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Strategic agility-driven business model renewal: the case of an SME

Strategic
agility-driven
BM renewal

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Abstract

Purpose – The purpose of this paper is twofold: to connect strategic agility and business model (BM) innovation, and to explore how capabilities underlying strategic agility fit the SME context.

Design/methodology/approach – Qualitative in approach, the paper develops a longitudinal, in-depth, single case study focussing on how BM renewal occurs in the dynamic and increasingly important sector of temporary work agencies.

Findings – The findings suggest a partial fit of the existing strategic agility framework for SMEs. Two of the proposed meta-capabilities (leadership unity and resource fluidity) seem inherent to SMEs because they apply easily to this context, although they need to be downscaled. One meta-capability (strategic sensitivity) is less natural and therefore more critical for an SME. An additional meta-capability (resourcefulness) arises as very important for SMEs to be able to overcome some of their size-caused limitations.

Research limitations/implications – The contribution is limited by using a single case study from a specific sector and should be considered as exploratory and theory-grounding research in the field of SMEs' strategic agility and BM renewal.

Originality/value – The originality of this paper is that it looks at the SME context in an industry with intensive change and dynamism, which is ideal for illustrating the objective. The authors contribute a model of strategic agility for SMEs.

Keywords Business model, SME, Spain, Business model innovation, Temporary work, Strategic agility

Paper type Research paper

1. Introduction

Strategic agility is defined as an organisation's capacity to make strategic commitments while staying nimble and flexible and is considered to be a means by which organisations transform and reinvent themselves, adapt and ultimately survive (Doz and Kosonen, 2010).

According to Doz and Kosonen (2010), strategic agility is the combination of three dynamic capabilities – strategic sensitivity, leadership unity and fluidity of resources – and it is argued that this drives successful BMI and transformation through a series of meta-capabilities translated into operational terms in the form of a set of priorities and actions.

Business model (BM) is a critical construct in understanding how firms generate, deliver and capture value and it reflects the company's strategy (Casadesus-Masanell and Ricart, 2010). It is also a "story" that essentially explains how firms work (Magretta, 2002) and while it has been approached by various authors who provide valuable insights, there is currently no consensus on definitions and conceptual boundaries. We consider BM to be an organisation's meaningful activity system (with their elements and underlying interrelations) through which their mission is accomplished. Going beyond traditional innovation typologies, recent developments indicate that BMI is at least as important as new and innovative technology (e.g. Chesbrough, 2010).

This paper aims to link strategic agility and BMI in the context of an SME in the service sector. Both strategic agility and BMI frameworks are often represented by empirical evidence collected through qualitative case studies that concentrate on highly effervescent



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sectors related to ICT and focus their attention on large multinational manufacturing corporations, a combination that provides ideal conditions for dynamism and complexity (e.g. Doz and Kosonen, 2008; Fourné *et al.*, 2014; Chesbrough, 2007). Apart from a few contributions (e.g. Huang *et al.*, 2013; Cucculelli *et al.*, 2014; Cucculelli and Bettinelli, 2015; Halme and Korpela, 2014), relatively little is known to date about how the BMI framework applies to SMEs and even less is known about how strategic agility works in an SME context. To the best of our knowledge, no academic paper has yet specifically dealt with strategic agility in SMEs and we expect there to be differences when comparing our results to the findings for strategic agility in large companies since previous literature on BMs finds significant differences between SMEs and large companies (e.g. García-Morales *et al.*, 2007; Caloghirou *et al.*, 2004). A broader approach also reveals that most empirical studies that analyse dynamic capabilities in an SME context are based on data from manufacturing industries (e.g. Aragón-Correa *et al.*, 2008; Caloghirou *et al.*, 2004; Bessant *et al.*, 2001; Bierly and Daly, 2007 and, more recently, Villar *et al.*, 2014; Voudouris *et al.*, 2012; Alegre *et al.*, 2013; Fernández-Mesa *et al.*, 2013).

This paper contributes to the related literature by analysing how the special dynamic capabilities underlying strategic agility fit the SME context in the case of a service firm – more specifically, an SME temporary work agency (TWA) based in Spain – and connecting it to BMI. This matter is especially important given the predominance of SMEs and the value they add and employment they generate in service sectors, not only in Spain (where in 2015 99.7 per cent of firms with more than one employee were SMEs, Ministerio de Economía, Industria y Competitividad, 2016), but also in Europe and worldwide.

In Europe, a total of 60.9 million people accessed the labour market through TWAs (40.2 million as agency workers, a growth of 9.6 per cent since 2012, CIETT, 2015). Spain is an interesting case as far as TWAs are concerned, particularly because it has one of the lowest shares of agency workers in the European Union and is thus among the countries where expected growth in the industry is highest.

This paper is also an attempt to answer the recent call to explore the microfoundations of dynamic capabilities and to untangle the relationships between managerial and organisational capabilities (e.g. Eggers and Kaplan, 2013; Molina-Azorin, 2014; Helfat and Peteraf, 2015). This paper does so by analysing strategic agility from the point of view of managerial capabilities, which we then relate to organisational capabilities.

The paper is structured as follows: Section 2 reviews the relevant literature, Section 3 explains the methodology, Section 4 presents the main results of the analysis, Section 5 discusses these results and Section 6 draws conclusions.

2. Literature review

BMI in SMEs

The concept of BM appears implicitly in the management literature and has long featured in the business vocabulary. However, not until the beginning of 2000 when Magretta explicitly provided a definition of BM did the concept achieve prominence and visibility. Even though there is no consensus on terminology, most would agree with existing broad understandings such as “stories that explain how enterprises work” (Magretta, 2002), “framework for making money” (Afuah, 2004, p. 2), a “blueprint for how to run a business” (Osterwalder and Pigneur, 2010) and “the logic of the firm, the way it operates and how it creates value for its customers” (Achtenhagen *et al.*, 2013).

With regard to BMI, as Cavalcante *et al.* (2011) pointed out, BM should provide the development of a firm’s activities with some stability and, at the same time, be flexible enough to accommodate changes. These changes are mapped by the authors through four stages, namely: creation, extension, revision and termination. A different focus concerns the main changes in the concept of BM – identified as new products/services, new markets/

customers, changes in the value chain, changes in key activities, changes in key resources and changes in cost structure – that are presented and tested using longitudinal case studies in Achtenhagen *et al.* (2013), who provide valuable evidence on how BM changes over time through strategic action and critical capabilities.

Often represented in a systemic form as a collection of elements and their underlying relations like any living system, BMs have their own life-cycle with the inherent need for adaptation and renewal. BMI concerns change beyond the isolated product, service or technology, addressing innovation in one or more of the building blocks of the model, such as the value proposition, the value chain and/or the revenue model (Zott and Amit, 2010).

Despite consensus on the relevance of BMI, designing a new BM is considered to be closer to an art form than to a science (Casadesus-Masanell and Ricart, 2010) due to the complex interconnections between the elements, the unpredictable, fuzzily delimited and fast-moving environment and the lack of data or knowledge to detect and predict the future. This paper aims to complement the existing body of research with a case study of an SME from the service sector. Such studies are rare in the literature, which is dominated by evidence from large corporations with a few exceptions (e.g. Huang *et al.*, 2013; Cucculelli *et al.*, 2014; Cucculelli and Bettinelli, 2015; Halme and Korpela, 2014). This is rather surprising, given that the contribution SMEs make to employment and value creation is undeniable. In other words, the BMI framework has to date failed to explore the potential of this particular type of firm. This study aims to bridge this gap, which in relation to strategic agility in SMEs is even larger, by focussing attention on strategic agility as a determinant of BMI as described in the next section.

BMI: the role of strategic agility

It is only recently that the concept of strategic agility has been described as a determinant of BMI. There are two foundational papers (Doz and Kosonen, 2008, 2010) that explain this need and represent the emergence of the concept in the management literature. Doz and Kosonen (2008, p. 96) argue that the strategic agility conundrum refers to “how to prevent stagnation and painful transformation so that companies do not become elephants that need to learn to dance. Yet maintaining flexibility may well prevent companies from making the kind of commitments that build strong strategic advantage, and may relegate them to permanent mediocrity and decline [...]”. Having established the relevance and concept of strategic agility, the authors focus on two other aspects. The first refers to the underlying elements, the three meta-capabilities that shape the concept, namely strategic sensitivity, leadership unity and resource fluidity (Doz and Kosonen, 2010). Strategic sensitivity is defined as “the sharpness of perception of, and the intensity of awareness and attention to, strategic developments”. Leadership unity is “the ability of the top team to make bold, fast decisions, without being bogged down in top-level ‘win-lose’ politics”. And resource fluidity is described as “the internal capability to reconfigure capabilities and redeploy resources rapidly”. The other aspect refers to the optimal combination to achieve a strategically agile company, which happens, according to the authors, when all three meta-capabilities are present and balanced.

Further, in Doz and Kosonen (2010) the leadership agenda is set through concrete managerial actions, which are discussed as underlying determinants of BM renewal and transformation. In the same paper, the model is tested and illustrated using evidence from big multinational corporations.

To date, despite its consistency and pragmatism, the strategic agility approach has been applied and explored in relatively few studies (e.g. Doz and Kosonen, 2008, 2010; Fourné *et al.*, 2014; Lewis *et al.*, 2014). For example, in a multiple-case study of multinational corporations, Lewis *et al.* (2014) highlight certain contradictions underlying the three capabilities of strategic agility. As a solution, the paper describes and analyses the challenge

of paradoxical leadership as a practice that seeks creative solutions and enables fast-paced, adaptable decision making. These solutions consist of actions such as value paradoxes as the vital ingredient of high performance that proactively identify and raise tensions, avoid traps of anxiety and defensiveness, consistently communicate a vision and separate efforts to focus on both sides of a paradox.

Fourné *et al.* (2014) in turn extend the current notion of strategic agility, while proposing and testing their concept on multinational corporations. This paper argues that multinational firms have idiosyncratic features that call for further careful examination because their global action must be balanced against their local action. The results consist of a set of distinct meta-capabilities characteristic of multinational corporations, namely sensing local opportunities, enacting global complementarities and appropriating local value.

Strategic agility in SMEs

In the particular case of SMEs, the management literature has traditionally identified a series of idiosyncratic aspects and characteristics. As reviewed by Damanpour (2010), SMEs have more flexible structures, less bureaucratic procedures, a more responsive climate to go ahead with new and ambitious projects and flatter hierarchies, making them more able to accept and implement change. However, taking psychological factors into account, Gray (2002) points out the “endowment effect” in SMEs, where the “owners” fear of loss is stronger than the “attraction of gain”. In this instance, the owner’s fear of the unknown, lack of trust and cultural or age conservatism can result in reluctance to change. Similarly, Filson and Lewis (2000) identify cultural issues as one of the factors that can hinder change in SMEs. In contrast, O’Gorman (2000) stresses that SMEs can be more receptive to change than multinational corporations, thanks to their more efficient organisational and communication structures.

Bearing the specificities described above in mind, a section of the empirical literature on dynamic capabilities is dedicated to SMEs. Most of the empirical work along this line of research refers to manufacturing firms (Aragón-Correa *et al.*, 2008; Caloghirou *et al.*, 2004; Bessant *et al.*, 2001; Bierly and Daly, 2007; Villar *et al.*, 2014; Voudouris *et al.*, 2012; Alegre *et al.*, 2013; Fernández-Mesa *et al.*, 2013), although a few studies also include service firms (e.g. García-Morales *et al.*, 2007). Most of the articles mentioned above that include both large firms and SMEs in their analysis find differences between the dynamic capabilities of the two groups. For instance, García-Morales *et al.* (2007) find that SMEs benefit more from flexibility and innovativeness than do large firms, that they achieve shared mental models more easily and are better able to detect errors and learn from them. SMEs also adjust with greater ease and can maintain a closer relationship with clients, among other differences. Similarly, Caloghirou *et al.*’s (2004) findings suggest that large and small firms have different capabilities, which in turn affect their performance. For instance, they find that the dynamic capability associated with transformation is positively related to profitability in the case of SMEs.

As strategic agility is a special type of dynamic capability, we consider it relevant to check whether the differences between large firms and SMEs also exist in this case and, if so, to explain them. To the best of our knowledge this is not addressed in the extant literature.

3. Methodology

In line with the scope of our research objective, we adopt a qualitative, exploratory and inductive approach using a single, longitudinal, case study methodology that is described in this section to obtain new insights into how BM renewal occurs in a TWA SME. Since case studies are particularly suitable when a how or why question is asked about a contemporary set of events over which the researcher has little or no control (Yin, 2003), we opt for this choice. Moreover, BMs as an object of study are not yet well developed and agreed upon

(Zott *et al.*, 2011) and the relationship between the different elements they comprise has not been sufficiently established. This is an added reason why the case study method is the appropriate methodology (Gibbert *et al.*, 2008). Moreover, qualitative data and case study analyses are also common in the study of strategic agility (Fourné *et al.*, 2014; Doz and Kosonen, 2008, 2010; Lewis *et al.*, 2014; Brueller *et al.*, 2014). Further, the microfoundational approach requires a method that can gather information at the individual level (Felin *et al.*, 2015). In our case, managers are the main subject of study since they are the ones responsible for managing the organisational capabilities driving BMI both individually and cooperatively, and ultimately for the survival of the firm.

To sum up, for our purposes the main advantage of a case study is the depth to which it allows complex processes to be researched, as observed by the experiences of its participants and immersed in its real context (Eisenhardt, 1989; Yin, 1984). Qualitative approaches are suitable for longitudinal process analyses for issues between individuals (micro) and firms (macro) (Mathieu and Chen, 2011).

For the reasons described above we decided to focus this study on the case of a single firm called Eurofirms and to follow the evolution of the company more than a three-year period, during which time it redirected its BM. Several data collection methods were used in order to enhance robustness. Primary sources of information were 27 personal interviews with managers (six), employees (eight), temporary agency workers (eight) and clients (five) of the company, conducted between September 2010 and February 2013. Table I summarises the main methodological features of the study.

In order to enhance our knowledge of the TWA industry and its evolution in Spain, the data from the interviews were combined with data from main publications and reports on the industry and with data from the SABI database (Bureau Van Dijk) of the Spanish Ministry of Employment and Social Security and other secondary sources. However, despite these multiple sources of information, since the dynamic capabilities within strategic agility are the focus of our analysis the main unit of analysis is the firm managers (micro level) and most of the evidence provided in the results section refers to primary information gathered from managers.

The internal validity of this case (Yin, 1994) is based on the use of the conceptual framework of BM, strategic agility and the literature on SMEs. We were able to identify the constructs of change in the BM, the capabilities and the meta-capabilities. The steps in the analysis of correspondence between BMI and strategic agility capabilities were parallel independent proposal by two of the three researchers, check with managers and workers at Eurofirms, revision of the proposal and verification by the general manager (GM) of Eurofirms. Most capabilities matched those proposed by the strategic agility framework. Borrowing from the SME literature, we judge the varying importance of these capabilities and identify additional capabilities not covered by the reviewed framework.

The present study meets internal validity (e.g. Gibbert and Ruigrok, 2010; Gibbert *et al.*, 2008; Yin, 1994) by using the following primary strategies: first, we base the research on the existing literature; second, we use pattern matching (Eisenhardt, 1989), which compares the observed results with the predictions from previous studies; and third, we use theory triangulation (Yin, 1994) to check findings in the light of the theoretical grounds used. Construct validity is achieved with different triangulations in the data collection. However, validity is primarily achieved by combining interview transcriptions with the researchers' direct observations as they conducted the interviews and by analysing all of the secondary data available. Further, to ensure reliability we employ some of the widely accepted methods (Gibbert and Ruigrok, 2010), such as digitally recorded interviews and transcription. As case studies are often used to make a conceptual contribution, this study cites a considerable number of quotes from the original data (see Tables I-III) to introduce transparency into the descriptions and to provide valuable illustrations (Siggelkow, 2007).

Type of methodological approach	Qualitative			
Type of research	Exploratory			
Type of reasoning	Induction			
Technique	Case study			
Number of cases	One			
Field work	Interviews: September 2010 to February 2013 Secondary data: September 2010 to February 2016			
Primary source of information	Individual interviews			
Instrument used	Semi-structured questionnaires			
Informant selection criteria	Diversity by main stakeholder group and work position, more intensity on managers			
Informants work position	Managers	Employees	Temporary agency workers	Clients
Number of informants	6	8	8	5
Mean duration of interviews (minutes)	60	45	40	30
Main topics of the interview	BM and BMI Competitors BM Strategic priorities HR changes Key success factors	Company positioning HR practices: old and new Key success factors	Eurofirms value proposition Comparison with other TWA Overall satisfaction	Eurofirms value proposition Comparison with other suppliers Overall satisfaction
Interview conduction	Face-to-face and telephone			
Data storage	Digital voice recording and transcription			
Secondary sources of information	Employee satisfaction survey reports (2010 to 2013) Customer satisfaction survey reports (2010 and 2013) Internal basic financial data Public data: website, annual reports, company presentations, financial data bases, press news			

Table I.
Methodological summary

Notes: BM, business model; BMI, business model innovation; HR, human resource; TWA, temporary work agency

Case context and company background

Eurofirms is a family owned TWA founded in Girona, Spain in 1991. At that time, the industry was growing at an average annual rate of 6 per cent and the large multinational TWAs were entering the Spanish market. During the first years, Eurofirms's clients were local firms. The firm's geographical growth started in 2001 by first opening offices in Barcelona and other nearby locations and then, since 2006, in other regions of Spain. In 2013, Eurofirms started operating in Portugal.

Between the late 1990s and 2007 approximately, the market was "demand driven": the demand for temporary agency workers was high in comparison to supply, commercial margins were wide and price and volume were important – but not critical – variables in the industry. This allowed large and small TWAs in the sector to coexist.

From 2008 onwards, the industry changed dramatically. Demand slowed down considerably and commercial margins noticeably narrowed. Price then became the crucial decision variable for customer firms and a high turnover was needed to cover costs and remain in the market. This was a deadly challenge for many small TWAs. During this period, Eurofirms engaged in organic growth and they also acquired several small TWAs to eventually become the fourth leading firm by turnover in the industry and the first with Spanish ownership.

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
Value proposition for customers: to increase satisfaction	Enhancing service	Total service/solution for customers in quality temporary staffing. Staffing expertise, IT enhanced, good recruitment. Extended-hours of service	"The customer contacts us for temporary work but we go there and identify their real needs [...] may be flexibility, training, peak demands, talent management, misalignment [...] We are capable of offering solutions to the customer, more than what competitors do, more than what we ourselves were doing five years ago. The customer does not regard us as sellers but as 'partners' providing trustable solutions [...]" (RSM 1) "Eurofirms achieves more margin because we offer solutions, not only service" (GM)	Anticipating, abstracting	Strategic sensitivity
	Trustworthy partnering	Focus on customer satisfaction, relational marketing, and trustworthiness	"Our strategic goal is to satisfy our customers' needs with reliable solutions and building a long-term collaboration and partnership" (company website). "My external role is to care about the relationship with my customers, especially in the case of large accounts. I have to convey the core values of the company and the value of our service. Negotiation, dialogue and listening to their concerns is my job" (RSM 1). "Despite most customers initially want a low price, we offer value [...] we talk about value and solutions, and avoid talking about prices. We offer differentiation and reliability to address their real needs" (RSM 2)	Revealing, dialoguing	Leadership unity
Value proposition for temporary workers: to gain involvement	Assuring reliability Improving human resources management processes	Precise and timely service; customer responsiveness IT-enhanced recruitment, selection, hiring and management	"Recruitment and selection are very important for us [...] we devote a lot of resources, a lot more than our competitors. IT's are very helpful [...] we apply new-hire integration plans, also for temporary workers [...] because they are key for	Anticipating, caring Experimenting, reframing	Resource fluidity, leadership unity Strategic sensitivity

(continued)

Table II.

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
			us" (HRM), "Our value added with temporary workers is our care for them, we listen to them, we provide training, information, early payment of wages [...] They are paid the first days of every month because of our real-time IT system" (HRM), "We establish long-term relationships with temporary workers [...] We invest in mutual confidence" (HRM)		
	Offering financial advantages	Early wage payment		Caring	Leadership unity
	Improving communication and trustworthiness	Direct and IT-enabled communication for recruitment, selection, hiring and management. Proximity and transparency with temporary workers		Dialoguing, revealing and caring	Leadership unity

Notes: FM, financial manager; GM, general manager; OM, operations manager; HRM, human resources manager; RSM, regional sales manager

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
Value chain: fostering human resources commitment	Communication enhancement	Empowering HR department with informal communication responsibilities	<p>"As regards to communication, we hold at least a yearly individual meeting with every collaborator and we evaluate how our department can enhance communication with all employees [...] an important meeting is the yearly presentation of the general manager, with all staff gathered together, and evaluating the past results and the future challenges" (HRM). "[...] I facilitate things [...] More than using power to get things done [...] I identify ideas from our employees and I channel them to other units of the company" (RSM 1). "We need to listen a lot, to customers, but also to employees. Our HR department takes most care of this communication" (GM)</p> <p>"Capability \times Motivation \times Number of proactive and customer-oriented staff + Values = Success" (GM, formula included in a public presentation). "Skills are the ones you have, we recruit based on this but what we manage is motivation [...] motivation is more important now because the market is no longer demand-driven and we need proactivity to sell more, but also to suggest and accept change" (HRM). "Proactivity doesn't work without motivation. And motivation has to be in the right direction" (GM)</p>	Dialoguing, revealing and caring	Leadership unity
	Human capital enhancement	Competence-based recruiting, training and retaining. Internal promotion		Aligning	Leadership unity
	Promoting intrinsic motivation of Eurofirm's employees	Motivation-based recruitment, training and retaining. Qualitative assessments Accountability. Fixed wages. Above sector average wages. Sharing a common interest, beyond incentives		Aligning	Leadership unity

(continued)

Table III.

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
	Team building	Teamwork identified as critical success factor; promotion of co-operation and high-performance team building	"As a sales manager, my internal role is coordination, staff development, alignment with the company, employee assessment, enhancing motivation and promoting co-operation" (RSM 2)	Integrating, aligning	Leadership unity
	Delayering structure	Reducing hierarchical levels	"We have optimized many branches and reduced hierarchies" (HRM). "Now we use more the organization by customers, understood as projects, instead of a functional organization by departments [...] hierarchical levels are less important" (HRM)	Decoupling, dissociating	Resource fluidity
	Multitasking	Promoting multiple skills to deal with multiple tasks; reduction of specialisation	"Administration tasks are generally done at the headquarters and commercial tasks at the branch level. However, we use a sort of dynamic assignment of tasks. Some tasks can be done at the headquarters or at the branch level, depending on other duties or orders [...]" (GM). "We need polyvalence within branches [...] it is more cost effective" (HRM)	Decoupling, modularizing	Resource fluidity
	Creating a support team	Small team dedicated to provide support in the case of large orders of temporary workers	"Most branches rely only on one person who has to be competent in many skills, with the support of other branches and of the 'support team' a small team in the central office who collaborates with branches when they receive large orders" (HRM)	Decoupling, dissociating	Resource fluidity
Value chain: business culture to promote commitment	Fostering a values-oriented culture	Formal definition of mission and values, identified as a core element of the business culture	"Our values are transparency, accountability, and respect. This is what we look for in our collaborators and what we promote across all our policies" (GM). "Our values haven't changed [...], with our foundation we find jobs for handicapped, and we do it for free; we have an ethical code, we collaborate with NGOs [...]" (GM). "We have business goals but we also aim	Aligning, revealing	Leadership unity

(continued)

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
	Empowering	Empower employees to be proactive and autonomous	to be exemplar in the sector [...] profits will be the payback" (GM) "Years ago, we used to talk about our vocation of service [...] now we empower all staff to be proactive" (GM). "We want our collaborators to be proactive, to anticipate customer needs or issues, but also to improve our operations, like our IT system" (HRM). "Proactivity of our staff becomes reactivity if it is not supported, fed by the top level" (GM) "The strategic goal (customer satisfaction [...]) can only be achieved with a committed professional team, which is nowadays the great difference of Eurofirms [...]" (company website). "In the last two or three years we have fostered a very strong collaboration between branches [...] to gain flexibility and speed to the market, and to take advantage of slack resources" (HRM) "we don't believe in variable incentives at the individual level; we need teams of people [...] it is very important nowadays" (GM) "We need technology for a better adaptation to change" (FM). "We use our IT systems to manage all the recruitment, selection, hiring and compensation system, so that our temporary workers and customers can very easily trace their status in all aspects and they can see that we comply with our obligations" (OM) "We use ICTs for internal communication. It is not the same as talking directly with people but it is a way of making things explicit [...]" and caring (OM). "We need ICTs to gather all data related	Decoupling, dissociating	Resource fluidity
	Promoting teamwork	Promotion of teamwork, co-operation and team evaluation, instead of promoting internal competition and individual evaluation		Integrating, modularizing	Strategic sensitivity, resource fluidity
Value chain: development for reliability	IT platform for temporary work management	Information and knowledge generation and management for better recruitment, selection, hiring and retention, especially for temporary workers. For internal and customer use		Anticipating	Strategic sensitivity
	IT platform for internal communication	IT-enabled internal communication		Dialoguing, revealing	Leadership unity

(continued)

Table III.

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
	IT platform for training	IT-enhanced training mainly but not only for Eurofirms' employees	to staffing [...] Otherwise, we couldn't be reliable" (OM) "Our technology is a key resource for our competitiveness [...] Not only to manage temporary work, but to communicate, to generate knowledge and for training, too [...] We have even used it for in-plant training with some customers [...] for their regular staff" (GM)	Decoupling, modularizing	Resource fluidity
	IT platform for customer relationship management	Platform development to gather knowledge on customer needs to be able to anticipate and to provide a complete service	"Our IT system gathers all information about temporary workers and about every customer [...] We learn from their past orders and requests and we can anticipate some of their needs [...] Our formal and informal customer knowledge is very important for us" (OM)	Anticipating	Strategic sensitivity

Notes: FM, financial manager; GM, general manager; OM, operations manager; HRM, human resources manager; RSM, regional sales manager

The initial years of Eurofirms's activity were characterised by high demand in the context of industry growth. BMs seemed to be a less critical issue for the survival of firms, and adding value was less demanding at a time when the clients of TWAs were also obtaining attractive financial results and not suffering cost pressures. This scenario dramatically changed from 2008 onwards as a result of the economic downturn, with the adaptation of BMs gaining in importance, as suggested in the following sections.

4. Case study findings: BMI

Eurofirm's BM is that of partial customisation; customer satisfaction is pursued by customising services to address the real needs of customers, assuring precision, reliability and trust. Customer satisfaction is enhanced by counting on engaged temporary workers who are motivated by transparency and proximity. Eurofirms's employees, in turn, are customer oriented, particularly as regards service, reliability and trustworthiness. Customers feel satisfied, they trust Eurofirms and respond with loyalty. Regarding costs, overheads are constrained by means of centralising technical expertise, for instance legal and regulatory matters (the part of the service that is not customised), risk management and technological development. Staff costs are optimised by means of the proactive and committed behaviour of employees and flexible task management. These main attributes of the structure are shown in Figure 1, which depicts the main relationships and the virtuous cycle within this BM.

Eurofirms's BM has the advantage of being adaptive to the new context of economic slowdown and has managed to both improve added value for clients and to reduce costs. Thus, it has remained attractive to market segments that need or appreciate the added value and at the same time require a competitive price.

The basic BM of Eurofirms is fine-tuned to sustain and renew its competitiveness. More specifically, our findings show that Eurofirms deploys its BMI along three dimensions: value proposition, value-chain and cost and revenue models.

Value-proposition BMI

BMI in terms of value proposition is presented in Table II, where the main actions that Eurofirms has carried out to address the value proposed to customers, and also the value proposition changes for the temporary workers as intermediate customers, are set out. For final customers, the main actions of Eurofirms's BMI have been in three complementary

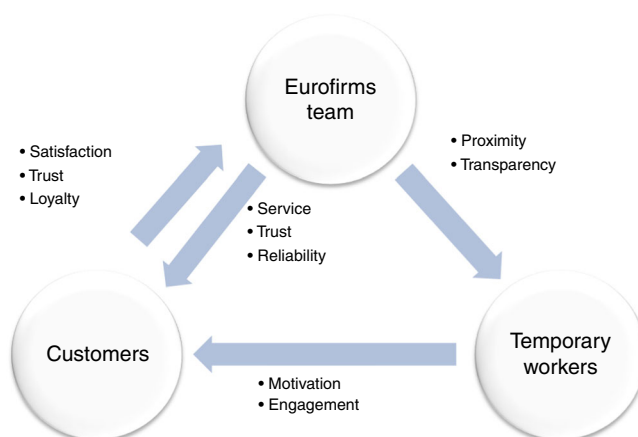


Figure 1.
Eurofirms' business
model

directions. First, enhancing temporary work services by means of willingness to provide complete and quality solutions for the customer, changes made possible by the meta-capability of strategic sensitivity, which allows the attributes of the services that customers most value to be identified. As a regional sales manager (RSM) said, “The customer contacts us for temporary work but we go there and identify their real needs [...] may be flexibility, training, peak demands, talent management, misalignment [...] We are capable of offering the customer more solutions than our competitors do, more than we ourselves were doing five years ago”. Second, investing in trust to build relationships with customers through dialoguing with clients and revealing how Eurofirms commits to providing satisfaction and trustful relationships, which is facilitated by leadership unity in the company: “The customer does not regard us as sellers but as ‘partners’ providing trustable solutions” (RSM). And third, the company has made efforts to ensure reliability in terms of precise, timely and quality service by means of the meta-capability of fluid resource management: “Our strategic goal is to satisfy our customers’ needs with reliable solutions and to build long-term collaboration and partnership’ (company website).

In the case of temporary workers, the main innovative actions taken are improving Human Resources (HR) management at all stages of the process (recruitment, selection, hiring, management, compensation and communication), which is made possible by means of a proprietary information and technology-enabled HR system and by the advantages gained from fair compensation and the early payment of wages to temporary workers in comparison to standards in the industry. These actions are facilitated by the strategic sensitivity of the company in understanding the needs of temporary workers whose satisfaction brings advantages in terms of their degree of involvement with their destination companies: “We establish long-term relationships with temporary workers [...] We invest in mutual confidence” (HR manager). This is also made possible by leadership unity, which creates an attitude of dialogue, transparency and caring with these important collaborators. As the HR manager says: “Our value added with temporary workers is our care for them, we listen to them, we provide training, information [...]”.

Value-chain BMI

BMI in the value chain can be classified into three categories according to their main effects (Table III): fostering HR commitment, creating a business culture that promotes HR commitment, and developing IT to achieve the reliability requested by and promised to the customer.

The first set of actions, which include acting on communications, employee development, enhancing intrinsic motivation and team building, directly affect the HR management of Eurofirms’s employees with the overall aim of increasing their commitment. For example, the HR manager commented on motivation: “Skills are the ones you have; we recruit based on this, but what we manage is motivation [...] motivation is more important now because the market is no longer demand-driven and we need proactivity to sell more, but also to suggest and accept change”. In turn, the GM stated, “Proactivity doesn’t work without motivation. And motivation has to be in the right direction”. These BM actions are mostly facilitated by two meta-capabilities, namely leadership unity and resource fluidity.

The second type of actions are generally designed to sustain two elements of the business culture: values and operating principles, in particular respect, transparency and responsibility. As the GM said: “Our values are transparency, accountability and respect. This is what we look for in our collaborators and what we promote across all our policies”. And as a summary of several of the company’s HR actions there is an illustrative formula used by the GM in a public presentation: “Capability×Motivation×Number of proactive and customer-oriented staff+Values = Success”. The former values are pursued together with the principles of empowering people and constructing a team-oriented culture. The term

proactivity is widely used. For example, “Proactivity of our staff becomes reactivity if it is not supported, fed by the top level” (GM). However, team orientation is important: “We don’t believe in variable incentives at the individual level; we need teams of people [...] it is very important nowadays” (GM). These actions are generally favoured by the combination of the three meta-capabilities proposed by Doz and Kosonen (2010).

The third block of value-chain BMIs includes a set of actions related to IT development, targeted at better service delivery to achieve reliability, precision and cost-effectiveness. It includes the HR management of temporary employees, IT-enhanced communication, training and customer relationship management. The IT system “gathers all the information about temporary workers and about every customer [...] otherwise we couldn’t be reliable” (operations manager – OM); it is “a key resource for competitiveness” (GM). With the IT system, “We learn [...] to anticipate [...] our formal and informal customer knowledge is very important for us” (OM). Technology allows for a “better adaptation to change” (financial manager – FM). Again, the former actions require the use of all three meta-capabilities defined by Doz and Kosonen (2010).

Cost and revenue BMI

The last component of BMI is included in the cost and revenue dimension, as proposed by Chesbrough (2010) (Table IV). The actions included in this thematic block relate to credit risk management and have proven very important to prevent default by insolvent clients. Furthermore, efforts to increase their customer base have relied on the absorption of smaller TWAs facing competitive difficulties: “In acquired companies [...] distress was due to business model and business cultural dysfunctions” (GM). The acquired companies were subsequently restructured to fit Eurofirms’s BM. These acquisitions were made by paying a temporary rent, which was less financially demanding for Eurofirms. In many instances, the rent consisted of a percentage of the profits generated by the client portfolios of the absorbed firm. Finally, the company’s branches have systematically grown to address new markets and to also fully cover the needs of customers operating in other locations in the Spanish and Portuguese markets. Branch development is based on renting locations: “Branches are needed to recruit local staff [...] and not so much for customer management [...] We have gained speed in opening branches in cities where our current customers had operations [...] We don’t buy real estate any more [...] rentals are what best suits us” (OM). Overall, acquisitions and organic growth have allowed for a double-digit growth in sales since 2009, reaching a maximum level of growth of a 46 per cent increase in 2014 compared to 2013. The meta-capabilities facilitating these decisions and actions are resource fluidity and strategic sensitivity.

5. Discussion

This section analyses how the strategic agility framework applies to an SME in relation to the findings of the Eurofirms case study, a service firm in the process of its BMI.

Inherent capabilities in SMEs

Our results indicate that being an SME facilitates two of the three meta-capabilities that comprise the strategic agility construct. First, resource fluidity is the meta-capability most commonly found across the different dimensions of BMI (in ten out of 23 BMI actions). This is coherent with the assumptions and findings reported in the extant literature on SMEs and underlines the premise that SMEs can be more innovative than large companies because they have more flexible structures, less bureaucratic inertia and flatter hierarchies (García-Morales *et al.*, 2007; Damanpour, 2010). Furthermore, they are better able to adapt

BM dimension	Actions	Description of actions	Cites	Underlying capabilities	Underlying meta-capabilities
Costs and revenues for profit	Controlling commercial risk	Systematic use of default control and insurance to avoid bad debts. Creation of a small dedicated unit	“We have a unit dedicated to commercial risk, with two persons. Our policy now is to work with properly rated customers” (financial manager)	Grafting	Resource fluidity
	Increasing customer-base via acquisitions	Acquisitions of small temporary work agencies by means of paying a periodical rent instead of the total price. Revenues from new customers provide cash to pay the acquisition	“In these years of downturn, we’ve had a few opportunities to acquire small distressed companies [...] We have found a way of basically buying their customer-base by paying a yearly rate instead of the total price. This is quite innovative [...] A win-win for both sides, the seller and ourselves” (GM). “In acquired companies [...] distress was due to business model and business cultural dysfunctions [...] and this was difficult to change [...] only some of their people embraced our model” (GM)	Grafting	Resource fluidity, strategic sensitivity
	Renting of commercial branches	Renting of branches to be close to customers and for recruiting local staff	“[...] Branches are needed to recruit local staff [...] and not so much for customer management [...] We have gained speed in opening branches in cities where our current customers had operations [...] We don’t buy estate any more [...] rentals are what best suits us” (OM)	Grafting; experimenting	Resource fluidity, strategic sensitivity

Notes: FM, financial manager; GM, general manager; OM, operations manager; HRM, human resources manager; RSM, regional sales manager

Table IV.
Cost and revenue actions for business model innovation

and improve than larger companies as they implement change faster and are better able to detect and learn from errors (García-Morales *et al.*, 2007).

However, resource fluidity in the case of this study does not fit the definition suggested in Doz and Kosonen (2010) completely. It fits with some of the capabilities, like changing the organisation – pursuing a faster and reliable service (decoupling), assembling and disassembling units and processes within the business (modularising) and allocating resources, particularly HR, flexibly across different units (dissociating) and learning from acquisitions and adopting part of their BMs (grafting). However, what was not very applicable was the switching across BMs, since there was only one business unit in the case of Eurofirms and resource fluidity was based on agile resource management, basically

regarding human capital. In fact, acquisitions were made to gain access to the customer bases of companies whose BM needed to be improved, and the challenge for Eurofirms was to export their BM to the absorbed company. The capability of grafting was thus almost diametrically opposed to what Doz and Kosonen's (2010) original model proposed. Regarding resource fluidity, the concept mostly applies to the case of Eurofirms, but it needs to be scaled down from the original corporate level to the business unit level.

In our case study reliance on leadership unity was also clear and in line with Doz and Kosonen's (2010) proposal. This meta-capability was also very present as an underlying capability of innovative actions (in nine out of 23 BMI actions). Being an SME implies the need for fewer hierarchical levels and less management positions (García-Morales *et al.*, 2007; Damanpour, 2010). It also facilitates the control the leaders have over employees. These leaders are closer to their employees, customers and temporary workers. Leadership unity in SMEs may also be facilitated by a more responsive climate to new and ambitious projects (Damanpour, 2010) and more openness to change in comparison to larger companies, as they can share mental models about change more easily (García-Morales *et al.*, 2007) thanks to their simpler and probably more efficient communication channels (O'Gorman, 2000).

As regards the barriers that hinder BMI, we did not find a considerable effect of barriers to change in the case studied, especially among the managerial team. The "endowment effect", lack of trust or conservatism (Gray, 2002) and cultural issues (Filson and Lewis, 2000) were not outstanding. With regard to cognitive blocks, barriers to learning for managers that may include emotional or motivational barriers that de-motivate them to take risks (McCracken, 2005; Mumford, 1988) were not significantly present, either. An explanation may be that leadership unity was compensating for these barriers, especially with regard to the leadership role of the GM. By clearly and consistently revealing their own aspirations and using dialogue, incentives and caring (most of which are capabilities within leadership unity) a high level of aspirations and goals alignment was achieved.

Our arguments thus allow us to conclude that these two meta-capabilities that comprise strategic agility, resource fluidity and leadership unity, easily match the features of SMEs, with some downscaled adaptation. They can be considered almost inherent to the nature of SMEs, since they are in accordance with previous findings on BMI research, which has not explicitly tackled strategic agility. On the contrary, the third meta-capability, strategic sensitivity is not clearly present in the previous literature, as discussed in the next section.

Critical capabilities in SMEs

The third meta-capability established in the literature, strategic sensitivity, is related to being able to anticipate the future needs of the customers and users of the product or service. Strategic sensitivity relies on foresight, exploration, gaining perspective and generality. It thus requires the ability to stay apart and detached from daily operations, which means having free time for sensing. This possibility is often limited in SMEs where slack is likely to be more difficult to find than in large businesses, be it in absolute terms (total hours of managerial time for strategic sensing) or relative terms (percentage of individual time for sensing). This is due to the smaller scale of SMEs and their lack of specialist staff for strategic or long-term planning, strategic or technological surveillance and innovation.

In fact, strategic sensitivity is not clearly present in the findings of previous literature on BM in SMEs. Thus, we argue that strategic sensitivity is more critical for SMEs, because this type of company may lack some resources that enable this meta-capability. In the case studied strategic sensitivity was very much dependent on the GM's individual characteristics, which is based on state of the art business training, international experience and long-term endurance in the same sector. For example, in a follow up meeting,

the GM revealed a very important rule related to strategic sensing: “We need to know the sector rules, identify which ones we cannot change and if we dare to change some they must be to the benefit of the customer” (GM, February 2015).

Coping with limitations: resourcefulness

By definition, being an SME implies having some characteristics that affect the quantity, and sometimes the quality, of some resources in comparison to a large company. For example, Eurofirms, like many other SMEs, tends to have less financial capability, including less ability to raise capital, particularly in comparison to the multinational sector leaders. However, this was not a barrier to growth. Eurofirms used organic growth, following customer demands across Spain as a whole and also engaging in several acquisitions where Eurofirms leased the new companies at rental price over a period of time, instead of acquiring them in their entirety after making a single payment. This is an example of creative problem solving to cope with financial limitations, an example of resourcefulness. Furthermore, this means having the great agility to change systems to incorporate the newly acquired companies without endangering the existing BM. Resourcefulness has been defined in some of the literature for SMEs as a set of resources (financial, social and tangible) and capabilities (strategic and operational flexibility) that are key enablers of resilience and performance (sales, cash flow and ultimately profitability) (e.g. Pal *et al.*, 2014). The lack of resources in SMEs could also be considered in terms of the quantity and maybe the quality of some staff, especially of highly qualified workers. This type of weakness is overcome through motivation, competence development and the goal alignment of the firm's employees, which leverages their strengths.

Another limitation of Eurofirms, and of SMEs in general, is that they can take less advantage of economies of scale in comparison to larger competitors. However, Eurofirms managed to minimise this problem by increasing its size through organic growth and acquisitions and offering customised services for which economies of scale are not relevant. Economies of scope are also more difficult in SMEs because of less diversification and this is partly compensated for by their customer-specific knowledge that makes Eurofirms able to personalise services and rely on continuous learning (economies of learning). This type of resourcefulness can be called economising, in the sense of managing different types of economies. The underlying issue of lack of resources, which is mostly related to size, is not explicitly present in the original strategic agility framework, which was defined based on large corporations.

The balance (or not) between meta-capabilities

In this case, we find that the three meta-capabilities from the literature are present but one of them is slightly less obvious than the others. This is the case of strategic sensitivity (present in nine out of 23 BMI actions). Strategic sensitivity is defined as “the sharpness of perception of, and the intensity of awareness and attention to, strategic developments” (Doz and Kosonen, 2008). This capability requires a special state of mind, which is facilitated by having the right people and the quality of time to abstract from daily routines and think about present and future trends and the company's response to them. As we argued, these requirements are more difficult to achieve for SMEs, where creating slack resources and hiring specialised staff is more difficult. Conversely, the other two capabilities, resource fluidity and leadership unity, were more present and we argue that they are more straightforward for SMEs because of their specific characteristics, as the previous literature on BM also demonstrates.

In this respect, this paper confirms the importance of the presence of all three capabilities to achieve the strategic agility (Doz and Kosonen, 2008) for BMI. However, we do not find a clear balance between them; we find that two of them predominate over the third. In general,

most of the explanation is attributable to the nature of SMEs, which naturally facilitates some meta-capabilities and hinders the third. However, this case also demonstrates that it is not a question of quantity or degree of capability. It may be a question of having a certain threshold or level of strategic sensitivity which, once applied and the direction to go identified, can be followed by the other capabilities. In order, these capabilities would probably be first, leadership unity to convince, motivate and prepare HR, and second, resource fluidity to mobilise these resources in the direction foreseen by the strategic reflection. It is, therefore, a question of a minimum level of strategic sensitivity and an ordered deployment of the other two capabilities. This ordering is coherent with the step-wise process considered in Helfat and Peteraf (2015) and with the recursive (or dynamic) process modelised in Eggers and Kaplan (2013), both of which are in the cognitive-focusses literature.

The former arguments are organised into the visual framework depicted in Figure 2, which underlines the dynamic nature of BMI and identifies the progressive order of the three meta-capabilities that compose strategic agility, the underlying main capabilities found in the case study and the main nuances of the SME condition.

6. Conclusions

The present research contains a proposal to explore the manifestation of strategic agility as a driver of BMI and how it fits with the idiosyncratic nature of SMEs.

The key findings are summarised as follows. First, we find that resource fluidity and leadership unity (as proposed in Doz and Kosonen, 2008, 2010) are the two meta-capabilities that are present in our case. Due to their presence and quantity they are described as inherent, being integral and strongly driven by the nature and characteristics of SMEs. They are also supported by previous adjacent literature on BMs. The application of the original model's elements, however, is not direct and a certain down-scaling – adaptation to a smaller scale – from the corporate level to the business unit level is relevant. The third meta-capability, strategic sensitivity, is also present in our case study and we argue that it has a critical nature in Eurofirms, where it is not as straightforward and was not clearly anticipated from previous research on BM in SMEs. In our case, strategic sensitivity is

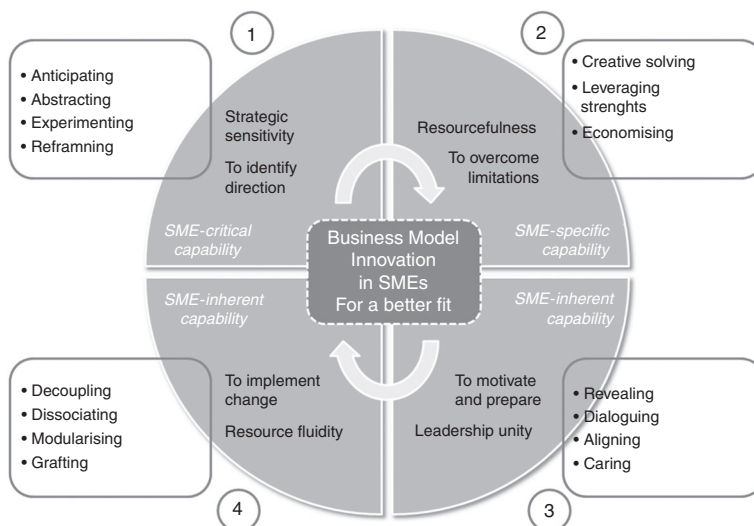


Figure 2.
Strategic agility for
SMEs: capabilities and
meta-capabilities

found to be closely dependent on the GM as an individual. We also argue for the presence of a fourth meta-capability, namely resourcefulness, as an SME-specific capability, which is broadly defined as the ability to overcome inherent limitations (mainly in terms of human and financial resources). A meta-capability like resourcefulness was not explicitly present in the original strategic agility framework, probably because the lack of resources, mostly related to size, was not an issue for large corporations, which inspired the framework.

The case also illustrates that the different meta-capabilities have an ordered deployment after minimum threshold levels in each meta-capability are achieved. In other words, the components of strategic agility may not act homogeneously across time. This finding suggests a dynamic view of strategic agility in the sense that different underlying capabilities are needed at different strategic stages and this connects with recent literature that untangles the microfoundations of dynamic capabilities and modelises this dynamic (or recursive) process (e.g. Eggers and Kaplan, 2013; Helfat and Peteraf, 2015).

Our intended contribution is threefold. First, the present study combines elements of two different frameworks – strategic agility and BMI – in a setting where they have not been explored, the SME context, and more specifically in the case of a service firm. Second, we extend the current notion of strategic agility by introducing a new – the fourth – meta-capability and the down-scaling of another. Drawing on our case study, we identify four meta-capabilities and the underlying actions that drive BMI and its success in a highly competitive business environment. Third, we argue for a dynamic occurrence of the meta-capabilities unlocking strategic agility that further drive BMI.

This paper contributes to furthering empirical and theoretical views on the microfoundations of dynamic capabilities by analysing the processes by which managers assemble capabilities and the relationships between managerial and organisational capabilities, which is a largely unexplored issue (Helfat and Peteraf, 2015). This focus is a contribution to building the macro-micro bridge in strategic management, as some authors request (Eggers and Kaplan, 2013).

Inherent to these contributions, the implications of our study are multiple. For the academic/research community we offer an interpretation of the strategic agility framework, which improves our understanding of what it is and how it occurs in SMEs. Moreover, the micro-level approach, i.e. the various actions through which capabilities materialise and the meta-capabilities built, might be useful for practitioners to manage BMI as a way of meeting the challenges of their competitive environments. Our study may also have managerial implications, inspired by a successful SME, about how to create and deliver value, both internally (with a focus on employees) and externally (with a focus on customers).

The main limitation of our study is in the use of a single case study from a specific sector, although this method is useful for the goals of the present research: to explore and ground new theoretical frameworks in the field of the strategic agility of SMEs and BMI by means of a micro-level analysis. We argue that since both the value proposition and the case execution are solid our contribution remains valid. Ultimately, with the present research we contribute with a model of strategic agility for SMEs. Testing our proposal on a set of different SMEs would bring valuable evidence for the fine-tuning of the proposed model.

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