Available online at www.sciencedirect.com

SCIENCE DIRECT®

Industrial Marketing Management 34 (2005) 555 – 565

INDUSTRIAL MARKETING MANAGEMENT

Infusing flexibility into business-to-business firms: A contingency theory and resource-based view perspective and practical implications☆

Elisa Fredericks*

Department of Marketing, Northern Illinois University, DeKalb, IL 60115-2897, United States

Received 26 January 2004; received in revised form 10 September 2004; accepted 27 September 2004
Available online 28 April 2005

Abstract

Two questions motivate this research. What conditions foster flexibility and how might business-to-business firms infuse flexibility throughout their organizations? A synthesis of the strategic management, marketing, and new product development literature was undertaken, which provided an updated interdisciplinary focus. Contingency theory and the resource-based view perspective were utilized to enhance our knowledge and emphasize the importance of flexibility and organizational performance. Superior intra- and inter-firm flexibility are proposed to influence business-to-business marketplace success.

Keywords: Rigidity; Flexibility; Environmental dynamism; Business-to-business marketing; Resource-based viewpoint; Contingency theory

1. Introduction

External interactive forces of rapid technological advances, increased globalization, market upheavals, and aggressive and risky competitive strategies have created unprecedented levels of uncertainty for organizations (Sanchez, 1997). Understanding the factors that shape how organizations respond to environmental uncertainty is of paramount importance since such actions ultimately affect their very survival. The resources endowed upon an organization and the capability to effectively exploit them determine the level of flexibility firms may exercise in uncertain environments. Managing uncertainty requires new structures (Ciborra, 1996), an arsenal of strategic options, and intra- and inter-firm resource coordination. Reliance on familiar environmental nuances such as technologies, production processes, and markets may render firms inflexible and place them in danger of extinction.

A look at a firm's resource portfolio and how it is deployed, especially in the context of business-to-business marketing, is imperative because when strategically employed, effective resource allocation provides firms with enormous flexibility and can also represent a source of competitive advantage.

Contingency theorists (Duncan, 1972; Miles & Snow, 1978; Venkatraman, 1989) conclude that firm-to-firm strategy and structure variances are the result of environmental demands and, therefore, tend to be firm specific. This lack of generalizability precludes organizations from utilizing a universal strategy and/or structure to attend to the mix of emerging environmental fluctuations. In addition, the resourced-based theory suggest that both tangible and intangible resources and knowledge properly utilized contribute to firm competitive advantage when they are valuable, are rare, cannot be duplicated, and have no substitutes (Barney, 1991). Some firms are more endowed with resources than others, may leverage them more effectively, perform much better than other firms, and

☆ Dr. Elisa Fredericks has published on the development of new products and innovation and business-to-business marketing in journals including the *Journal of Nonprofit and Public Sector Marketing*, the *Journal of Qualitative Market Research*, and previous issues of *Industrial Marketing Management*.

* Tel.: +1 815 753 6217.
E-mail address: elisa@niu.edu.

0019-8501/$ - see front matter © 2005 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2004.09.022

thereby achieve competitive advantage. Thus, variability in firm performance resides not only from firm-specific resources and structures, but also from how they are deployed to achieve organizational strategies and objectives. Moreover, firms equipped with a variety of strategic options are expected to garner enhanced firm performance even during dynamic times (Grewal & Tansuhaj, 2001; Miles & Snow, 1978). Increases in effective communication, planning, and strategy formulation are additional expected benefits when firms work in tandem with an adaptive marketing mix (Miles & Snow, 1978).

Some form of marketplace uncertainty is inevitable for most firms. Therefore, an enhanced understanding of the forces of its creation and requirements for firm sustenance are a must for all firms. We are interested in understanding how to achieve flexibility in a business-to-business setting as firms face unprecedented changes influenced by strong and adjusting supplier relationships, the use of the Internet to facilitate interaction between supply chain members, and increased use and reliance on production technologies to customize firm offerings (Kotha, 1995; Ozer, 2002, 2003). Even though products tend to be of a more complex nature than those found in business-to-consumer markets, buyer–seller relationships operate on a more personal level, and inter-firm relationships continue to expand and contract based on environmental demands (Mudambi, 2002). We also find a small but very important set of customers and potential customers exerting significant influence over firms (Bonner & Walker, 2004). As scholars have observed, managers of successful firms must balance mechanistic and organic elements (Brown & Eisenhardt, 1995; Eisenhardt, 1989). So it is imperative that business-to-business firms coordinate and effectively deploy organizational resources and harness those between supply chain members, alliance partners, and cross-functional units. Also, effective supply chain management requires the coordination of internal firm functions and effective links with the external operations of suppliers and customers (Vickery, Calantone, & Dröge, 1999). Therefore, an enhanced understanding of the impact of flexibility on firm performance is required.

Two questions motivate this research. First, what conditions foster flexibility and, second, how might business-to-business firms infuse flexibility throughout their organizations? To accomplish these objectives, a review of the rigidity/flexibility literature in the strategic management, marketing, and new product development disciplines was undertaken. This provided an updated interdisciplinary focus of the extant literature. Next, two theoretical perspectives were utilized to shed light on the importance of flexibility and organizational performance. Propositions were then developed, and methods for infusing flexibility throughout and within business-to-business firms were developed. A discussion and managerial implications facilitated the completion of these objectives and the accompanying paper.

1.1. Environmental dynamism

When the external environment produces frequent changes in customer, competitor, and/or technology sectors, a state of dynamism is said to exist (Grewal & Tansuhaj, 2001; Jaworski & Kohli, 1993). High levels of inter-period change in magnitude and/or direction create uncertainty and increased risk for firms (Bourgeois & Eisenhardt, 1998). Dynamic, erupting conditions beget substantial changes in demand and growth rates (Glazer & Weiss, 1993). Compressed product and process life cycles, rapid technological change, and narrowing market opportunities erode competitive advantage. Environmental dynamism has been shown to be the strongest determinant of uncertainty (Bourgeois, 1980; Duncan, 1972) as it influences new product performance (Calantone, Schmidt, & Di Benedetto, 1997; Jaworski & Kohli, 1993; Redmond, 1995), reduces the extent of closeness in inter-firm relationships (Heide & John, 1990; Stump & Heide, 1996), stimulates radical changes in the competitive hierarchy (D'Aveni, 1995), and forces technology sector firms to allocate greater resources in order to cope (Glazer, 1991; Slater & Narver, 1994). Such nonlinear effects generate new patterns of interactions between firms and their environment (Bij, Song, & Weggman, 2003). So the question is, how do firms remain competitive, maintain financial strength, and address uncertainty resulting from environmental dynamism?

Researchers contend that flexibility is one avenue for exerting control in uncertain environments. Flexibility is achieved when firms find a balance between responses to environmental preferences and strategy and structure (Volberda, 1997). Such environments require the maintenance of "multiple, simultaneous alternatives" (Eisenhardt, 1990) and swift strategic decision-making (Quinn, 1986). As Sanchez (1995) suggests, firms must position themselves to take advantage of a greater number of opportunistic events as future events cannot be perfectly predicted. At some time, one or more appropriate approaches may surface and flexible firms must be ready to execute them.

2. Theoretical background

In order to do so, two theoretical approaches serve as the bases for an enhanced understanding of the relationship between firm environment, emergent strategies, and structures and how resource coordination enhances overall firm success. These theories present complementary rather than competing viewpoints. The first is the contingency framework. The second is the resource-based theory.

Contingency scholars argue that performance is a function of the congruence between an organization and its environment, strategy, and structure (Duncan, 1972; Miles & Snow, 1978; Venkatraman, 1989). Very broadly, environment represents sources of inputs in the form of individuals, groups, and organizations, as well as external