ANTECEDENTS TO STRATEGIC FLEXIBILITY: MANAGEMENT COGNITION, FIRM RESOURCES AND STRATEGIC OPTIONS

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ABSTRACT

Purpose

Current conceptualisations of strategic flexibility and its antecedents are theory driven which has resulted in a lack of consensus. To summarise this domain an a-priori conceptual model of the antecedents and outcomes of strategic flexibility is developed and presented. Discussion and insights into the conceptual model, and the relationships specified, are made through a novel qualitative empirical approach. The implications for further research and a framework for further theoretical development are presented.

Design/methodology/approach

An exploratory qualitative research design is used applying multiple data collection techniques in a branch network of a large regional retailer in the UK. The development of strategic options and the complex relationship to strategic flexibility is investigated.

Findings

The number and type of strategic options developed by managers impact on the degree of strategic flexibility and also on the ability of the firm to achieve competitive differentiation. Additionally, the type of strategic option implemented by managers is dependent on the competitive situation faced at a local level. Evidence of managers' limited perception of competition was identified based on their spatial embeddedness.

Research limitations/implications (if applicable)

A single, in-depth case study was used. The data gathered is rich and appropriate for the exploratory approach adopted here. However, generalisability of the findings is limited.

Practical implications (if applicable)

Strategic flexibility is rooted in the ability of front-line mangers to develop and implement strategic options; this in turn facilitates competitive differentiation.

Originality/value

Our research is unique in this domain on two accounts. First, theory is developed by presenting an a-priori conceptual model, and testing through in-depth qualitative data gathering. Second, insights into strategic flexibility are presented through an examination of managerial cognition, resources and strategic option generation using cognitive mapping and laddering technique.

Key Words: Strategic options, Strategic flexibility, Competitive differentiation, Belief systems, Cognitive content, Spatially distributed retail firms

Research paper

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INTRODUCTION

Strategic flexibility is defined as a set of abilities that enable firms to lead or respond to change (see Evans, 1991; Sanchez, 1995). This ability allows firms to respond to environmental change (Grewal and Tansuhaj, 2001), and also enables them to lead change when operating in current fast moving hypercompetitive markets (Evans, 1991; Johnson et al., 2003).

While few empirical studies have investigated the consequences of strategic flexibility, a positive relationship between strategic flexibility and firm performance is indicated when firms are involved in fast moving industries or have to respond to environmental shocks (Grewal and Tansuhaj, 2001; Nadkarni and Narayanan, 2007).

Antecedents to strategic flexibility are also cited in the literature, but these are largely developed from theory rather than from empirical evidence, and little consensus exists regarding the conceptualisations presented. While discussions of the antecedents to strategic flexibility centre around management cognition, firm resources and strategic options no conceptual model has been developed and tested incorporating all of these components. Hence the relative importance of, for example, the formulation of strategic options to enhance strategic flexibility is cited as important (e.g. Evans, 1991; Sanchez, 1993; 1995), but supporting empirical evidence is unavailable.

The lack of consensus in current conceptualisations (see Grewal and Tansuhaj, 2001; Johnson et al, 2003; Nadkarni and Narayanan, 2007; Saini and Johnson, 2005) is at odds with scholarly interest into strategic flexibility, and is also unhelpful for managers who seek insights. Hence, the development of theory incorporating management cognition, firm resources and strategic options, and their relationships to strategic flexibility is critical to understanding how firms change in light of environmental turbulence (Sanchez, 1995). It is clear that further theoretically driven conceptual development in this domain is likely to produce similarly inconclusive results. As the limited empirical evidence is largely quantitative in nature, we argue here that a novel exploratory qualitative approach is required, in order to first map the domain, and then develop theory based on a rounded and in-depth empirical approach. Our main aim is to construct an empirically derived conceptual model to help understand how managers develop strategic flexibility for their firms through the creation of strategic options.

The remainder of our article is structured as follows. First, an a-priori conceptual model is presented based on our review of the extant literature. Second, we outline our method which includes data collection from forty managers in a large single case study. Our research design is focused on a comparison of the different strategic options generated by retail store managers within a branch network. Next, findings are presented and an empirically derived conceptual model is constructed which is then discussed in relation to our a-priori model developed from theory. We conclude by considering the implications of our findings for theory development and for further research.

CONCEPTUAL BACKGROUND

In this section we briefly discuss antecedents to strategic flexibility. The discussion highlights the main perspectives cited in the literature and an a priori conceptual model is presented based on our review. The conceptual model summarises the state of theory development in this domain. This is subsequently compared with managers' perceptions of strategic option formulation and implementation and this is used to derive an empirically based conceptual model to inform theory development.

Antecedents to Strategic Flexibility

Prior research highlights various possible antecedents to strategic flexibility. The main antecedents cited are management cognition, firm resources and strategic option formulation. These are discussed below and investigated further in the empirical research presented here.

Strategic flexibility: management cognition

Authors such as Combe and Greenley (2004) and Nadkarni and Narayanan (2007) highlight the importance of management cognition in the form of beliefs about strategy or strategic schemas. It is suggested that managers use strategic schemas to make decisions. Cited as antecedents to strategic flexibility, strategic schemas are lenses, based on beliefs and prior knowledge, through which strategic decision-makers interpret data. Hence, strategic schemas are thought to influence the recognition of change as well as strategic flexibility and subsequent flexible behaviour (Nadkarni and Narayanan, 2007).

Similarly, Saini and Johnson (2005) have discussed management learning and tacit knowledge as possible antecedents to strategic flexibility and these are also thought to underpin schemas (see Fisk and Taylor, 1991; Hodgkinson and Sparrow, 2002). Therefore, management cognition was of great interest to our empirical study; in particular managers' beliefs and their knowledge of how to achieve performance consequences. As a result, strategic schemas were examined as beliefs about *ways* or strategies to meet objectives. However, managers could include beliefs about the importance of different stakeholders such as customers and competitors prominently highlighted in the market orientation literature (Deshpandé, Farley and Webster, 1993; Harris and Ogbonna, 1999; Kohli and Jaworski, 1990; Narver and Slater, 1990).

Based on the discussion above, management cognition is included as one of the focal concepts in Figure 1.

Take in Figure 1 about here

Strategic flexibility: firm resources

Sanchez (1995) discussed the importance of resources to strategic flexibility and suggests that strategic flexibility is constrained by the ways in which firms can use available resources. This draws particular attention to the need for flexible resources and for one type of flexibility in particular i.e. co-ordination flexibility. Others such as Grewal and Tansuhaj (2001) posit the importance of building excess and liquid assets, slack resources, and a flexible resource pool as antecedents when discussing reactive forms of strategic flexibility. Prior research provides little guidance on the relationships between resources, other antecedents and strategic flexibility, however as resources act as antecedents to strategic flexibility, they are included in Figure 1.

Strategic flexibility: strategic options

Strategic options are alternative courses of action (Sanchez, 1995) and several authors have discussed their importance to flexibility in general (e.g. Aaker and Mascarenhas, 1984; Fiegenbaum and Karnani, 1991; Greenley and Oktemgil, 1998; Rudd et al., 2008; Sharfman and Dean, 1997); and to strategic flexibility at a firm level (e.g. Evans, 1991; Sanchez, 1995). The literature suggests that the development of strategic options generates variety so that options are available for the firm to take up (Sanchez, 1995). For authors such as Sanchez (1995), strategic options are of particular importance because simply possessing these options is regarded as being the same as, or a proxy for, strategic flexibility. Furthermore, Combe and Greenley (2004) discuss different strategic options as possible outcomes of management cognition and their likely impact on different forms of flexible behaviour**.**

Despite conceptual discussions regarding the relative importance of strategic options to strategic flexibility, there is no empirically derived theory development. Hence, one of the main contributions of the work presented in this article is that we focus attention on different strategic options generated and implemented by managers. Current consensus indicates that strategic options are a result of managers' beliefs and the resources at their disposal so a direct relationship is included in Figure 1.

Strategic flexibility: environmental moderators

Strategic flexibility allows firms to deal with changes in demand and competitor moves. However, several authors suggest that the cost of strategic flexibility to a firm is likely to outweigh the advantages in some environmental contexts. For example, strategic flexibility is cited as of particular importance in intensely competitive environments (Grewal and Tansuhaj, 2001), or when the rate of industrial change is high (Nadkarni and Narayanan, 2007). Similarly, Johnson et al. (2003), in their theoretical study, postulate that environmental turbulence (the magnitude and/or direction of change and unpredictability) is a key moderator.

We note that environmental moderators are included in extant conceptual models but there is a lack of consensus as to their effects. While current theory suggests that environmental moderators are likely to impact on the relationships specified in Figure 1, a full investigation of the possible moderating effects is beyond the scope of this current study. Here we focus on strategic options within a single case study. We therefore include environmental turbulence in dotted lines to indicate that while we acknowledge a cited impact in the existing literature, a full investigation of this is not possible in our study.

To summarise, Figure 1 presents an a-priori theoretical model of existing literature, regarding the relationships between management cognition, resource flexibility, strategic options (here used as a proxy for strategic flexibility) and flexible behaviour. There is a lack of consensus in the literature and hence theory development is required to explore these relationships further. In order to pursue this objective, the next section presents the results of our qualitative study, in order to compare extant theory with our empirical findings.

METHOD

In order to provide further insights for theory development we gathered data to develop an empirically derived conceptual model. We used a single case study method (see Yin, 2004) because it allowed us to investigate managers' strategic schemas and the strategic options they formulated and implemented within the same organizational context and culture. Managers also had very similar resources at their disposal. We focused on a detailed contextual approach to data collection as opposed to a cross-sectional study because of the difficulty in attributing causality (cognition to outcomes) due to the need to control for potentially a large number of context dependent variables when using the latter design. The possibility that management cognition is epiphenomenal also needed to be addressed and the adequacy of cross-sectional studies has been questioned when investigating highly complex inter-related processes which are the focus of this current study (Hodgkinson and Sparrow, 2002). Consequently, we made use of multiple respondents doing the same job (store manager) within a single case study. This approach was used to remove as much noise in the data as possible so that the research could be focused on the strategic schemas of managers and the strategic options they have formulated and implemented.

The case study firm

A case study firm was selected with a large branch network to provide large numbers of potential respondents doing the same job. By doing this, a comparison is made across respondents, on how and why managers generate different strategic options when leading or responding to change. All forty branch store managers taking part in the study are responsible for performance at a store level and are rewarded through bonuses to achieve this, encouraging them to formulate and implement strategic options.

The organization taking part in the empirical phase of this study which is named ‘Local Stores Ltd.’ (anonomised) operates 227 grocery stores in the southern part of the U.K. Respondents represent 17.6% of the total number of store managers within the firm at the time.

Grocery retailing within this region has been experiencing increased levels of competition for a considerable time with some such as Tesco and Asda (Wal-Mart) considered formidable competitors. Together such large chains account for about 90% of the total grocery sales from supermarkets in the South East region of the U.K. (Wrigley and Lowe, 2002).

Data collection

We initiated contact by telephone cold calling a randomly selected branch, within a fifty mile radius of the head office of the company to help maintain cultural uniformity, to speak to the store manager. If a store manager agreed to be interviewed convenience sampling was then used to enable a maximum of three interviews to be conducted in any one day. The interviews were conducted over twenty-nine days with an average of 1.38 interviews conducted per day.

Forty-nine store managers were contacted by telephone in this way to obtain forty personal interviews. Only nine managers rejected the chance to be interviewed even though no pre-call letter was sent and cold calling by telephone was used for the initial contact. The overall response rate is 81.6%, and all of the store managers expressed an interest to participate in the research. Following this, forty store managers within the branch network of ‘Local Stores Ltd.’ were personally interviewed face-to-face at their place of work. The interviews typically lasted between 45 - 60 minutes.

To triangulate the data, within each interview a variety of data collection techniques were used to investigate management cognition and the formulation and implementation of various strategic options. All forty interviews were conducted by the same interviewer using an identical interview protocol in each case.

All the face-to-face interviews were commenced by using sorting technique as a starting point to the development of causal cognitive maps following the procedure outlined by Markóczy and Goldberg (1995). This technique is used to standardise the production of cognitive maps which is useful when they are to be compared and contrasted. It is also used to reduce interview bias because there is no communication between researcher and respondent during the sorting process (Walsh, 1988). Sorting technique is designed to identify each manager's beliefs about important factors for success at a store level. The ten most important factors were then used to generate cognitive maps, during the interview, for each manager. This novel approach was taken, as it is possible to verify the accuracy of the cognitive maps produced by the participants during the interviews and elevates the need for any post hoc interpretation by the researcher (see Hodgkinson et al. 2004). Each hand written map was transferred to Decision Explorer software for subsequent detailed analysis. Laddering technique was then used to develop understanding of the main factors or nodes within each cognitive map, and to investigate links between them as well as their antecedents and consequences (Gutman, 1982; Reynolds and Gutman, 1988). Additionally, a short questionnaire was used to provide more standard data such as the respondents' background details and more straight-forward information.

The data collection produced the following data:

- Rank ordering of the ten most important factors for success at a store level
- Generation of forty cognitive maps using these ten factors (one map for each manager in real time during the interview).

- Three hundred and five pages of interview transcriptions
- Responses to a questionnaire for background information.

In this article we summarise this large amount of data by providing an analysis based on a comparison of all forty interviews. We also demonstrate the considerable detail in the data by providing a cognitive map obtained from an exemplar respondent and associated quotations to set the data into context.

Data analysis

Cognitive mapping was used because maps include action orientated schemas or belief structures and these are cited as useful in identifying links between factors that managers' believe important in strategy implementation (Eden, 1994; Eden and Ackermann, 1998). They are usually regarded as representations of cognition rather than cognition itself (Axelrod, 1976; Eden, 1992) so we rejected quantitative methods (e.g. Langerfield-Smith and Wirth, 1992) in favour of a more interpretive approach. However, we also used content analysis as this technique provides more standardised measures for comparing individual cognitive maps and is also used by other authors in the strategy domain so enabling comparisons to prior studies. (e.g. Calori, Johnson and Sarnin, 1994; Clarke, and Mackaness, 2001). The structural positioning of factors within the cognitive maps were analysed to trace the links between beliefs, their antecedents and consequences (Bougon, Weick and Binkhorst, 1977; Pieters, Baumgartner and Allen, 1995). We also analysed cognitive complexity because this has been cited as having an impact on strategic flexibility (Nadkarni and Narayanan, 2007).

FINDINGS

We focused this study on comparing managers' strategic schemas and their influence on the generation and implementation of strategic options to enhance strategic flexibility (Combe and Greenley, 2004). Strategic flexibility was omitted from this study as this occurs at a firm level (e.g. Evans, 1991; Sanchez, 1995), and therefore individual branch managers were unlikely to be good sources of insight here. We have already discussed that previous analysis at a firm level level has been problematic because antecedents have been theoretically derived and this has led to inconclusive results (see Grewal and Tansuhaj, 2001; Johnson et al, 2003; Nadkarni and Narayanan, 2007; Saini and Johnson, 2005). Hence, insight into this problematic, albeit influential area was sought through an examination of antecedents more directly. Of particular interest were the types of strategic options formulated and implemented by different store managers, and the reasoning behind their choice. As the possession of a set of strategic options is cited as the same as strategic flexibility (Sanchez, 1995), it was considered to be of central importance

Cognitive complexity

Current theory suggests that the complexity of strategic schemas directly impacts on strategic flexibility (see Nadkarni and Narayanan, 2007). To investigate this impact the complexity score for each manager's cognitive map was calculated as the link to factor (node) ratio, which seems the most appropriate analytic method to use as a measure of complexity, because it is not so sensitive to restrictions imposed by the research method employed in data collection (see Clarke and Mackaness, 2001). Due to the use of sorting technique to generate the cognitive maps, which standardises the number of factors to ten, our complexity score is based on connectedness only (i.e. the number of links between factors only).

No patterns linking cognitive complexity to the generation of different objectives or the implementation of strategic options were identified. This finding, in direct contrast to Nadkarni and Narayanan (2007), may flow from our study of the implementation of strategic options, rather than the possibly much larger variety of options formulated by managers prior to choice and implementation. Additionally, store managers were the focus of our study rather than head office employees. However, another explanation is that the link between cognitive complexity and the formulation of strategic options and their implementation (strategic flexibility) is tenuous. Strategic options can also be formulated and implemented by intuitive individuals who are likely to have a low score for cognitive complexity due to simplified structures to their cognitive maps (see Clarke and Mackaness, 2001).

Management cognition

Figure 2 presents an example of a cognitive map, highlighting a strategy schema formulated to achieve performance at a retail store level. This respondent, respondent 28, is a male store manager aged 38, with 20 years experience in the food retailing industry. The cognitive map highlights an example of beliefs about the links between the chosen ten most important factors for success when managing a retail store.

Take in Figure 2 about here

The numbers adjacent to the factors or nodes in the cognitive map, represent the rank order of importance (1 most important to 10 least important). The numbers next to the arrows represent the strength of link; +3 denotes very strong positive relationships to -3 for very strong negative relationships. (see Markóczy and Goldberg, 1995).

Certain features in the cognitive map were found widely in the other cognitive maps analysed. For example, the starting point in the causal chain of links (‘Support from Head office’) was found in seventeen (43%) of the cognitive maps whereas other prominent factors such as ‘Knowledge of customers’ was found in sixteen (40%) maps. Furthermore, this latter factor leads to ‘Service quality’ (this link is present in 25% of the maps) which is at the end of a chain of links signifying that the factor is thought of as an end or objective (Bougon, Weick and Binkhorst, 1977). In this particular case ‘Service quality’ is considered a very important objective because it is ranked 1, the most important factor for success at a store level. In total fourteen (35%) respondents listed ‘Service quality’ as the most important factor for success and twenty respondents (50%) were found to focus on ‘Service quality’ as a primary objective within their cognitive maps (N = 40).

Other important aspects of the cognitive map in Figure 2 highlight a developmental strategic schema and a focus on developmental processes by the manager. Factors such as ‘Motivation of staff’, ‘Developing staff’, ‘Employee flexibility’ and ‘Learning to improve’ are issues associated with resources and capabilities required as part of the *ways* or strategies to address the main objective (Combe and Greenley, 2004). These factors are also required to ‘Build resources for the future’ highlighting a focus on current and future issues. This has some resonance with temporal sequencing within an exploitation phase of organizational ambidexterity (see for example, O’Reilly and Tushman, 2008; Levinthal, and March, 1993).

Strategic options

Issues relating to the generation and implementation of strategic options were also highlighted. For example, when asked why ‘Service quality’ was very important (the most important factor - rank order 1) respondent 28 (retail store manager) replied:

> *“I think it’s one of the major things that we try and differentiate the company against our competitors. …. we’re not going to be able to match them on price. We can’t advertise in the same way. … but the one thing we can do is try and give them* (customers) *better* (service) *quality. We know a lot of our customers and they know us. We’re in the local area”.*

When asked to explain further the links between knowledge of customers and service quality the respondent went on:

> *“It’s experience … lots of them, we deal with them (*customers*) 2 or 3 times a day. It’s just …. saying – Hello, how’s it going? – It’s those sort of things that you wouldn’t really find a cashier in XXX* (a leading large supermarket retailer) *asking the customer how his mum is”.*

Developing service quality (friendly service or speed of service) was the most cited strategic option implemented by store managers (73% of respondents) to differentiate from competition. Other respondents, however, focused on different options such as changing the product range (35%), product promotions (13%) and additional services, such as the use of an in-store post office (5%), to differentiate. Many managers used more than one option to aid differentiation from competition.

Such responses suggest that managers formulate and implement objectives, which are not simple ends in themselves, but are linked to specific strategic options they have used to achieve differentiation from competition. The importance of developing strategic options with an aim to achieve competitive differentiation came to light during data analysis because large numbers of respondents mentioned this as a rationale behind their particular focus. For example, respondent 28 mentions this rationale in the quotation above. To take another example, respondent 15 also discussed the rationale behind the focus on service quality.

> *"I feel this* (service quality) *is important for us because it is one thing that we can offer over and above XXX* (a leading large retail supermarket*). I can't offer the range that they can offer, I can't compete with their prices; what I can do is improve on the service that they* (customers) *get here. So that is why I feel that it is really important that our service is better than theirs. I need to differentiate myself in some way and I feel that is the strongest way that I can do it".*

Service quality was discussed in different ways by respondents, and it was clear that variance in interpretation of this notion existed. When discussing service quality most respondents (65% of them) suggested that service quality relates to friendly service linked to strong relationships with customers. However, other respondents (8%) focused on speed of service for customers wanting the convenience of quick shopping. The data suggested that managers focus on a range of strategic options to achieve competitive differentiation that are valued by customers. We present a summary of the strategic options implemented by managers and their frequency in Table 1.

Take in Table 1 about here

Many managers used a combination of strategic options such as differentiation based on both location and friendly service. This option was most frequently cited by the respondents (see Table 1). However, location was not emphasised in the cognitive maps of most managers because it was seen as largely out of store managers' control. Respondents paid most attention to strategic options perceived to be under their control to achieve differentiation such as developing a friendly service, speed of shopping and range of products to meet local customer needs. Based on our findings, management cognition and strategic options are included in our empirically derived conceptual model in Figure 3. We found that managers' beliefs direct their perceptions and evaluation of their current offering against customer needs and competitors' offerings. Managers' then develop strategic options to differentiate their offerings from competitors. The importance of factors such as 'Knowledge of customers' within the cognitive maps and the critical importance of analysing competitors to achieve differentiation suggest beliefs associated with a market orientation culture are very important to the generation and implementation of strategic options.

In summary, a range of strategic options were identified through an evaluation of the competitive situation faced at a local level. The main criterion used in deciding on a particular option seems to be an evaluation of its effectiveness in differentiation from competitors and attractiveness to customers. Large numbers of managers wanted to reduce competition by geographically positioning of stores away from competition but this option was not under their control. Top managers were thought to be taking a leading role by geographically positioning new stores away from major competitors in 'good' residential neighbourhoods so that more customers can walk to the store. However, due to a lack of control managers concentrated on additional strategic options and large numbers were focused on providing a friendly service and building relationships to foster loyalty.

Moderating effects

Our findings point to two major variables moderating the relationship between management cognition and the implementation of strategic options, and thereby strategic flexibility. These are the competitive situation faced by individual managers, and the resource flexibility influencing the implementation of a strategic option.

- Competitive situation.

Our data highlights the influence of the competitive situation as having a major influence on the development and choice of strategic option favoured by individual managers.

All forty respondents listed a large variety of competition from various different sectors of grocery retailing. There is little evidence, therefore, that only similar convenience stores are regarded as competitors. However, evidence is available to support the notion that managers' emphasised geographically local competition, even through home delivery from internet orders has widened what could be thought of as local competition. Our findings confirm that the perception of competition seems to be spatially embedded (Hess, 2004) within store managers' thinking, and the impact of a different distribution channel on this perception seems to be minimal.

These findings can be contrasted with prior research by Porac, Thomas and Baden-Fuller (1989) who suggest that executives within an industry can develop competitive cognitive structures with a similar, very limited, perception of competition. As Weick (1995) points out, their study highlights the importance of identity and beliefs associated with identity when managers engage in sense making within the competitive strategy domain. In contrast to

Porac et al. (1989) our findings suggest that perception of competition is limited by local geographical or spatial considerations, rather than any strong identity associated with a particular strategic group. Managers have limited perception of competition, which seems to be due to spatial embeddedness, and this is likely to lead to an under-estimate of competition which in turn may be problematic particularly due to the recent steep increase in internet shopping.

In attempting to discern the links between the different competitive situations faced at a local level and the types of strategic option implemented, we were faced with much complexity. This complexity relates to the use of more than one strategic option in combination, so tracing straightforward links was problematic. However, we noted that managers facing large supermarket low price competition (the largest group of managers) focussed on the most-used strategic options; differentiation based on geographical distance and forming close relationships with customers to provide a friendly service (see Table 1). Additionally, managers facing small-store competition tended to implement strategic options that focused on differentiation based on the range of products offered. Our findings suggest that the competitive situation moderates the relationship between management cognition and the strategic options formulated and implemented. Consequently, the competitive situation is included as an environmental moderator in Figure 3.

Competition introduces complexity for head office strategists operating within a retail branch network context because different competition and different intensity of competition was found to be present in different local geographical regions. Such complexity is difficult to manage from the top of an organization due to local variations, and this explains the seemingly high level of autonomy enjoyed by store managers in the case study company. The competitive situation influences the need to respond to change and the type of strategic option considered by managers.

- Flexible resources

In order to implement a chosen strategic option it seems logical to propose the need for flexible resources and the ability to co-ordinate these. Flexible resources are discussed by several prior authors as being important for strategic flexibility (e.g. Grewal and Tansuhaj, 2001; Sanchez, 1995). In this study our analysis suggests that managers believed resources to be important in order to implement a chosen strategic option effectively. For example, Figure 2 highlights the importance of 'Motivation of staff', 'Developing staff', 'Employee flexibility' and 'Learning to improve' to achieve a friendly service based on strong relationships with customers. Furthermore, this option was chosen by the managers to differentiate from competitors. Respondent 28, for example, chose to differentiate on friendly service as a favoured strategic option but, in order for this to be implemented effectively he needed flexible resources, in the form of staff trained to deliver different parts of this service. Our findings point to the use of flexible resources (broadly defined) as a moderating variable for effective competitive differentiation to be achieved so that performance benefits can accrue. Consequently, flexible resources are included in Figure 3 as a moderator, whereas previously they have been discussed as an antecedent (see Figure 1 above).

Outcomes

In our interviews we pre-set the general outcome of our investigations to be performance at a store level because some general performance aim is standard practice when using sorting technique to develop cognitive maps (see Markóczy and Goldberg, 1995). Our findings, however, provide much more detail on the outcomes managers expect from the implementation of a chosen strategic option or options. Our discussion above points to one important outcome which formed the basis of managers' beliefs in their strategic schemas; that effective competitive differentiation is a very important outcome. When discussing other firm outcomes managers almost universally agreed that providing competitive differentiation that their customers value leads to customer satisfaction which in turn leads to customer loyalty and business performance. These outcomes are therefore included in our model in Figure 3.

Comparing Theoretical and Empirically Derived Models

In summarising the differences between the theoretically derived model (Figure 1) and our empirically derived model (Figure 3) we note the importance of management cognition in perceiving customer needs and competitor offerings and their impact on the generation and implementation of strategic options. We also note that management thinking focused on finding competitive space is critical when faced with intense competition.

Our empirically derived model places much more importance on the competitive situation as a main moderator when strategic options are considered. Our findings go some way in highlighting that different strategic options are implemented when the competitive situation is different.

We found no evidence to suggest that resources are antecedents to strategic flexibility but our findings may be due to the research context because we investigated strategic options generated and implemented by front-line managers. We may have found different results if interviewing head office mangers because such managers may have required resources when making investment decisions. In this other context resources are needed in advance of investments when considering strategic flexibility from a real options perspective (see for example, Bowman and Hurry, 1993; Brouthers, et al, 2008; Johnson et al., 2003; McGrath, 1997; for a discussion of real options). Our findings point to notion that resources are considered later after strategic options are generated but are required for the effective implementation of a chosen option.

We did not directly investigate firm level strategic flexibility at head office but present possible relationships using dotted lines in Figure 3. Furthermore, our focus on strategic options and our single-case methodology did not allow for the full investigation of environmental turbulence as a moderating variable. We have, however, outlined the different strategic options that have been developed and implemented within the branch network of a single firm and why they were developed and chosen. Possessing a set of these strategic options provides the firm with the ability to lead or respond to change which is the same a strategic flexibility.

CONCLUSIONS

In this article we outlined the need for in-depth exploratory research to aid conceptual development and further understanding of the antecedents to strategic flexibility. We focused our research on forty individual managers within the same organization doing the same job. This research design aided our investigation into the formulation and implementation of different strategic options as a response to specific competitive situations to improve performance, given broadly similar resources and the same industrial setting.

We found that managers formulate and implement different strategic options to enhance competitive differentiation that their customers value. Our findings suggest that cultural (shared) beliefs, especially marketing cultural beliefs, and individual management beliefs are important for the development of strategic options to achieve differentiation from competition and this in turn was thought to be a main driver of performance at the store level. We found the competitive situation faced by individual managers influenced the type of strategic option formulated and implemented. Similarities and differences in the type of strategic option used were largely dependent of the type of competition faced and its intensity.

Furthermore, we developed a more detailed conceptual model focused on the antecedents to strategic flexibility based on our findings which highlights several intermediary stages that are missing from extant models. In doing so we seem to be the first to construct a conceptual model based on qualitative empirical research in this domain.

We have not explicitly explored the links between strategic options to generate performance at an individual store level and firm level strategic flexibility. However, we suggest that if a strategic option is implemented, in this case at a store level within a branch network, then it becomes available for top managers' to introduce to the whole firm. Therefore, the implementation of any strategic option within a branch network enhances strategic flexibility at the firm level.

Implications for empirical research

Empirical research needs to be firstly directed at testing the model presented so it can be generalised to different contexts. Our findings are specific to a retail context so further research in other contexts is required so that the model can be generalised. Our findings are also somewhat specific to a branch network context. However, there is little reason to expect that similar findings will not be found elsewhere in non-branch network settings and such testing of the model will reduce complexity considerably. While accepting these limitations we point out that the factors presented in the model are not specific to a retailing context so it seems likely that the model will have wider generalisability.

Implications for theory

Our study addresses the lack of detail in prior conceptual models such as that presented by Nadkarni and Narayanan (2007) which also focuses on the influence of management cognition on strategic flexibility. Our findings point to the importance of managers' formulating and implementing strategic options to achieve competitive differentiation as mediators between management cognition and strategic flexibility and performance. We also contribute to knowledge about the influence of the external environment as a major moderating variable at an antecedent stage when firms formulate their response to change.

Our findings also point to the addition of an important mediator in the form of strategic options to achieve competitive differentiation between management cognition and outcomes such as satisfaction and loyalty within the same organization (see Kirca et al, 2005). This finding gives support to those researchers who have already emphasised the importance of strategy when studying marketing orientation – performance relationships (e.g. Homburg et al., 2004; Morgan and Berthon, 2008). In particular the study adds to knowledge of the integration of strategy formulation and implementation because organizational variables such as management cognition influence the formulation of strategy within the context of current operations through an emergent process (see Homburg et al., 2004).

Our findings add to knowledge of strategy from a practice perspective because of our focus on the impact of management level micro actions on firm level phenomena such as strategic flexibility. The practice perspective of strategy has picked up on emergent strategy insights (see for example, Jarzabkowski, 2003; Jarzabkowski, and Wilson, 2006; Whittington, 1996) and has specifically encouraged detailed research activity at lower managerial levels to help our understanding of the actions of managers relating to the whole strategy process rather than only that part influenced by top managers (see Johnson, Melin and Whittington, 2003; Whittington, Pettigrew, Peck, Fenton and Conyon, 1999).

Some researchers have already conducted interesting empirical research to highlight the importance of middle managers to strategy practice (e.g. Balogun and Johnson, 2005; Rouleau, 2003) as well as contrasting the practices of top managers with those at the periphery (Regnér, 2003). There has also been some debate linking front-line managers to broader managerial tasks devolved from above, such as strategy, due to the conscious drive for responsiveness to markets through de-layering and decentralization to smaller business units (Hales, 2005; Johnson, Melin and Whittington, 2003). We build on this work to help understand the managerial foundations of strategic flexibility developed through action. Managers learn from action (Arrow, 1962; Van de Heijden and Eden, 1998) and from what works best in achieving effects (Peirce, 1878; James, 1948)[i]. This suggests that unless managers are directly involved with the implementation phase of the strategy process there are limited possibilities to learn and improve their strategizing.

Our study also impacts on the debate into different forms of flexibility and in particular the relationship between operational flexibility and strategic flexibility (see for example, Johnson et al., 2003). Our study demonstrates the difficulty in delineating between these different forms of flexibility from a strategy implementation perspective. Strategic options were found to be developed by managers to address competitive differentiation because of knowledge gained through current practice when implementing strategy and conducting date-to-day operations. Therefore, we have to question the possibility in accurately delineating between strategic flexibility and operational flexibility due to the importance of bottom-up cyclical approaches to the development of strategy.

Managerial implications

Our findings suggested that managers in direct contact with customers are responsible for generating strategic options through their practical knowledge of local competition and the characteristics of local consumers. In spatially distributed retail organizations successful strategies that work in practice at the bottom of the organization can be identified and ‘picked up’ by head office strategists. Top managers then have the option to ‘roll them out’ throughout the branch network where similar competitive conditions exist. This bottom-up approach has the potential to resolve at least some of the flexibility/stability paradox (see Dreyer and Grønhaug, 2004; Osborn, 1998) inherent in the need for firms to be both responsive to change and also stable so that they can learn and develop. Strategic options to enhance strategic flexibility can be generated by managers in more direct contact with customers at the bottom of the organization whereas top managers can act as a stabilising influence by co-ordinating the response throughout the branch network. Developing strategic flexibility in such a way has a better chance to lead to flexible behaviour at a firm level because the strategic options have already been implemented and seen to work in practice.

Concluding remarks

Our research highlights that in a large spatially distributed branch network of retail stores front-line managers develop strategic options themselves to deal with the competition at a local level. This competition can vary from one location to the next and therefore locally developed strategies may tend to undermine any consistency developed for the organization as a whole. Traditional rational hierarchically formulated strategy has difficulty dealing with such variable conditions and this may be an overriding reason why strategy can emerge from practice in this context. The pragmatic perspective highlighted in our research gives much more weight to management trial and error and learning what works in a particular practical context. There is much potential for increasing performance of the whole organization if effective practice is adopted by other managers where similar conditions exist. Much flexibility can also accrue from such an approach if branch managers are continually given the opportunity to try out their strategies in practice and any positive results disseminated to the whole organization.

Such a cyclical experimental approach to strategy emphasizes a major input from operational practice based on front-line managers' activity and action (Eccles, 1993) at lower organizational levels. The distinction between operations and strategy becomes blurred as these, are in effect, merged in practice. The strategy practice perspective at the level of front-line managers adopted in this study highlights how strategies emerge from operational practice and this is consistent with the cyclical experimental approach found in some other empirical prior studies (e.g. Danneels, 1996; Mintzberg and Waters, 1982). Our study highlights the presence of inconsistency in the development of strategic options within a single organization but this issue is largely ignored in cross sectional studies based on the response of one top manager per firm.

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Figure 1 A Theoretically Derived Model of Antecedents to Strategic Flexibility

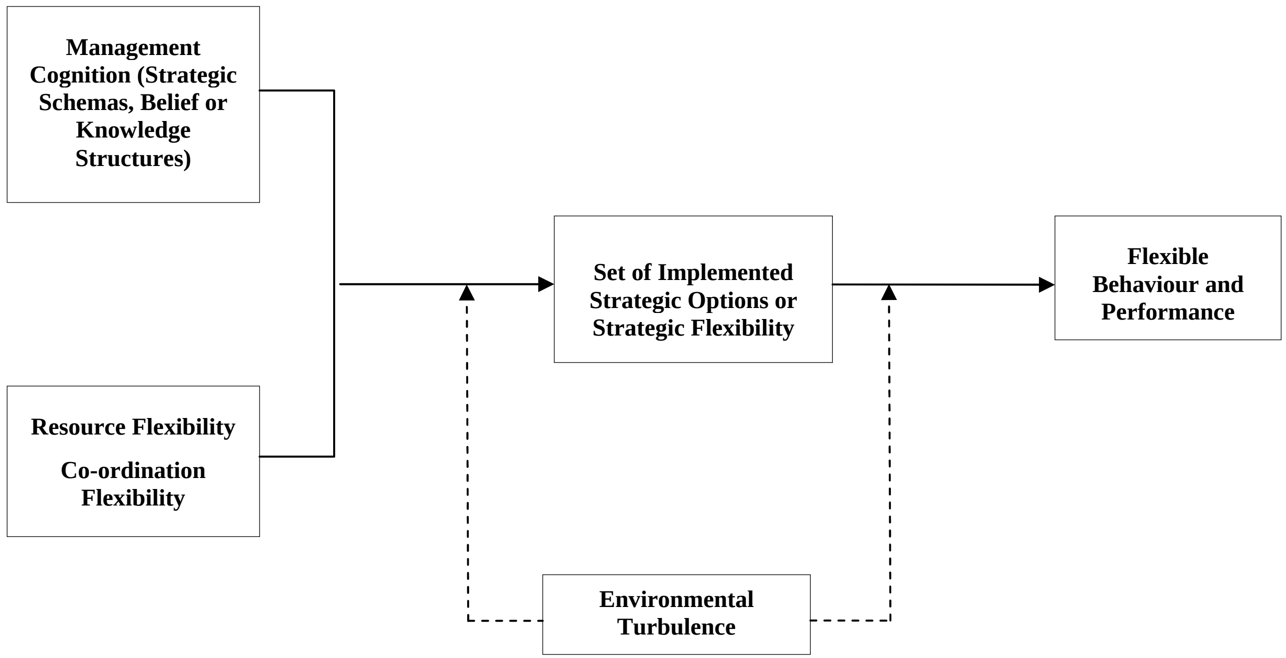


Figure 2. Cognitive Map of Respondent 28

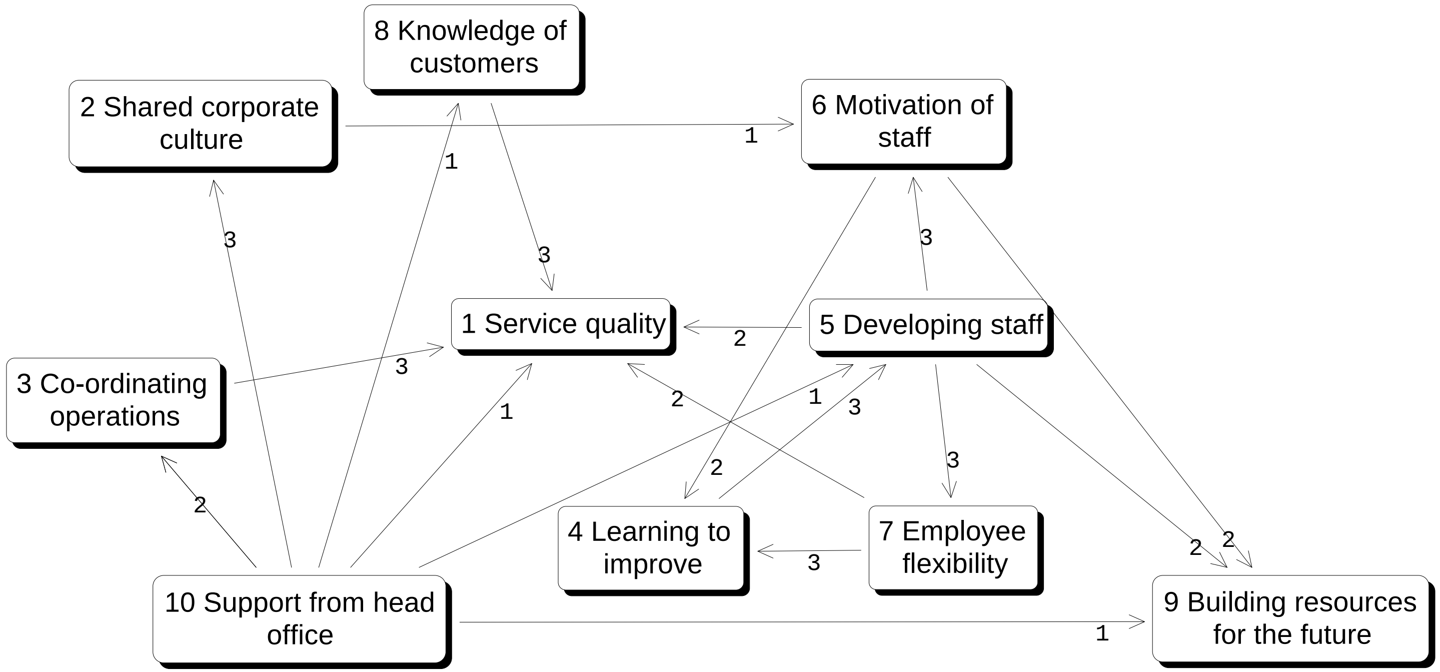


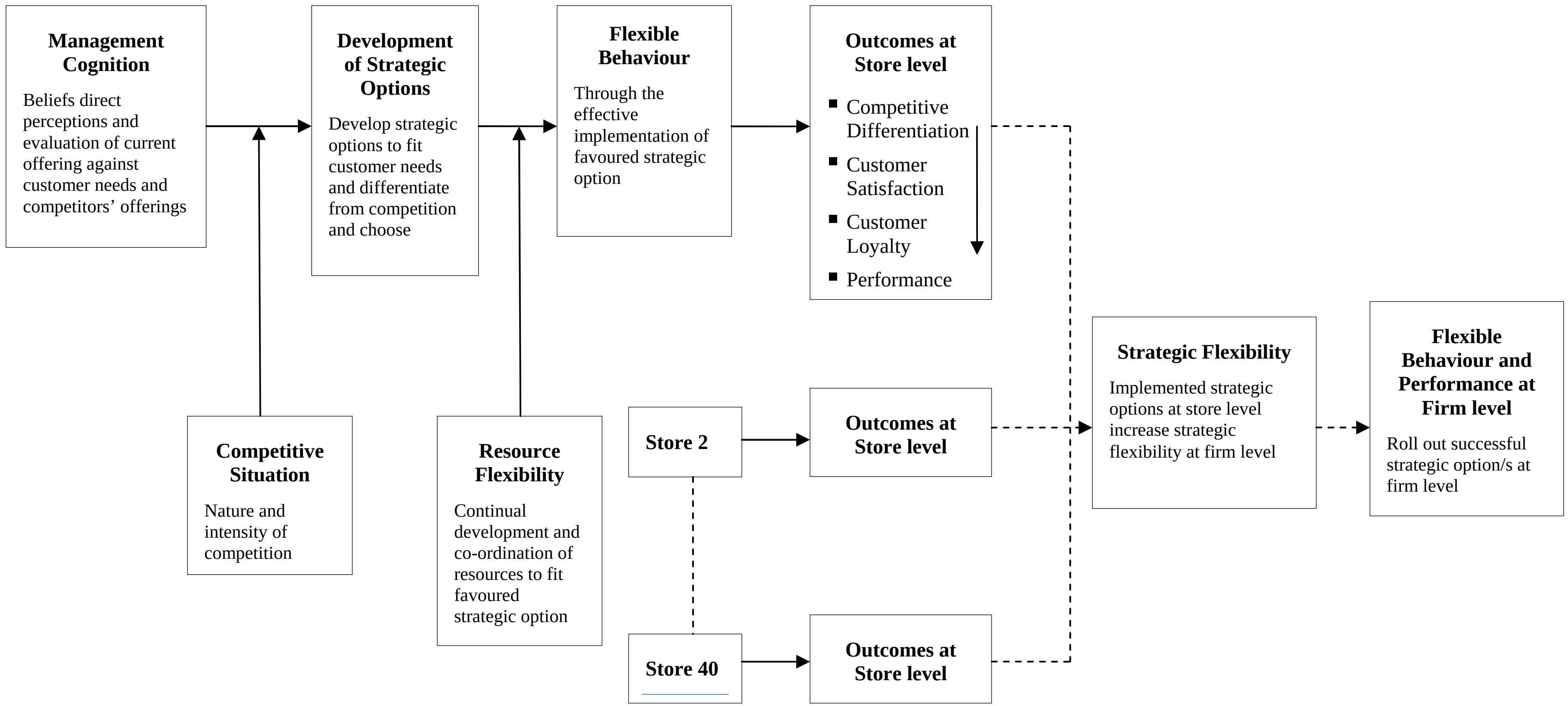
Table 1. Summary of Competitive Situation and Strategic Options Implemented [1]

Competitive Situation (Most important competitors ranked by respondents)	**Frequency of Competitive Situation** [2] (N = 40)
Large Supermarket Competition (Sainsburys, Safeway/Morrisons)	6
Large Supermarket (Low Price) Competition (Tesco, Asda/Walmart)	23
Large Supermarket Up-Market Competition (Waitrose)	3
Small Store Competition (Summerfield/Co-op, Local competitors)	7

Strategic Options Implemented	**Frequency of Options** [3] (N = 40)
Convenience Local (convenience achieved by geographical distance from competitors and close to customers in good residential neighbourhoods)	19
Convenience - Temporal (opening hours - 24/7)	4
Convenience - Extra Services (develop additional services such as post office, petrol)	2
Develop Promotions - special offers attractive to local customers (can achieve as high as 35% of turnover)	5
Friendly Service (e.g. more personal friendly service involving relationships with niche customers to encourage daily shopping)	26
Convenience - Service (speed of shopping - additional staff and store layout)	3
Focused product range (convenience foods)	1
Overall product range (e.g. expand fresh food based on daily deliveries, smaller packaging for single/retired consumers)	13

[1] Operationalized by respondents as strategies to differentiate from competition
[2] Based on the rank order of competitors (most important competitor only - 39 responses)
[3] Many managers focused on a combination of options so the number of responses is greater than 40

Figure 3. The Development and Implementation of Strategic Options and their Implications for Strategic Flexibility in a Retail Branch Network Context



[i] The notion that consequences such as performance underpin action is outlined by the pragmatic philosophical school. It was first outlined by Peirce in 1878 and developed by James, Dewey and others.