980s, headquarters installed a more transparent control system and found out that the Belgian hub was (1) cannibalizing Dutch activities and (2) operated in a far less efficient and professional way. Surprisingly, Dutch headquarters decided to increase its commitment to the daily operations of the Belgian subsidiary, and significantly supported and guided the Belgian affiliate. After some years of increased commitment of headquarters, autonomy was reinstated and a new management team with local people was appointed. Things started to get worse soon and by the mid 1990s a third management change took place.

Since the late 1980s, it had been clear to a majority of the Dutch board that this double-hub structure could not work. Yet, a belated decision to close down the subsidiary in the mid 1990s was overruled after intensive lobbying by the Belgian CEO. Eventually, in 1996, after 20 years of local activity and seven years after the strategic misfit had become clear, the Alpha group closed the Belgian affiliate.

Company Beta is a mid-sized diversified technology concern designing, engineering and building industrial installations in the oil, gas, chemical and pharmaceutical industry. It has about 20,000 employees. Sixty five percent

of its sales are generated abroad, and internationalization often initiated by following key clients with international projects. Local subsidiaries build strong network ties with subcontractors and engineering partners. Some years ago, the company withdrew from the strategically important UK market after a process of nearly twenty years.

Many years the company served the British market profitably from the Netherlands, but gradually the need for a local affiliate grew. The UK operation was set up in the early 1980s and the subsidiary was considered not only important for the UK market but was also attributed a role of coordinator for the Far and Middle East markets. During the 1980s, the UK market evolved into a 'turnkey' market: projects were outsourced to a responsible main contractor who absorbed the risks. To keep pace with this evolution and to increase scale, the UK affiliate intended to merge with a UK contracting company in 1985. The Dutch headquarters did not agree with this move (considered as outside of the core business), and eventually blocked it.

After this critical incident, headquarters gradually reduced the UK subsidiary's strategic role. The responsibility for the Far East, an ever more important region for the group's expansion, was resumed by the headquarters. The UK affiliate was downsized. Yet, local UK management tried to reverse the situation by pursuing growth. However, acquired projects were often very risky and beyond the UK affiliate's core competencies. In 1998, a large project remained 'unfinished' due to unresolved technical problems and the cash flow of the project turned out to be very problematic. At that moment, headquarters decided to close down the UK subsidiary. After this decision, though, it still took some years to implement the market withdrawal because of warranties and other unsolved technical issues in the projects at hand.

3. Case discussion

Although the cases in both situations focus on different strategic marketing decision, there are remarkably similar processes at work. In both situations, managers see the need to change their course of action. In Case situation 1 companies belonging to any of the three 'differentiator groups' stress the urgency of a strategy reorientation. However, they do not dare to fully implement their chosen strategy as they experience 'obstruction' from local managers, traditional customer behavior and deeply ingrained marketing practices. They are confronted with a way of working in the industry and in their own companies that makes them doubt on the feasibility of the new strategy.

The so-called 'industry recipe' (Spender, 1989) acts as a major obstacle to move. Rigidity lies not only in the existing customer relations and the way of doing business with each other (e.g., based on tenders with closed specifications). Also organizational structures and routines (e.g., divisional silos) and a power struggle between local managers and

headquarters block strategic flexibility. The operational structure of these companies makes the communication between local managers (who want to fill their order books at any cost) and headquarters ‘strategizers’ (who want to ‘invest’ in the new strategy even if that implies some temporary downsizing) very difficult. Unless flexibility can be created and dynamic capabilities are unleashed (e.g., in the creation of an independent entrepreneurial venture focusing only on specific type of projects) no successful business case can be built, and support for the new strategy pulverizes during the first economic downturn that has to be confronted.

In Case situation 2 similar processes pop up. A significant gap between actual and expected performance stimulates a strategic reaction, but internal power plays block swift reaction. In both situation 2 cases, causal ambiguity and the uncertainty about the best course of action block any decision to withdraw. To the contrary, in both cases additional investments were decided upon. Emotional arguments seem to downplay strong (negative) signals and might lead to ‘persistence’ (Audia, Locke, & Smith, 2000). Strategic drift can last many years until a ‘fait accompli’ is reached, i.e., a critical incident damaging the reputation or performance dramatically, or the existence of new, objective data proving the dead end street nature of the strategy. At that moment, nearly everyone in the organization accepts that resources can be better allocated in alternative projects. The availability of clear alternative options facilitates the withdrawal decision (Pauwels & Matthyssens, 2004).

4. Towards a market-focused conception of strategic flexibility

Strategic flexibility is gaining importance in creating competitive position and in realizing financial performance for companies. Young, Sapienza, and Baumer (2003) uncovered how flexibility of trading relationships with buyers and suppliers (the willingness of parties to adapt to new knowledge without resorting to new contracts or renegotiations) is a significant determinant of a firm’s productivity. Strategic flexibility was demonstrated also to have a positive influence on firm performance after the Asian crisis, especially in environments with high competitive intensity. In such environments, flexibility should be emphasized and market orientation de-emphasized (Grewal & Tansuhaj, 2001).

Johnson, Pui-Wan Lee, Saini, and Grohmann (2003) have pointed towards the skewed perspectives on strategic flexibility. The majority of the literature focuses on internal and reactive perspectives. Strategic flexibility is hardly linked to strategically crucial market-linking activities. According to these authors, market-focused flexibility undergirds the firm’s success and superior performance. They define this concept as “the firm’s intent and

capabilities to generate firm-specific real options for the configuration and reconfiguration of appreciable superior customer value propositions” (2003:77). This options perspective is in line with Bowman and Hurry (1993). In general, it is thought that a market-driving approach will result in a relatively higher level of market-focused strategic flexibility than a market-driven approach (see also Tuominen, Rajala, & Möller, 2004). However, current market orientation literature focuses on maintaining the status quo in customer relations rather than on driving the market.

Early contributions on strategic flexibility took a functional and rational approach to strategic flexibility. Aaker and Mascaranhas (1984), for instance, put forward that three methods can be applied to all functional areas: (1) increasing a firm’s diversification strengths, (2) investment in under-used resources and (3) the reduction of commitment of resources to a specialized use. In the margin, though, the authors have mentioned organizational facilitators such as a decentralized structure or externally oriented mindsets. Later on, strategic flexibility is more considered as an organizational process rather than an economic strategy (e.g., Volberda, 1998).

Hitt et al. (1998) advise companies to use a mix of actions to build flexibility and competitive advantage: such as, (a) developing dynamic core competences, (b) focusing and developing human capital (e.g. contingency workers and outsourcing), (c) effectively using new technologies (e.g., IT or flexible manufacturing systems), (d) engaging in valuable strategies (e.g., cooperation), and (e) developing new organization structures and culture (e.g., horizontal structures). Also Johnson et al. (2003) situate strategic flexibility within a resource-based view of the firm: the firm must develop a portfolio of capabilities that creates a bundle of options. The development of strategic options requires “the development of critical resource identification, acquisition, deployment capabilities, and option identification capabilities within the firm” (2003:87).

The latter conceptualization is clearly linked to the constructs of dynamic capabilities and absorptive capacity. Dynamic capabilities are embedded in organizational processes. Such capabilities enable the firm to reconfigure its resources and adapt to new market conditions (Eisenhardt & Martin, 2000). Absorptive capacity is “a dynamic capability pertaining to knowledge creation and utilization that enhances a firm’s ability to gain and sustain a competitive advantage” (Zahra & George, 2002: 185). An interesting and promising perspective of Zahra and George (2002) is the distinction between potential and realized absorptive capacity. The former refers to knowledge acquisition (speed, scope, direction) and assimilation (understanding, interpretation) and provides firms with strategic flexibility and adaptation potential. Realized absorptive capacity centres on knowledge transformation and exploitation.

The exposure to diverse and complementary external sources, as well as past experience influences the develop-

ment of absorptive capacity. Absorptive capacity is activated by activation triggers. Internal triggers can be crises or important events for a firm. External triggers are events impacting on the future of the industry. The two case illustrations in the preceding section show that companies, when faced with a need for market strategy reorientation might have to face obstacles in creating strategic flexibility and adapting their strategy. Their potential absorptive capacity is only activated slowly, and it seems hard for them to realize their absorptive capacity. Enriching the analysis of strategic flexibility with the notion of barriers to the development of absorptive capacity holds potential for overcoming the so-called relevance gap (Starkey & Madan, 2001) in applying the recommendations of the ‘state-of-the-art’ literature on strategic flexibility. So far, we see that managers might feel that the literature does not contribute directly to their managerial role and does not help them to address the rigidity challenges they face. As described by Starkey and Madan (2001), learning is less than half if it does not enhance managers’ capability to take relevant action. It seems so far that a majority of recommendations in the area of strategic flexibility could not be applied successfully because of a neglect of cognitive and organizational issues.

In fact, most contributions on flexibility neglected the barriers to strategic flexibility. A notable exception is a recent paper by Shimizu and Hitt (2004) that focuses on the difficulties managers face in developing strategic flexibility. They pinpoint three types of barriers:

- Barriers to attention: complacent mindset, organizational inertia leading to the ignorance of everything that deviates from the routines.
- Barriers to assessment: blaming external factors, over-investing while hoping for a dramatic turnaround, etc.

- Barriers to action: environmental uncertainty, resistance to change, resource constraints, etc.

A vicious cycle of strategic rigidity might result. These barriers are clearly present in the case situations of this paper (see Table 1).

In the two case situations, we have encountered barriers to the development of absorptive capacity (see Table 1). On all four components of absorptive capacity (acquisition, assimilation, transformation and exploitation of knowledge) barriers prevent further growth. In specific situations, business marketers have difficulty to identify, acquire and frame relevant market and performance data. Often, they only engage in single loop learning and do not seem to manage questioning their present courses of action. External factors are often blamed, which feeds persistence, the more when the company has shown positive performance recently (Audia et al., 2000).

Assimilation might be blocked by causal ambiguity such as is the case in international market problems and high degrees of inertia, eventually leading to the ignorance of strong (negative) signals. The transformation process seems to be blocked by ‘politicking’ between headquarters and affiliates or among different functions not willing to share or collaborate (as is the case in installation companies interested in offering integral solutions requiring intense collaboration of different functions). The result is that the organization cannot be aligned to the new strategy. During exploitation, persistence by local affiliates, the lack of options, and existing market linkages seem to block the development of absorptive capacity and thus strategic flexibility.

This analysis shows that cognitive biases and limitations as well as organizational inertia and political fights between different coalitions (those in favor of and those against a

Table 1
Barriers to absorptive capacity in two case situations

Components of ACAP (Zahra & George, 2002)	Barriers	
	Case illustration 1 (differentiation)	Case illustration 2 (Market Exit)
Acquisition	<ul style="list-style-type: none"> ■ Perceptual schemata distorted by history (it has always been like this. . .!) and industry recipe ■ Limited market information gathered ■ Single loop learning rather than double loop learning takes place ■ External factors blamed 	<ul style="list-style-type: none"> ■ Objective and complete market and financial data missing
Assimilation	<ul style="list-style-type: none"> ■ Reactive nature of installers (‘waiting for projects’) limits speed of adoption time horizon ■ Ignorance of deviating strategies 	<ul style="list-style-type: none"> ■ Single loop learning ■ External factors blamed ■ Causal ambiguity remains for a long time ■ High degree of inertia and escalation of commitment
Transformation	<ul style="list-style-type: none"> ■ Local affiliates do not internalize the new strategy direction ■ Difficult to align organization structure to strategy 	<ul style="list-style-type: none"> ■ Successive new management teams, hence no consistency ■ Political decision making and rivalry headquarters-subsidiary
Exploitations	<ul style="list-style-type: none"> ■ Local affiliates persist with old strategy of grasping ‘any’ opportunity ■ Customers do not change their buying behavior and persist with detailed tenders 	<ul style="list-style-type: none"> ■ Local affiliates persist with ‘business as usual’ ■ Lack of alternatives ■ Resistance to change

strategic change) might disrupt the building of dynamic capabilities (such as absorptive capacity). As a consequence, managers remain committed to their initial strategy and top or marketing managers cannot overcome the resistance to change of lower organizational echelons.

The company keeps on acting in line with the industry recipe notwithstanding growing signals of need for a drastic strategy reorientation. In the case situations of the international market exits, the availability of alternatives and the arrival of new, unbiased managers or new information act as triggers to strategic flexibility. In the case of the differentiation strategy renewal (installation companies), a series of limited successful business cases and/or dramatic performance deterioration may act as a trigger to change.

The consequence is clear. Creating strategic flexibility in business markets is not just a matter of choosing the right strategy. It requires the creation of the right organizational preconditions (dynamic capabilities) and of infusing value creation and market focus into the notion of strategic flexibility (Johnson et al., 2003; Shimizu & Hitt, 2004).

5. Introduction to the special issue

The purpose of this special issue is to explore in some depth how to create flexibility in Business-to-Business marketing settings. It intends to unveil antecedents, drivers, routes towards and consequences of (strategic) flexibility and rigidity in business markets.

Contributions cover a wide range of perspectives on the subject of strategic flexibility (further SF) as well in terms of research topics as in methodologies. In terms of topics, authors agree on the importance of flexibility in today's dynamic markets and offer insight in the determinants, drivers and inhibitors of flexibility. Their lenses zoom in on different aspects though. Some focus on intra-firm processes such as supply management or manufacturing, whereas others focus on inter-firm issues. Regarding the latter, the creation of flexibility in business relations is specifically targeted. Papers reinforce the dialectic role of customer ties and market relations, simultaneously feeding and blocking flexibility. In terms of methodologies this special issue is a good mirror of the state-of-the-art in research methods applied in Business-to-Business marketing. One paper is purely of a conceptual nature. Of the remaining six papers, one uses a qualitative approach, one uses a mixed methodology, and four use a (predominantly) quantitative methodology. Next, we shortly introduce each paper of this special issue.

5.1. *Infusing flexibility*

In the first contribution, Elisa Fredericks presents a literature review based on a multidisciplinary perspective,

utilizing a resource-based view and a contingency lens. She stresses the importance of SF in response to environmental uncertainty and offers a set of options open to firms to enhance intra- and inter-firm flexibility. Propositions on inter-firm flexibility focus on the increasing positive influence of (formal) strategic alliances on SF under higher degrees of environmental dynamism, and on performance both in general terms as in new product development output. Propositions on intra-firm flexibility stress the importance of intra-firm sense making, information sharing, cooperation, coordination and the moderating effect of intra-firm conflict.

5.2. *Flexibility in service relations*

Grounded in relationship marketing, relational contracting theory and transaction cost theory, and analyzing data from a sample of German market research firms, Bjoern Ivens scrutinizes the role of flexibility in business relationships of service providers. Findings confirm the importance of flexibility for relational quality, leading to customer satisfaction, and trust and commitment. Results also give insight into the determinants of flexibility in relationships. Flexibility grows with relation-specific investments, uncertainty, 'mutuality' and long term orientation.

5.3. *Relations and market inertia*

Michael Beverland digs into the seemingly paradoxical role of relational commitment: relationships are a trigger for adaptation while at the same time leading to inertia. Analysis of case studies and network interviews in the New Zealand wine supply chain lead to the conclusion that, when an industry matures, firms need to complement deep relationships with weak market-based ties in order to remain in touch with emerging trends. These weaker relationships help refreshing and strengthening the incumbents' position within their key established networks.

5.4. *The role of customer relations in creating flexibility*

All companies face a major challenge of adapting their marketing strategy to the Internet reality. Monica Perry and Alan Shao studied a sample of advertising agencies to see how they developed new Internet advertising services. More specifically, they study whether a customer and competitor orientation acts as an inhibitor or as a driver of effective adaptation. The analysis shows that client orientation hindered performance of Internet based services, whereas competitive orientation stimulates it. Also client diversity and client competition have a positive impact on the success of new Internet related services. These findings offer a valuable insight: a strong client orientation might lead to a reactive mindset, but a focus on

a diverse range of clients with in-house expertise will stimulate product adaptation and growth.

5.5. *Purchasing and supply chain management flexibility*

Larry Giunipero, Diane Denslow and Reham ElTantawy present an exploratory study with a mixed methodology (focus groups and a survey) that aims at developing an initial framework for the skills required by purchasing/supply chain (P/SC) managers to attain flexibility in their domain. Entrepreneurial P/SC managers score consistently higher on flexibility skills than less entrepreneurial P/SC managers. The changing business environment requires a new skill set for P/SC professionals, emphasizing entrepreneurial actions in managing risks, making decisions, planning, interpersonal communication, in using influence and persuasion, and in being internally motivated to find creative solutions to business problems. The authors plead for training on entrepreneurship and creativity for P/SC professionals.

5.6. *Marketing inertia and supply chain performance*

Michael Smith, Richard Lancioni and Terence Oliva present an exploratory study on the impact of inertia on SCM (supply chain management) via quantitative modeling (catastrophe modeling) to study SC (supply chain) responsiveness, and via questionnaire data for testing and validation. SC costs account for nearly a third of a firm's overall operating overhead. This study shows clearly the impact of inertia in SCM on productivity. Supply chain management is a multidimensional process, in which flexibility, agility, responsiveness and speed are key success factors that might be thwarted by inertia. The methodology presented is innovative and holds potential for the study of SCM responsiveness across various production strategies.

5.7. *The role of customer knowledge*

With the help of structural equations modeling, Cindy Claycomb, Cornelia Dröge and Richard Germain show that applied customer knowledge fully mediates the relation of both manufacturing to order (MTO) and 'routineness' of production technology with performance. As such, this study shows two routes to financial performance: enhanced MTO operating through applied customer knowledge and enhanced production technology 'routineness' through applied customer knowledge. In further analyses, the authors scrutinize a subsample of mass customizers (per definition working along the two routes mentioned above). Results confirm empirically that for mass customization, applied customer knowledge and low inventory levels are key to performance. As such this study shows that managers can combine flexibility and efficiency and can use an array of production strategies

by using customer knowledge at different stages of production.

6. **Agenda for future inquiry**

Abundant research opportunities exist in the areas of rigidity and flexibility of market strategies. Next, we raise eight topics for future research. A first issue is the need for infusing managerial cognition into the conceptions of rigidity and flexibility. In line with Young et al. (2003), this study pinpoints the relevance of managerial perceptions and decision-making frames and approaches in blocking or stimulating flexibility. Second, the role of information and information systems in the generation of strategic flexibility and in overcoming resistance needs more attention. Causal ambiguity seems to play a major role as a blocking mechanism. Hence, future research might focus on how and which information can reduce causal ambiguity. Third, the role of present market relations as a hindrance or as a tool for organizational learning and the generation of flexibility warrant further scrutiny (Tuominen et al., 2004). Some contributions in this special issue are also addressing this issue. A fourth area warranting research attention is the relation between absorptive capacity and strategic flexibility. The Shimizu and Hitt (2004) recommendations for creating the capability to maintain strategic flexibility need to be tested. On the one hand, this study has shown how organizational, managerial and industry barriers might create strategic rigidity. On the other, the study demonstrates the importance of organizational preconditions in the form of a capability configuration shaping strategic flexibility. The Zahra and George (2002) framework offers potential in this perspective. A fifth area of attention is the role of industry recipes (Spender, 1989) in creating strategic rigidity in business markets. What makes up an industry recipe and how can it be 'broken'? Sixth, it is important to test the typology of Evans (1991). In fact, strategic flexibility can be conceived as a mix of offensive and defensive, as well as anticipative and reactive maneuvers. Seventh, the study of strategic flexibility and rigidity in business markets will be enriched when researchers focus on how to overcome dysfunctional persistence, both due to escalation of commitment, i.e. the belief that a previously unsuccessful strategy will succeed in the future if more is invested, and to the 'paradox of success', i.e. the belief that a winning strategy will succeed in the future, notwithstanding different environmental conditions (Audia et al., 2000). Interesting might be how affiliates which are closer to the market, differ in this respect from headquarters. An eighth research topic is the creation of options. As shown in this exploratory study, the (non)availability of alternatives and the managerial perceptions of options might be a key determinant of strategic flexibility. How business market-

ing managers create and value bundles of options warrants further attention (Bowman & Hurry, 1993; Johnson et al., 2003).

Overall, the different papers of this special issue all suggest further avenues for research into rigidity and flexibility in a business marketing context. As such, we feel confident this special issue is a renewed start for additional inquiry into the topic.

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