

Strategic flexibility and growth of small and medium-sized enterprises: a study of enablers and barriers

Strategic
flexibility of
SMEs

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Abstract

Purpose – This article investigates how strategic flexibility (SF) is achieved in small and medium-sized enterprises (SMEs), exploring whether SF contributes to firm growth and the associated enablers and barriers of SF.

Design/methodology/approach – To offer a more nuanced view of SF in SMEs, a qualitative approach is applied. Researchers conducted and analyzed 91 interviews with owners and chief executive officers (CEOs) of SMEs exhibiting high growth and explored whether SF contributes to firm growth and the associated enablers and barriers of SF.

Findings – The results show a connection between SF and firm growth and confirm the importance of strategic orientation for SF in SMEs. Contrary to the existing literature, this study found a neutral impact of external networks and a positive impact of slack resources on SF. The lack of competent employees emerged as a considerable barrier to SF in SMEs.

Research limitations/implications – More research focusing on the relationship between SF and firm growth is suggested, as well as further research about the relevance of slack resources and external networks as enablers of SF in SMEs.

Practical implications – Motivating and developing valuable employee competence are the key managerial implications. Additionally, business consultants and business developers in the public sector must find ways to increase business consultants and business developers' relevance to SMEs.

Originality/value – This article explores SF in SMEs, a context of disagreement in previous literature, and finds that SF contributes to SME growth. A qualitative approach is used, enriching a field dominated by quantitative methodological choices.

Keywords Strategic flexibility, Small and medium-sized enterprises, SMEs, Firm growth

Paper type Research paper

Introduction

The literature concerning strategic flexibility (SF) – an organization's ability to lead or respond to change (Combe, 2012) by acting on the opportunities in the business environment

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(Grewal and Tansuhaj, 2001) – in small and medium-sized enterprises (SMEs) is divided in several aspects. Previous studies concluded that SF strengthens the financial performance of SMEs (Verdú-Jover *et al.*, 2006). Moreover, as a result of SF, SMEs can increase their turnover and number of employees (Sen *et al.*, 2022a) and consequently grow (Lei *et al.*, 1996; Matalamäki and Joensuu-Salo, 2021). However, the relationship of SF and firm growth does not seem to be straightforward because of the costs involved in developing alternative opportunities (Shimizu and Hitt, 2004).

The unclear relationship between SF and SME growth is even more pronounced because of the disagreements to how SF is achieved in SMEs. Some authors claimed that SMEs possess higher SF because they are more dynamic and hence more adaptable than large firms (Nadkarni and Herrmann, 2010) and because their financial resources are not fixed, they can be easily allocated (Ebben and Johnson, 2005). However, smaller firms have less resources to devote to SF than larger firms (Anning-Dorson, 2021), which may represent a barrier to their SF. Other studies claim that SF is achieved differently in smaller versus larger firms (Claus *et al.*, 2022); whereas larger firms have flexible financial resources enabling their SF (cf. Ebben and Johnson, 2005), smaller firms are more likely to act on and create new market opportunities (Verdú-Jover *et al.*, 2006).

Consequently, SF has received significant academic attention and interest in it is rising, as shown by several reviews of the current state of research in the field (e.g. Combe, 2012; Brozovic, 2018; Herhausen *et al.*, 2021). However, the majority of research in SF considered large firms. Indeed, SF is usually described as a trait of large multinational firms (Aaker, 2001; Pauwels and Matthyssens, 2004). Consequently, more studies of SF in SMEs have been called for (Brozovic, 2018; Herhausen *et al.*, 2021). The theoretical disagreement considering SF in relation to the size of the firm, described by Brozovic (2018) and Herhausen *et al.* (2021), strongly underlines this need, not least when it comes to how SF in SMEs is achieved, as shown by previous paragraphs.

Thus, the purpose of this article is to investigate how SF is achieved in SMEs. Specifically, we investigate if SF contributes to firm growth and identify the most relevant SF enablers and barriers.

We develop two research questions (RQs) to guide our study:

RQ1. Does strategic flexibility contribute to SME growth?

RQ2. What are the most relevant enablers of and barriers to strategic flexibility in SMEs?

To answer to the RQs and fulfill the purpose of the article, we performed the study in southwest Sweden, interviewing owners or chief executive officers (CEOs) of 91 SMEs exhibiting high growth. Answering *RQ1*, the study found that 75 SMEs grew because they created or acted on strategic options, whereas the other 16 firms grew because of mergers and acquisitions. Answering *RQ2*, the study identified strategic orientation, particularly entrepreneurial and market orientation, innovation capabilities, change in leadership and change in organizational culture as the most pronounced enablers of SF for SMEs that we interviewed. In terms of barriers, we found that the greatest barrier to SF in SMEs is lack of competent personnel. In addition, we also found that slack resources indeed enable SF in SMEs and that the effect of external networks on SF in SMEs is mostly neutral. These findings contradict previous literature.

By answering these RQs and offering a resolution to the conflicting literature, we join the stream of research regarding SF in SMEs (Shukla *et al.*, 2019; Gorondutse *et al.*, 2021; Miroshnychenko *et al.*, 2021; Sen *et al.*, 2022a, b) and offer several contributions. This article contributes to the extant research on SF in SMEs by (1) presenting a connection between SF and SME growth (2) delineating the most relevant enablers of and barriers to SF in SMEs, providing more nuance to existing literature and (3) adopting a qualitative methodology in a

field dominated by quantitative studies (Brozovic, 2018), hence offering more insights about the context of SF in SMEs.

The article continues as follows. First, we present the theoretical background of the study, describing the most relevant overviews of SF and focusing on the enablers, barriers and effects on employees. Second, we present the method of the study, followed by the results. We reflect on the results in the discussion section and end the article with managerial implications, limitations and future research suggestions.

Theoretical background

In general, SF is a multidimensional concept (Sushil, 2001). For example, SF was defined as a firm's ability to respond to various demands from dynamic competitive markets (Sanchez, 1995). More recent conceptualizations included the proactivity dimension of SF, postulating that a firm both responds to and proacts to market opportunities (Grewal and Tansuhaj, 2001), thereby maintaining a competitive advantage because it balances the creation of new market opportunities with responses to changes in the business environment (Gorodutse *et al.*, 2021). Combe (2012) defined SF as an organization's ability to lead or respond to change. Other SF dimensions include speed (Sanchez, 1995); a variety of products, offerings and strategic options (Combe *et al.*, 2012); intentionality (Johnson *et al.*, 2003) and internal *vis-à-vis* external focus (Grewal and Tansuhaj, 2001). This multidimensionality contributes to the complexity of SF, making it difficult to study (Combe, 2012).

In attempts to understand this multidimensionality, Combe (2012) described the most prominent definitional and conceptual debates surrounding SF and a more thorough literature review conducted by Brozovic (2018) focused on the triggers, enablers, barriers, process and outcomes of SF. Complementing these views, Herhausen *et al.* (2021) performed a meta-review of 98 empirical studies of SF, showing that SF entails higher costs for the firm because of the investments needed to develop alternative strategies, but that it has a generally positive influence on the overall performance in the long run. However, according to the authors, this positive influence on performance depends on the firm's entrepreneurial orientation, i.e. the processes, practices and activities that enable firms to create value by engaging in entrepreneurial endeavors (Lumpkin and Dess, 1996) and innovation capabilities, i.e. capabilities of developing innovative products and services, resulting in business growth (Matalamäki and Joensuu-Salo, 2021). Thus, although some SF literature posited that SF could lead to growth (Lei *et al.*, 1996; Matalamäki and Joensuu-Salo, 2021) and increase the SME performance (Sen *et al.*, 2022a), there is still need for more research on this topic.

The issue of the nature of the relationship of SF and growth is even more pronounced in the light of the discussions concerning the enablers and barriers of SF. Previous research indicated a variety of enablers of and barriers to SF. Some noteworthy enablers are management and leadership characteristics (Combe *et al.*, 2012), particularly external networks (Fernández-Pérez *et al.*, 2012) and social capital (Agostini and Nosella, 2019), as well as strategic planning (Hamlin *et al.*, 2012), strategic variety (Singh *et al.*, 2013), organizational structure (Volberda, 1998), market orientation [1] (Johnson *et al.*, 2003), organizational culture (Hitt *et al.*, 1998), employees and human resource management (HRM) (Singh *et al.*, 2013), organizational knowledge and learning (Rialti *et al.*, 2020), slack and flexible resources (Verdú-Jover *et al.*, 2006) and technology (Lei *et al.*, 1996; Singh *et al.*, 2013). Interestingly, slack resources – uncommitted liquid resources – were traditionally posited as enablers of SF (Barker and Barr, 2002). However, more recent findings concluded that they rather act as barriers to SF (Herhausen *et al.*, 2021). Thus, as Herhausen *et al.* (2021) concluded, resources should not be slack, but rather flexible, i.e. readily mobilized between emerging strategic options. According to this interpretation, slack resources act as a barrier to SF. Other barriers

to SF are past success (Nadkarni and Herrmann, 2010), organizational rigidity (Pauwels and Matthyssens, 2004) and management issues (Parnell, 2005). Although lack of financial resources leading to higher costs was frequently speculated to inhibit SF, the results of these recent reviews showed that the actual relationship between higher costs of SF and financial performance is more nuanced (Gorondutse *et al.*, 2021; Matalamäki and Joensuu-Salo, 2021). This background portraying the enablers of and barriers to SF suggests a disagreement about how SF is achieved.

The complexity of the disagreement and lack of knowledge regarding how SF is achieved is more pronounced in SMEs. Most of the research on SF has been performed in large firms (Brozovic, 2018), with notable exceptions (e.g. Grewal and Tansuhaj, 2001). Thus, SF has been primarily attributed to large multinational firms (Aaker, 2001; Pauwels and Matthyssens, 2004); for example, Combe *et al.* (2012) performed a case study focusing on a large British retailer and Claussen *et al.* (2018) conducted their study on the airline industry. The literature concerning the suitability of SF for SMEs has also been in opposition. For example, Tolstoy (2014) recognized SF as imperative for SME differentiation in international business relationships. SMEs also exhibit higher financial flexibility, so they can allocate their financial resources more swiftly (Grewal and Tansuhaj, 2001). However, larger firms may have more (slack) resources to devote to SF than smaller firms (Barker and Barr, 2002). Herhausen *et al.* (2021) concluded that firm size should not inhibit a firm's SF.

To address these deficiencies in the literature, we developed the purpose, to investigate how SF is achieved in SMEs, with a specific focus on investigating if SF leads to SME growth and the identification of the most relevant enablers and barriers of SF in SMEs. The purpose is then developed into RQs that guide the study:

RQ1. Does strategic flexibility contribute to SME growth?

RQ2. What are the most relevant enablers of and barriers to strategic flexibility in SMEs?

Method

Study design

In order to investigate SF in SMEs, the qualitative research approach was chosen for several reasons. First, our purpose of determining how SF in SMEs is achieved strengthens this approach because we are interested in exploring SF in more depth, answering RQs of “how” (Eisenhardt, 1989). Second, although SF in general and SF of SMEs in particular is a well-studied phenomenon, the existence of disagreements in the literature underlines the need for an explorative study to “provide freshness in perspective to an already researched topic” (Eisenhardt, 1989, p. 548). Third, following Creswell (2013), the researchers were guided by the interpretive theoretical framework, consisting of the enablers, barriers and effects of SF on employees, discussed in the previous section. Lastly, the researchers needed to immerse themselves in specific settings to obtain a holistic view of the studied phenomenon (Miles and Huberman, 1994), in our case, the SF of SMEs.

In line with previous qualitative studies of SF in SMEs (e.g. Matalamäki and Joensuu-Salo, 2021) and following Yin's (2009) recommendation to equalize the unit of analysis in different studies on the same topic, we defined the individual SME firm as our unit of analysis. The context of the study was a region in southwest Sweden, characterized by a flourishing entrepreneurial climate and significant number of SMEs per capita. The region counts approximately 269,000 inhabitants (SCB, 2020) and the average employment is 80.19% (SCB, 2021). The study was conducted as part of a three-year research project investigating the factors contributing to the well-being of SMEs in the region, which included SF, growth strategies, risk management and sustainability of SMEs. The project was conducted from 2017 to 2019.

Data collection

To understand how SF in SMEs is achieved, we applied [Patton's \(2015\)](#) recommendations and opted for group characteristics sampling, which creates a specific-information-rich group that can reveal and illuminate important group patterns. The group characteristics sampling was a combination of homogenous sampling, selecting firms that are similar in size to study the characteristics they have in common and key informants sampling, selecting individuals possessing great knowledge about the investigated phenomenon ([Patton, 2015, pp. 267–268](#)). Thus, we aimed to identify SMEs exhibiting high levels of SF and key individuals within such SMEs who could provide answers to our questions.

First, we identified SMEs in the region. We focused only on public limited companies (Aktiebolag in Swedish, shortened to AB) because of the availability of data, such as annual reports. Following the EU's definition of SMEs, we included only firms with 10–250 employees. In total, we identified 707 AB SMEs in the region. Next, we selected SMEs that showed a certain degree of growth, expecting that some of them could simultaneously show a certain degree of SF because the literature explains that financial outcomes indicate SF ([Herhausen et al., 2021](#)) and that the resulting outcome of SF is higher growth ([Lei et al., 1996](#)). Moreover, some previous qualitative studies operationalized SF in terms of high growth ([Matalamäki and Joensuu-Salo, 2021](#)).

The selection of firms was performed during the initial stages of the overall research project. We identified firms experiencing significant growth in turnover and number of employees during five continuous years after a period of stability lasting at least five years by screening the annual reports of the 707 AB SMEs in the region. The growth in turnover and the number of employees should have been at least 50% in relation to the dormant period, in line with the entrepreneurship and growth literature ([Davidsson and Wiklund, 2006](#); [Achtenhagen et al., 2010](#); [Achtenhagen et al., 2017](#); cf. [Matalamäki and Joensuu-Salo, 2021](#)). We did not discriminate in terms of industry because we were interested in capturing the overall phenomenon of SF in SMEs and not how SF is executed in particular industries. Thus, the firms included in the study encompassed a wide range of industries and production, such as excavation, transportation and logistics, auditing, fruits and vegetables delivery and confectionery. [Table 1](#) represents an overview of interviewed firms with associated industries, showing a variety of industries.

In total, we identified 112 such SMEs in the region. We approached all the identified firms and interviewed 91 of them – an 81% response rate. The interviews lasted 40–60 min and took place at the informants' firms. As we aimed for key individuals who could provide relevant insight, we opted to interview only owners and CEOs and only one per firm. We considered them knowledgeable informants with a holistic view of the firm ([Creswell, 2013](#)), ensuring the relevance of the responses. In the next step, we established the dominant determinant of growth for the SMEs in the study – acting on opportunities in the business environment and/or creating own (alternative) opportunities was the dominant determinant of growth for 75 firms, which we interpreted as their SF, whereas 16 SMEs grew because of mergers and acquisitions. The understanding of SF as the firm acting on opportunities in the business environment is consistent with the SF definitions (e.g. [Brozovic, 2018](#); [Herhausen et al., 2021](#)) and how SF of SMEs was applied in some studies (e.g. [Grewal and Tansuhaj, 2001](#); [Kapasuwan et al., 2007](#); [Zahra et al., 2008](#)).

The interviews considered issues of SF relevant for the study, i.e. the strategic determinants of growth, factors that contributed to the success of the firms and the effects on the employees. Thus, the most relevant enablers of and barriers to SF in the identified SMEs were discussed. The interviews consisted of one structured part and one semi-structured part. The structured part did not concern SF-related issues; consequently, only the semi-structured part of the interview with open-ended questions was analyzed for this study. The interview guide is provided in [Appendix](#).

Firm	Industry	Informants
1	Advanced metal forming	CEO
2	Air-rifle production	CEO
3	Auditing services	CEO/owner
4	Auditing services	Owner
5	Automation and robots	CEO/owner
6	Bakery	CEO/owner
7	Building-systems development	CEO/co-owner
8	Bus transportation	CEO/owner
9	Bus transportation	Owner
10	Candy wholesaler	CEO
11	Carpentry	Owner
12	Car sales	Co-owner
13	Car sales	CEO/owner
14	Cleaning services	CEO
15	Clothes retail	CEO/owner
16	Concrete construction parts production	CEO
17	Construction	CEO/owner
18	Consultant services in technical sales	CEO
19	Consultation in engineering	CEO
20	Consultation in organization development	CEO
21	Coupling manufacture	CEO/co-owner
22	Demolition services	CEO/owner
23	Electrical installation	CEO
24	Electronic solutions development and production	CEO/Owner
25	Engraving services	CEO/owner
26	Excavation	CEO/owner
27	Excavation	CEO/co-owner
28	Excavation	CEO/co-owner
29	Fashion and workwear sales	CEO/owner
30	Fence production	CEO
31	Fire protection	CEO/owner
32	Floor drains and stainless-steel interior production	CEO/owner
33	Floor molding production	CEO
34	Flooring installation	CEO/co-owner
35	Flooring installation	CEO/owner
36	Food production	CEO
37	Foster home	CEO/owner
38	Foster home placement services	CEO
39	Fruits and vegetables deliveries	CEO/owner
40	Fueling solutions	CEO/owner
41	Furniture transportation	CEO
42	Goods transportation	CEO/owner
43	Goods transportation	CEO/owner
44	Goods transportation	CEO/owner
45	Goods transportation	CEO/co-owner
46	Gravel sales and transportation	Co-owner
47	Handheld-device production	Co-owner
48	Handling equipment for naval vessels	CEO
49	Heating and plumbing installation	CEO/Owner
50	High-pressure air nozzle production	CEO
51	Horse breeding	CEO/owner
52	Industrial door production	CEO/owner
53	Industrial door production	CEO
54	Interior settings production	CEO/owner

Table 1.
Overview of conducted
interviews

(continued)

Firm	Industry	Informants
55	Interiors production	CEO/owner
56	IT-support services	CEO
57	Kitchen and bathroom production	CEO/Owner
58	Kitchen and bathroom production	CEO
59	Laser cutting	CEO
60	Lock production	CEO
61	Machine and industrial robots sales	CEO/owner
62	Machine parts retail	CEO
63	Metal sheets and pipes production	CEO
64	Metal sheets and plating	CEO/owner
65	Nursery garden	CEO/owner
66	Occupational health services	CEO
67	Package delivery	CEO
68	Package delivery	CEO
69	Packaging of chemical products	CEO
70	Paint retail	CEO
71	Painting services	Owner
72	Plumbing services	CEO
73	Popcorn production	CEO/owner
74	Precision cutting in hydraulics and pneumatics	CEO/owner
75	Printing services	CEO
76	Restaurant	Owner
77	Restaurant and camping	Owner
78	Roofing services	CEO/owner
79	Sales and installation of security doors	CEO
80	Security services	CEO/owner
81	Small-boat manufacture	CEO/co-owner
82	Small-parts supplier	CEO
83	Specialized machine production	CEO
84	Specialized technology solutions	CEO
85	Sports retail	CEO/owner
86	Taxi transportation	CEO/owner
87	Telescopic handlers' sales and service	CEO/owner
88	Water-cleaning solutions	CEO
89	Well drilling	CEO/owner
90	Window manufacturing	CEO
91	Zinc alloy electroplating	CEO/owner

Note(s): NB: In addition to the interviews, the data includes annual reports of the firms from 2000 (or since inception) until 2016

Table 1.

Data analysis

In accordance with [Creswell's \(2013\)](#) recommendations, the interviews were recorded and transcribed. We created a starting list of main codes prior to the analysis and followed the standard coding procedure ([Miles and Huberman, 1994](#)). After establishing the dominant determinant of growth in the whole data set, the next step in the analysis focused only on the 75 SMEs whose growth was the result of acting on different strategic options. The main categories explored in this part of the analysis were the enablers, the barriers and the effects of SF on employees. They can be understood as aggregate dimensions of [Gioia et al. \(2013\)](#). We proceeded to code the text independently of each other, simultaneously identifying emergent first-order concepts in the data, creating second-order themes and categorizing them by constantly comparing them with the constructs from relevant literature ([Dubois and Gadde, 2002](#); [Suddaby, 2006](#); [Gioia et al., 2013](#)) presented in the Theoretical Background.

Table 2 illustrates the analysis process by illuminating the coding performed for market orientation. More detail coding will be presented in the results section. During this process, the authors held regular meetings to discuss the preliminary results and resolve emerging discrepancies, aiming to synchronize their interpretations and achieve homogenous findings, as recommended by Miles and Huberman (1994).

Results

The results of our study are presented below. After reflecting on SF as the strategic determinant of the growth of the SMEs in the study, the results present enablers, barriers and effects on employees. The enablers, barriers and employee effects sections present the relevant results, offer illustrative quotations and conclude with propositions.

Quotations with bolded indications of 1st order concepts	1st order concepts	2nd order themes
<p><i>"To reach new markets</i> we started to experiment, to increase the number of possibilities, and instead of only selling popcorn, we started to flavor them. Now we have, for example, caramelized and cookie-flavored popcorn . . . This opened up a new market [segment] for us; <i>from previously only selling our product to cinemas, now we are also able to reach customers through grocery stores</i>" (CEO/owner of the popcorn-producer firm 73)</p>	<p>New markets Market development</p>	<p>Entrepreneurial orientation</p>
<p>"The year after I became CEO and co-owner we decided to [change strategy and] improve a <i>fireproof frame system that is unique on the market</i>. Today this system makes around 100 million from our total revenues of 150 million Swedish krona." (CEO/co-owner of building-systems developer 7)</p>	<p>Market niche development</p>	
<p>"We started out our operations in [our hometown] and eventually <i>expanded throughout [the region]</i>. This was the strategy that we consciously chose after discussing what other alternatives we might have." (owner of the painting business 71)</p>	<p>Expansion</p>	
<p><i>"The year after I became CEO and co-owner we decided to [change strategy and] improve a fireproof frame system that is unique on the market</i>. Today this system makes around 100 million from our total revenues of 150 million Swedish krona." (CEO/co-owner of building-systems developer 7)</p>	<p>Entrepreneurial change of strategy leading to expansion</p>	
<p><i>"When I joined the company, the process of developing our own hardware products began</i>. Previously we had only developed our customers' products. <i>This [strategic] choice opened up for international expansion</i> and today we are a direct supplier of handheld computers to customers all over the world" (Co-owner of handheld-device manufacturer 47)</p>		
<p>"After I took over the company, I had to make some strategic choices. There were lot of <i>discussions about where to focus and how to continue</i>, which path to pursue. <i>I changed the focus from selling our products and services and instead decided to pursue the strategy of focusing on our competence and offer complete and tailored telephone/IT-solutions</i> to our customers. And we continue to have huge ambitions. We intend to grow 25% in 2–3 years in both turnover and number of employees." (CEO of IT-support firm 56)</p>	<p>Entrepreneurial change of strategy</p>	

Table 2.

The analysis process exemplified by coding of SF enablers as aggregate dimension

Strategic determinants of growth

The results have shown that SF was the most important determinant of growth for 75 firms in the study, whereas 16 firms grew because of mergers and acquisitions. Consistent with the understanding of SF outlined in the previous section, considering SF as creation of different strategic options, deciding to pursue a certain strategy to meet the business environment, and acting on opportunities, the informants in the study described that the growth of their SMEs was largely the result of such actions. Table 3 presents some examples from the data set.

Some other examples include how the CEO and co-owner of the excavation firm 26 related the success of his firm to acting on opportunities:

My brothers and I always felt frustrated with our father because we saw many opportunities while working with him. Winter excavation, for example, or slightly more aggressive strategy could've resulted in more opportunities for the firm. But he was satisfied with the things as they were because the necessary was covered. After he retired, we discussed [and estimated] the possibilities and decided to act.

Similar feelings were expressed by the CEO of the window manufacturer 90. She worked in the firm many years prior to becoming a CEO, during which time she learned the market, as she said. She told us that the polyvinyl chloride (PVC) windows market segment was relatively underdeveloped in Sweden when she took over the firm. She and the rest of the management saw the potential in the production of such windows because they believed that the PVC-windows market would expand and they decided to invest in expanding this segment of their firm.

Determinants of growth	Illustrative quotations
Strategic flexibility	<p>“Swedish government introduced new rules directly affecting our industry, in effect extremely increasing the demand. <i>This created new possibilities for us and I decided to pursue this strategy instead of just continuing as usual.</i> I also employed a new and ‘hungry’ account manager who was tremendously successful in finding new customers.” (CEO of cleaning firm 14)</p> <p>“We invested in new technologies and acquired new machines, which increased the range of our [strategic] possibilities because we broadened the product range and became able to address new customers.” (CEO of specialized-machine producer 83)</p> <p>“After I took over the company, I had to make some strategic choices. There were lot of discussions about where to focus and how to continue, which path to pursue. I changed the focus from selling our products and services and instead decided to pursue the strategy of focusing on our competence and offer complete and tailored telephone/IT-solutions to our customers.” (CEO of IT-support firm 56)</p> <p>“We started out our operations in [our hometown] and eventually expanded throughout [the region]. <i>This was the strategy that we consciously chose after discussing what other alternatives we might have.</i>” (owner of the painting business 71)</p> <p>“We developed a new building concept with several advantages, most importantly with higher fire resistance and easier assembly. But <i>my colleagues didn’t want to sell this concept outside [the town], I had different strategy in mind, so we decided to go separate ways. Now my new firm improved this concept further</i> and took it to larger cities and many apartment buildings in Sweden are using it.” (CEO/co-owner of building systems developer 7)</p>
Mergers and acquisitions	<p>“We acquired a bankrupt firm and this gave us new customers and one skilled employee.” (CEO and owner of goods transportation firm 44)</p> <p>“We acquired a competitor in a neighboring municipality, allowing us to offer our services to more companies in our local area.” (CEO and owner of fruits delivery firm 39)</p>

Table 3. Determinants of growth in SMEs

There were also 16 firms that grew because of mergers and acquisitions. For example, the CEO of the electrical-installation firm 23 explained that growing demand prompted them to quickly expand:

We acquired two firms in the neighboring communities in 2008. Currently, we have 7 offices in Southwest Sweden, as several other firms also merged with us.

Based on these results, we offer the following proposition:

P1. SF contributes to growth of SMEs.

Enablers of SF in SMEs

Focusing on the 75 SMEs that grew because of SF, the results of the analysis in the following section confirm that the most crucial enabler of SF for these SMEs is the firm's strategic orientation, particularly entrepreneurial orientation and market orientation. In addition, the analysis shows relevance of innovation capabilities, change in leadership (implying change in organizational culture) and technology and digitalization as other enablers of SF in SMEs. [Table 4](#) presents quotations illustrating these enablers.

Almost half of the interviewed informants (44%) emphasized entrepreneurial orientation as the key factor to their acting on opportunities in the business environment, while roughly one-third (37%) also underlined market orientation as an important enabler. For example, CEO and co-owner of the small-boat manufacturer 81 stressed the firm's entrepreneurial orientation as crucial to reshaping the plastic windshield in the front of their boats, making them more ergonomic. As he explained, this innovation would not have spread throughout the country without the active marketing they engaged in.

Fire-protection firm 31 exhibited both entrepreneurial and market orientation and essentially created a new business model after processing customer needs, by offering a complete solution to their customers. To do that, its CEO and owner explained that the firm started to import new products, such as a special type of fire extinguisher; expanded the facilities; and in this manner increased the range of their strategic possibilities.

However, our findings also include firms that acted on opportunities without exhibiting significant entrepreneurial or market orientation. Printing-services firm 75 whose CEO we interviewed had previously collaborated with a large international manufacturer of tobacco products. The customer requested that they print the packaging on their *snus* tobacco products, typical for Sweden and packed in small round plastic packages. After the products became a hit in the market, the printing-services firm 75 expanded, yet the CEO attributed the expansion to a set of circumstances not necessarily linked to entrepreneurial or market orientation. One could say that this strategic option was imposed on him. His challenge was rather to develop the strategic orientation of the firm should the package printing contract terminate.

Other notable enablers mentioned were innovation capabilities (22%), change in leadership (22%) and technology and digitalization (21%). Our informants mentioned new product development (NPD) and innovation contributing to the SF of their firms, while a significant number of them likewise indicated a change in leadership as well as technology and digitalization as contributors to SF. Change in leadership implied engaging new board members, employing new CEOs, or obtaining new owners at the firm; the new management infused the SME with a more assertive mindset and rekindled the organization's culture.

We already mentioned the small-boat manufacturer 81 that invented a new form of the plastic windshield component; manufacturer of handheld computer units 47 also found that innovation played a significant role for increasing the range of its strategic options. The firm initially produced software for such units, but after understanding the shortcomings of the existing products, they developed a new product and expanded, particularly in the North

Quotations with bolded indications of 1st order concepts	1st order concepts	2nd order themes
<p>"To reach new markets we started to experiment, to increase the number of possibilities, and instead of only selling popcorn, we started to flavor them. Now we have, for example, caramelized and cookie-flavored popcorn. . . . This opened up a new market [segment] for us: <i>from previously only selling our product to cinemas, now we are also able to reach customers through grocery stores</i>" (CEO/owner of the popcorn-producer firm 73)</p>	New markets Market development	Entrepreneurial orientation
<p>"The year after [I became CEO and co-owner we decided to] <i>change strategy and improve a fireproof frame system that is unique on the market</i>. Today this system makes around 100 million from our total revenues of 150 million Swedish krona." (CEO/co-owner of building-systems developer 7)</p>	Market niche development	
<p>"We started out our operations in [our hometown] and eventually <i>expanded throughout [the region]</i>. This was the strategy that we consciously chose after discussing what other alternatives we might have." (owner of the painting business 71)</p>	Expansion	
<p>"<i>The year after [I became CEO and co-owner we decided to] change strategy and improve a fireproof frame system that is unique on the market</i>. Today this system makes around 100 million from our total revenues of 150 million Swedish krona." (CEO/co-owner of building-systems developer 7)</p>	Entrepreneurial change of strategy leading to expansion	
<p>"<i>When I joined the company, the process of developing our own hardware products began</i>. Previously we had only developed our customers' products. <i>This [strategic] choice opened up for international expansion and today we are a direct supplier of handheld computers to customers all over the world</i>" (Co-owner of handheld-device manufacturer 47)</p>	Entrepreneurial change of strategy	
<p>"After I took over the company, I had to make some strategic choices. There were lot of <i>discussions about where to focus and how to continue, which path to pursue. I changed the focus from selling our products and services and instead decided to pursue the strategy of focusing on our competence and offer complete and tailored telephone/IT-solutions to our customers</i>. And we continue to have huge ambitions. We intend to grow 25% in 2-3 years in both turnover and number of employees." (CEO of IT-support firm 56)</p>	Market analysis	Market orientation
<p>"<i>From an analysis of the competitors, I understood that no one in the region was really good at procurements and contract</i>. I decided to be the best in the region in this niche, and today, we are the largest flooring installation firm in [the region]" (CEO/co-owner of the flooring-installation firm 34)</p>		
<p>". . . and most important [for our development] has been to understand how and where to move, where to engage . . . [Thus,] <i>based on the previous development and market analyses, we have invested 25 MSEK in machines and plan to hire 10 new employees in order to expand our market reach</i>. It feels as if we are raising the horizon from [the region] to the global market." (CEO of specialized-machine producer 83)</p>	Market knowledge	
<p>"I took over as CEO in 2005 and <i>from my collected experience of the market I saw enormous potential to focus on the automation niche</i>. Previously I had been the only one working with this segment within the firm. <i>Since I knew both the market and technical aspect of this segment I was able to bring new customers to the firm</i>. Then we were 30 employees and today we are almost 150 employees and most of this has come from the automation segment" (CEO of electric-solutions developer and producer 24)</p>		
<p>"When my father retired I was able to more freely take decisions and decided to <i>expand the store, based on what I [learned]</i>. With a broad product range we could serve new customers and that resulted in us becoming the leading supplier of workwear in the municipality." (CEO/owner of fashion and workwear sales firm 29)</p>		

(continued)

Table 4. Enablers of SF in SMEs

Table 4.

Quotations with bolded indications of 1st order concepts	1st order concepts	2nd order themes
<p>"Our founder was a real entrepreneur with great technical skills. <i>He developed a coupling to refuel explosive liquids, based on current techniques in other market segments.</i> Today, we have over 1,000 different couplings in our product range, and we became a truly international firm" (CEO/co-owner of the coupling-technology producer 21)</p> <p>"So, I think one can say that <i>developing this unique technology</i> [used in folding doors products] internally was a conscious decision on our part. We were looking for a way to grow and thinking how to do this optimally. In the end we opted for this [developing the technology] . . . The first product we developed had some deficiencies and when we introduced the <i>next generation folding doors</i> (with all the deficiencies remedied), the firm started to grow rapidly. The new folding door [type] was based on [this] unique technology, internally developed, and it still holds a strong market position nationally today." (CEO/owner of industrial-door producer 53)</p> <p>"We are a certified environmental company and see ourselves as global environmental champions. <i>We have developed patented solutions to offer unique solutions and products and improve our strategy,</i> and our customers are all over the world. Everything is manufactured in our own premises, and we attach great importance to finding committed employees" (CEO of water-cleaning solutions firm 88)</p> <p>"It was a traditional camping site when I and my siblings took over the firm from our parents. <i>We saw an opportunity with the camping's central location in the town and invested in an upscale restaurant on the site. This was a successful move</i> and over the years the restaurant has become very popular in the town and we have expanded it several times" (restaurant and camping owner 77)</p> <p>"Our growth is entirely attributed to <i>my sons coming in and taking over the operations . . . We did not enter any new markets, but we grew rapidly in all our established segments</i>" (CEO/owner of the horse-breeding firm 51)</p> <p>"<i>When me and my brothers took over the firm from our parents, we decided to change the business model.</i> Previously, we had worked as a contractor for large construction firms, but now we decided to start competing with those firms locally and hire our own subcontractors. This strategic move allowed us to take on larger projects, and we expanded rapidly" (CEO/owner of the excavation firm 26)</p> <p>"<i>I took over the restaurant from my parents</i> and changed it completely. I renovated the place and changed the menu. This has helped tremendously to develop the place [the restaurant] . . . I mean, I didn't really see that I could do anything different, I was thinking about how, and this [renovation and menu change] seemed like a very natural thing to do." (restaurant owner 76)</p> <p>"<i>I bought this small family-owned firm that was founded in 1980 with only 5 employees.</i> I had previously been CEO at a large building company with 350 employees and my intention was to pursue growth strategy. <i>Today, 10 years on, we have grown the revenue with over 1,000 %.</i>" (CEO/owner of Flooring Installation Business 35)</p> <p>"It was a big challenge when I took over the firm as CEO because it was stable in terms of revenue and the number of employees over the last 20 years. <i>In order to get the employees on board with my strategic vision</i> I started to talk about my plans for the firm, both internally and externally to our customers" (CEO/owner of metal sheet and plating provider 64)</p> <p>"The first product we developed had some deficiencies and when we introduced the next generation folding doors (with all the deficiencies remedied), the firm started to grow rapidly. The new folding door [type] was based on <i>unique technology, internally developed,</i> and it still holds a strong market position nationally today." (CEO/owner of industrial-door producer 53)</p> <p>"We were very early with <i>introducing online sales</i> because we saw where it would lead to. I mean, the retail industry was undergoing major changes in early 2000s, starting to move from physical stores to online sales, and we thought that this would be the way forward, something we have to follow." (CEO and owner of clothes retail 15)</p> <p>"When I joined the company, <i>the process of developing our own hardware products began.</i> Previously, we had only developed our customers' products. This change of strategy opened up for international expansion and today we are a direct supplier of handheld computers to customers all over the world". (Co-owner of handheld-device manufacturer 47)</p>	<p>Research & Development NPD</p> <p>Innovation</p> <p>Generation shift</p> <p>Owner change</p> <p>Unique technology</p> <p>Digitalization</p> <p>Technology development</p>	<p>Innovation capabilities</p> <p>Change in leadership (organizational culture)</p> <p>Technology and digitalization</p>

American market, as their co-owner explained. Indeed, one of the USA's largest package delivery firms uses their products exclusively. This expansion occurred after a change of leadership, showing how innovation, change in leadership, technology and digitalization and entrepreneurial orientation jointly contributed to SF in this firm.

Change in leadership often implied a change in the organizational culture. For example, the new CEO of the plumbing firm 72 introduced a new way of thinking, encouraging "thinking outside the box" with his own example. "We don't do it like the others," he said. He reoriented the strategy of the firm to heat pumps, introduced online offers and focused more on marketing. The firm eventually became one of southwest Sweden's leading heat-pump-installation firms. Another example of change in the organizational culture is the metal sheet provider 64 (see the quotation in Table 4). The new CEO developed a new strategy and associated vision with a specific set of goals aimed at fulfilling that vision. Moreover, he was constantly repeating the vision and the goals to instill them in the customers and, especially, the employees. "They had to understand that this was not a joke," he said. The quote from the excavation firm 26 CEO and owner highlighted in Table 2, directly referring to a change in the business model, is another example of change in leadership prompting change in organizational culture:

When me and my brothers took over the firm from our parents, we decided to change the business model.

Technology and digitalization were also mentioned during the interviews, although the role of this enabler largely seemed to depend on the type of firm. This enabler was more prominent in SMEs based in technology-intensive industries, with some exceptions. One typical example is the mentioned manufacturer of handheld computer units 47 that had experience in software development and noticed the opportunity to develop hardware devices. Other examples were offered by the CEO of the specialized-machine producer 83, investing in new machines that would increase the range of strategic possibilities and the CEO of the electric-solutions developer 24, and also developing automation solutions.

Based on the results delineating the enablers of SF in SMEs, we offer the following proposition:

- P2. SF is more pronounced in SMEs with high strategic orientation (entrepreneurial and market orientation in particular), high innovation and digitalization capabilities and in firms in which leadership and organizational culture changed.

Barriers to SF in SMEs

The results of the study have provided interesting results when compared with previous literature, revealing lack of competent personnel as the most important barrier to SF of SMEs. In fact, more than half of the interviewed informants (52%) considered this to be the most important barrier. This result is provided with illustrative quotations in Table 5.

In addition, the analysis emphasized the unclear role of slack resources in relation to the literature. Another interesting result considered the importance of external networks, which was previously deemed as beneficial for SF in SMEs, turned out to be neutral. The results concerning the role of slack resources and external networks are presented in Table 6.

Contrary to existing studies, this study identified lack of competent personnel as the factor significantly inhibiting SF in SMEs. The CEO of the window manufacturer 90 explained that her firm had to reach out to the Baltic countries for a specialized workforce that could help them to realize the strategic option indicated previously in the results:

Manufacturing windows requires special skills and competences, and we have coped to find such [a] specialized workforce [in the region]. This is why we had to employ workers from Lithuania, to keep the production running in the time of expansion.

Strategic flexibility barriers	Illustrative quotations
Lack of competent personnel	<p>“In 2006–2007 we started to focus on equal treatment issues in the company, which was essential for our growth. <i>But it is not easy to find female engineers . . . This can be limiting because it reduces our perspectives and alternatives.</i>” (CEO of air-rifle producer 2)</p> <p>“<i>When we changed the strategy and started to develop our own hardware, it was not possible to recruit personnel from the local market anymore.</i> Today we have several international employees that have chosen to move to this small Swedish town in order to join our company” (Co-owner of handheld-device manufacturer 47)</p> <p>“<i>In order to realize some [market] opportunities I needed to recruit hub-managers, but externally it was almost impossible to find them.</i> Therefore, I try to invest in employees that show interest and independence, but it is a big investment for me and the risk is great because they may not want to stay at us more than a few years after the training is complete.” (CEO/owner of bakery 6)</p> <p>“<i>One challenge that we experienced when we decided to change was recruiting [the right type of] personnel.</i> You see, IT engineers often lack social skills, and we saw early on that this would represent a challenge, which is why we employed an HR specialist. In order to build a team, we felt it was necessary to have someone with HR competence to guide us through the process.” (CEO of IT-support firm 56)</p>

Table 5.
Barriers to SF in SMEs

The role of slack resources and external networks for SF of SMEs	Illustrative quotations
Slack resources	<p>“The business started in 1937 by my grandfather and when I took over the firm in 2010 we were the most established nursery garden in the region. <i>The resources accumulated over the years allowed me to feel more confident about [following the strategy] of expanding the business</i> and I hired a sales person in [a town] 500 kilometers away and started to take on bigger, more financial demanding contracts in the home region.” (CEO/owner of nursery garden firm 65)</p> <p>“We rent our restaurant and the property-owner is not willing to sell it. Therefore, <i>I make private investments on the stock market when the opportunity to buy this or some other premises for the restaurant. I want to own it [the restaurant premises].</i>” (restaurant owner 76)</p> <p>“The firm was founded in the 1940s and has been run as a traditional electrical installation firm. <i>The firm had a solid [financial] base that enabled me to implement the territorial expansion strategy</i> when I became CEO.” (CEO of electric-solutions developer and producer 24)</p>
External networks	<p>“<i>I don’t take part in any networks. Our owners are most important for our business and to develop strategies.</i>” (co-owner of car dealer 12)</p> <p>“I sometimes visit the painting firms association to hear what’s happening, but <i>it’s hard to say how important they are for our business.</i>” (CEO of paint retailer 70)</p> <p>“<i>The advices from the municipality advisor are relatively important for the development and assessment of our strategies.</i>” (CEO/owner of machine and industrial robots sales firm 61)</p> <p>“I was previously CEO of a large construction firm with 600 employees but after it went bankrupt I bought a small construction firm with only 8 employees. <i>Due to all my contacts in the industry we could both attract capital and new customers.</i> Now three years later we are almost 40 employees.” (CEO/owner of construction firm 17)</p>

Table 6.
The role of slack resources and external networks for SF of SMEs

She also explained that such specialized labor requires years of education. The issue of proper training and education was also raised by the CEO of the small-parts supplier 82:

It takes six months for an employee to start operating these machines independently. We can't just hire anyone; this person has to be trained in specific technology to be able to operate the machines.

He continued to explain that their development would have been faster had they not had to cope with these issues, which we interpreted as a hinder to realizing their strategic option.

Some firms developed interesting strategies to solve this issue. For example, the CEO of the firm 84, delivering specialized technological solutions, started its own technical high school where students are trained to handle and operate specialized machines. The CEO of the electrical-solutions firm 24 active in industry networks also participates on the board of the local technical high school. His firm collaborates with the school, offering apprenticeship to its students; good trainees are usually offered jobs later. He takes his involvement with his employees seriously. "I take it very personally when they quit," he told us. In another example from [Table 5](#), the CEO of the IT-solutions firm 56 employed HR specialist to help the firm to cope with this issue. Interestingly, in their example the employees were missing social and not professional competences, as in the most of the other cases.

Some SMEs did not experience recruiting problems. For example, the CEO and owner of the firm 55, specializing in interiors production for restaurants and retail shops, actively works with recruitment and does not find it challenging, despite the need for a specialized workforce. Similarly, the owner of the bus operator 9 said that they did not experience any lack of personnel, despite the general lack of bus drivers in Sweden. This difference may be explained through further insight from the analysis. Namely, we found that the lack of competent personnel was experienced to a lesser degree in firms where new management was an important enabler of SF. This was the case both with the interiors production firm 55 and the bus operator 9.

We continue to elaborate the role of slack resources and external networks for SF of SMEs. In short, our findings complicate the issue of slack resources as an SF barrier. 81% of the firms involved in our study emphasized that slack resources helped them to realize strategic options and emerging strategic opportunities. In other words, they would not have dared to initiate in new opportunities had it not been for the additional financial resources they could activate. Thus, the majority of the firms had reserved slack resources to be used to finance strategic options. The handheld manufacturer 47 we mentioned is an example of this; they possessed sufficient means, enabling them to finance NPD of handheld devices when the opportunity arose. However, the firms in our study experienced a period of financial stability prior to these opportunities, which enabled them to reserve some financial slack.

The influence of business networks, municipalities and external consultants emerged as a more neutral result. While some firms mentioned their relevance to SF-related developments, most of them adamantly claimed that such networks and external parties did not partake in them. Practically all the informants (95%) stated that the owners were responsible for their firms' developments, while only 12% ascribed their success to the help of industry networks and similar parties. Initially, we expected more credit to be given to these parties (business and industry networks in which the owners and CEOs are included, business development support units at the local municipalities and external consultants). Although this was not the case, these actors did not hinder the SF of the firms in our study, either. As the CEO and owner of the metal-sheet-producing firm 64 said,

I usually attend the networking meetings organized by the municipality [business development office]. You meet some friends over a cup of coffee.

One explanation for this intriguing finding may be that these SMEs were extremely focused and diligent in realizing the emerging strategic options. The CEO of the previously mentioned

window-manufacturing firm 90 stated that she had to minimize external involvements, almost describing them as distractions, to maintain focus on the work, because her time was limited and the firm too small to allow any unnecessary interference. Her view was echoed by most of the informants. However, customers and suppliers were occasionally mentioned as sources of change, such as innovation.

Among the firms that considered external networks important, business and industry networks were more important than external consultants or municipality actors. For example, the electrical-solutions firm 24 emphasized industry networks that helped them in implementing the strategy of expanding beyond the local geographical limitations. The firm's CEO expressed that he benefited from interactions with colleagues from other regions. External consultants were more relevant for firms that realized strategic options requiring specific industrial knowledge. For example, the CEO and owner of the coupling manufacturer 21 mentioned that the firm employed an external consultant during their expansion in the European continent. [Table 6](#) exemplifies the variety of answers considering the importance of external networks.

Based on these results, the following propositions can be inferred:

- P3. In terms of barriers to SF in SMEs, lack of competent personnel is a pronounced barrier of SF in SMEs.
- P4. Slack resources contribute to SF in SMEs and external networks have no effect on SF of SMEs.

Discussion and implications

The purpose of this article has been to investigate how SF is achieved in SMEs, investigating if SF leads to SME growth and focusing on the enablers and barriers of SF in SMEs. The study presented results from 91 interviews with owners and CEOs of SMEs exhibiting high levels of SF and offered several theoretical propositions to drive further research. The results confirmed some previous findings and revealed some interesting discrepancies with the extant SF literature.

First and foremost, [P1](#) suggested that the SMEs can grow because of SF. This is consistent with the existing literature relating SF and growth (e.g. [Matalamäki and Joensuu-Salo, 2021](#)). One example was how the investments in new technologies and machines, as described by the CEO of the specialized-machine producer 83, increased the range of strategic options for the firm. Similar conclusions were also portrayed by [Lei et al. \(1996\)](#). However, although a significant number of the informants expressed these tendencies, the relationship of SF and growth still requires further attention, not least in the light of the complicated relationship between SF and financial outcomes of the firm ([Herhausen et al., 2021](#)).

[P2](#) confirmed the relevance of strategic orientation as an enabler of SF in SMEs. This finding remains uncontroversial when compared with the extant literature (see [Brozovic, 2018](#); [Herhausen et al., 2021](#)), especially regarding entrepreneurial orientation ([Nadkarni and Narayanan, 2007](#)) and market orientation ([Johnson et al., 2003](#)). Moreover, the remainder of [P2](#), suggesting that SF is higher in SMEs with high innovation capabilities and firms the leadership and organizational culture promote it also corresponds well to the literature. For example, [Herhausen et al. \(2021\)](#) found that firms' innovation capabilities tended to enhance the effect of SF on financial performance. However, our findings include some caveats to this general conclusion. Several CEOs attributed the emerged opportunities to a set of coincidences and not the firms' strategic orientation *per se*. Likewise, the study indicated that technology and digitalization contribute to SF by offering new possibilities and increasing the range of strategic options. However, this effect seems to depend on a particular industry, as aspects of digitalization were limited in some industries, such as excavation. Thus, more future research on the relationship between digitalization and SF is suggested.

Whereas our study confirms previous results regarding the enablers, its results concerning the barriers contrast previous theoretical positions. Proposition P3 suggests that lack of competent personnel is the most profound barrier to SF in SMEs. As employees in SMEs can generate solutions leading to new strategic options and higher levels of SF (Combe *et al.*, 2012), this barrier can substantially hinder SF in SMEs. As this barrier has so far not been noticed in relation to SF (cf. Combe, 2012; Brozovic, 2018; Herhausen *et al.*, 2021), this finding expands the understanding of barriers to SF.

Furthermore, P4 also suggests that slack resources do not hinder SF. Previous literature posited that slack resources are beneficial for SF, not least in SMEs (Verdú-Jover *et al.*, 2006). However, Herhausen *et al.* (2021) found a negative effect of slack resources on SF, suggesting that resources should be flexible. In other words, instead of accumulating financial resources that might not be used, they should be utilized, yet readily and flexibly transferred according to current needs. The findings of our study lean to the former rather than the latter conclusion. The firms in our study would not have been able to act upon opportunities had they not accumulated the necessary resources.

Contrary to the existing literature, P4 suggests that existing external networks in which managers and CEOs are involved do not significantly contribute to SF, as was previously claimed (e.g. Fernández-Pérez *et al.*, 2012). Rather, their role is fairly neutral, as only a portion of firms mentioned their relevance for realizing emerging opportunities. In fact, the SMEs in our study chose to minimize their external involvement, in order to focus on actualizing the emerging strategic options. Participation in external networks or engaging with other external parties was perceived as distracting.

In delineating the SF enablers and barriers, our study did not find sufficient support for some of the factors indicated in the theoretical background. For example, according to the literature, strategic planning enables SF (Hamlin *et al.*, 2012), yet the informants did not reflect on their strategic planning. In most of the interviewed firms, strategic options that they developed were a result of accumulated experience, entrepreneurial and market orientation and change in leadership that allowed the firm to act on the opportunity. Similarly, organizational rigidity impedes SF (Pauwels and Matthyssens, 2004), yet this barrier is missing from our interviews. One explanation is that the informants frequently reflected on the size of the firm, where employees are close to the owners, have more direct insight to strategies and future plans and where owners and CEOs are basically one of the crew.

Managerial implications

We offer the main management of SMEs several recommendations to develop SF in their firms. First, we suggest developing and/or strengthening entrepreneurial orientation and market orientation as drivers of SF; particularly, SME owners should swiftly act on strategic options, i.e. emerging opportunities in the business environment. Moreover, we recommend creating a positive work environment, where employees will feel included and motivated to contribute to the development of the firm. The challenge of employee competence can be solved either by recruiting employees from abroad when necessary or by developing the competences of existing employees. Some of the firms in our study collaborated with vocational high schools, one even starting its own high school.

Our study suggests that the main management of SMEs exhibiting high levels of SF values efficiency, which is especially relevant to the role of external networks. Members in such networks, such as business-climate developers in public institutions and external consultants, should be aware of their limited role when SMEs develop SF. They might consider how to increase their relevance for SME managers and owners, perhaps by emphasizing the value of regular business gatherings where the management can exchange experiences and ideas and offer more concrete development opportunities.

Limitations and future research

Our study has been performed in the context of SMEs and has focused on their SF, following other studies conducted in similar empirical contexts (e.g. Grewal and Tansuhaj, 2001; Verdú-Jover *et al.*, 2006) and enriching some of the existing findings. We have reinforced some of the existing research, such as the relevance of strategic orientation for SF (Herhausen *et al.*, 2021). Nevertheless, our study simultaneously suffers from several limitations, which could be considered as opportunities for future research.

In this study we assumed that financial outcomes could provide an indication of the existence of SF, despite the complicated relationship between these two concepts (Herhausen *et al.*, 2021). Thus, to examine the relationship of SF and firm growth, we used fast growth as a means of selection. Although we eventually did find indications for the existence of the relationship between SF and growth, more research illuminating this particular relationship is suggested, not least in the light of the indicated limitations.

Furthermore, we decided to study SMEs of many industries. While this decision enabled us to capture broad results, it also limited our ability to reflect on other enablers of SF, particularly technological orientation and digital capabilities. Thus, they remain future research avenues of great potential (Herhausen *et al.*, 2021). In addition, we found some nuance regarding the entrepreneurial orientation of SMEs and SF because some firms in our study expressed that their strategic options arose through a set of coincidences. This is an interesting finding that would require more research attention.

Other interesting research directions are the issues of slack resources and external networks as enablers of or barriers to SF. Some previous research concluded that slack resources are relevant for SF of SMEs (Verdú-Jover *et al.*, 2006), while Herhausen *et al.* (2021) found a more negative relationship between the two. Our findings tend to support the former view, despite Herhausen *et al.*'s (2021) comprehensive investigation of the topic. One possible explanation of this result might lie in the multidimensionality of SF (Brozovic, 2018; Herhausen *et al.*, 2021) and the relationship between dimensions and slack resources. If the SF of the firms included in our study is understood as proactive, slack resources might be more relevant for proactive SF. Nevertheless, these insights and indications demand more research on the topic of slack resources and SF. Furthermore, we call for more research to illuminate the role of external networks for SF, in SMEs particularly. While some previous studies found a positive relationship (e.g. Fernández-Pérez *et al.*, 2012), our study shows that only a portion of SMEs in our context found this enabler relevant. Finally, many of the studied SMEs are family owned. Therefore, a study investigating the particularities of family SMEs is warranted to better understand their approach to SF (Tipu, 2018).

Note

1. Market orientation is defined as the organization-wide generation of market intelligence pertaining to current and future needs of customers, dissemination of intelligence horizontally and vertically within the organization, and organization-wide action or responsiveness to market intelligence (Kohli *et al.*, 1993).

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Appendix

Study interview questions.

- (1) Introducing the project and the researchers.
- (2) We have identified strong growth of your SME from (YEAR) to (YEAR). According to you, what was/were the most significant factor(s) contributing to this development? Please explain.

Possible follow-up questions:

- (1) What was the main reason behind this development in this period?
- (2) How was your profitability in that period in comparison to your closest competitors'?
- (3) How was your firm's revenue divided between the region, the country, Europe, and the rest of the world *prior* to this development?
- (4) Was this revenue division the same after the development? If not, what is the new division?
- (5) Can you please describe the reasons for changing the division of the revenue (e.g. internationalization)?
- (6) Did your firm change the ownership structure during this period? If yes, when? How? How important was this change for this development?

Possible follow-up questions:

- (1) Did you change your CEO/board member/other relevant leader prior to this development? How important was this for the development?

(2) How important were the external networks for your development? Please elaborate. (Some examples: local external network, industry network, business development support unit at your municipality, external consultants, business development agencies, some other actor relevant for your development)

(3) How did this development affect your employees? Please elaborate.

Possible follow-up questions:

(1) Did the employee turnover increase? Sick leave? How did this development affect workplace satisfaction?

(2) Does your firm actively address workplace diversity? Please explain.

(3) Do you wish to add anything else?

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