

Managerial dynamic capabilities of family firm retail managers: strategic enabling in a context of economic uncertainty

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Abstract

Purpose – This study explores how retail family firm managers' cognitive capabilities are used to enable firm strategy in a context of economic uncertainty.

Design/methodology/approach – This paper is based on a case study using 31 interviews with family firm managers and archival data from retail micro, small and medium-sized enterprises (MSMEs).

Findings – The results indicate how managerial cognitive enabling mechanisms shape the manifestation of retail family firm dynamic capabilities (DCs) configurations.

Originality/value – Three retail managerial cognitive strategic enabling mechanisms and their microfoundations are identified, explaining how three retail family firm DC configurations are shaped: (1) retail family firm customization-based sensing, (2) retail family firm lateral seizing and (3) retail family firm trust-based reconfiguring. The manifestation of these DC configurations illuminates how retail family firm managers can enable firm strategy in a context of economic uncertainty.

Keywords Dynamic capabilities, Cognition, Strategy, Family firms

Paper type Research paper

Introduction

In terms of number of employees and share of GDP, the retail sector is of significant societal importance (Buallay, 2022). This sector is also characterized by its large proportion of firms classifiable as family businesses (Kubica and Szarucki, 2016). Retail family businesses are critical in making supply chains work in most countries, being characterized by high flexibility in niche markets and in satisfying varied customer needs (Tajeddini *et al.*, 2013). As family firm retail businesses are more or less controlled and owned by an owning family, this study defines a family firm as a business where the family is involved as owners, managers, or board members (Astrachan *et al.*, 2002; Chua *et al.*, 1999). Control and strategy in these companies are influenced by the intersection between family and company (Chirico and Salvato, 2008), meaning that family firm strategies are characterized by long-term goals and are affected by emotional commitments, social ties, and owning family identity (Berrone *et al.*, 2012; Boers *et al.*, 2023).

In the last decade, the retail industry has been characterized by significant turbulence, and e-commerce, omnichannel strategies, and the COVID-19 pandemic have shaped and affected the industry (Chen *et al.*, 2022). Moreover, the latest economic downturn, framed by rising interest rates and inflation (Boers and Henschel, 2022), has also influenced the retail



businesses, making the strategic enabling even more important for retail companies (Bilińska-Reformat *et al.*, 2019).

To understand and analyze firm strategy in a dynamic environment, the concept of dynamic capability (DC) is highly relevant (Glyptis *et al.*, 2021; Heider *et al.*, 2021; Helfat and Peteraf, 2009; Páez *et al.*, 2022; Teece, 2007; Weaven *et al.*, 2021). This concept refers to the organization's ability to integrate, seize, and reconfigure in a rapidly changing environment (Helfat and Peteraf, 2015; Martinelli *et al.*, 2018; Teece, 2007). However, to understand how strategic enabling occurs in retail firms, it is necessary to comprehend the cognitive processes of the decision-makers, i.e. among the family retail managers. This study responds to recent calls to examine the relationship between DCs and how micro, small, and medium-sized enterprises (MSMEs) develop strategies during economic uncertainty (Weaven *et al.*, 2021), in line with the need "to further develop the framework of DC and advance our current understanding of purposeful strategic change" (Schilke *et al.*, 2018, p. 414). This also relates to the need to study the role of managerial cognitive capabilities and how they enable strategic change (Helfat and Martin, 2015; Helfat and Peteraf, 2015; Huy and Zott, 2019; Schilke *et al.*, 2018).

Given that family-owned retail MSMEs play a critical role in both society and the economy (Buallay, 2022), and that family owners and managers in family businesses consider not only financial goals, but also non-financial ones, which, for example, relate to family control, social ties, emotional involvement, and dynastic succession (Berrone *et al.*, 2012; Hafner, 2021), the studied phenomenon captures complexity as well as dynamics. The owning family's non-financial goals will thus influence the retail family firm manager's cognitive capabilities. For example, older family members likely influence younger ones in how they cognitively reason and solve problems. Taken together, the crucial role that the retail sector plays, the cognitive complexity that follows the family manager, and family goals and their relationship to strategy all motivate further studies in this area (De Massis and Foss, 2018).

This paper focuses on family firm managers and how their cognitive capabilities are used to shape company strategy. This study seeks to explore how retail family firm managers' cognitive capabilities are used to enable firm strategy in a context of economic uncertainty, leading to the following two research questions: (1) How do retail family firm managers enable firm strategy to face economic uncertainty? (2) What cognitive-based retail family firm DC configurations are manifested?

By introducing three retail family firms' DC configurations, this study advances Helfat and Peteraf's (2015) framework of cognitive capabilities. In contrast to prior research on managerial cognitive capabilities (Helfat and Peteraf, 2015; Huy and Zott, 2019; Schilke *et al.*, 2018; Schilling, 2018; Suddaby *et al.*, 2020), this study contributes by revealing the microfoundations of the cognitive and strategic enabling mechanisms of retail managers. It provides insights into how cognitive capabilities underpin the identified family firm DC configurations in times of economic uncertainty. In "Theoretical framework", the authors first discuss the concepts of DCs and microfoundation, and then their relationships to managerial cognitive capabilities. In "Research method", the case study method is outlined and then in "Findings", the aggregated results of the data collection are presented. In "Discussion", the identified strategic enabling mechanisms and DC configurations are considered, allowing for a deeper strategic understanding of how the cognitive capabilities of retail family firm managers are used, and in "Conclusions", the authors present the contributions and limitations of the study.

Theoretical framework

The DC theoretical framework originates from the resource-based view (RBV), which focuses on creating and sustaining competitive advantages by identifying and developing internal firm resources and capabilities that are difficult to replace and imitate (Teece

et al., 1997); RBV is thus based on an inside–out perspective (Wójcik, 2015). While the DC framework also recognizes the importance of existing resources, it focuses on how these resources can be renewed, adapted, and reconfigured in response to changes in the environment (Helfat and Martin, 2015). Although DC theory highlights the importance of customer engagement and collaborations with external parties, thereby linking “the inside–out approach of the resource-based view with elements of the outside–in approach” (Wójcik, 2015, p. 100), it is still “hampered by an inherent inside–out perspective” (Day, 2011, p. 187). This means that the company’s DC activities are primarily mounted and defined by the firm, which may result in a lack of sensitivity to market signals and an openness to experimentation (Day, 2011).

The theoretical framework of DCs (Helfat and Peteraf, 2015) and their microfoundations (Teece, 2007) offers an understanding of how companies create and manifest their strategies. The DC concept refers to “the firm’s ability to integrate, build, and reconfigure internal competences to address, or in some cases to bring about, changes in the business environment” (Teece, 2018, p. 40), while the microfoundations of DCs consist of individual interactions that are aggregated into processes, structures, and management that support the creation, implementation, and coordination of firms’ strategies (Felin *et al.*, 2015). For example, this may consist of processes to identify customer needs and structures for decision-making, flexibility, and innovation (Teece, 2007). Regarding microfoundations in family businesses, there is a need to explore these further. For example, De Massis and Foss (2018) identify microfoundations relating to the psychological foundations of management, cognitive mechanisms, and family business goals, and their relationship to strategy execution, as important areas to study further.

Furthermore, the DC concept comprises three sub-concepts: *sensing*, *seizing*, and *reconfiguring* (Wilhelm *et al.*, 2015). Sensing refers to the ability of the individual or organization to identify, sense, filter, analyze, and learn business opportunities (Teece, 2007). Seizing refers to the ability to seize business opportunities by designing and developing business models, which in turn means that structures and routines are developed to realize the opportunities (Teece, 2007, 2018). Lastly, the sub-concept of reconfiguring refers to the firm’s ability to align, realign, and combine its resources in new innovative ways to meet a dynamically changing market and environment (Somsing and Belbaly, 2017; Weaven *et al.*, 2021).

However, DC research is divided into two streams, one focusing on the organizational level, i.e. organizational routines (Schilke, 2014; Winter, 2003) and norms and rules for organizational practices (Eisenhardt and Martin, 2000), and another focusing on the individual level, i.e. the individual cognitive and the microfoundational level, highlighting the relationship between one or several managers’ cognitive ability and their strategic management (Helfat and Peteraf, 2015; Huy and Zott, 2019; Suddaby *et al.*, 2020). Relating to family business research, more research is needed on how sensing, seizing, and reconfiguration in family businesses work at the micro level and how these three DC capabilities can be linked to DC-related mechanisms and other forms of DCs (Glyptis *et al.*, 2021; Soluk *et al.*, 2021), such as managerial cognitive capabilities. Previous family business research on DCs has mainly concerned the family business’s ability to create new products, services, and strategic fit, where the intersection between family and firm can either promote or hinder the development of DCs (Camisón-Zornoza *et al.*, 2020; Chirico and Nordqvist, 2010; Heider *et al.*, 2021; Park *et al.*, 2019; Soluk *et al.*, 2021). The present research can mainly be categorized into the first stream of research, i.e. at the organizational level. Regarding managerial cognitive capabilities and microfoundations in family firms, as well as in non-family firms, little is known, and further research is needed (De Massis and Foss, 2018; Felin *et al.*, 2015; Schilke *et al.*, 2018).

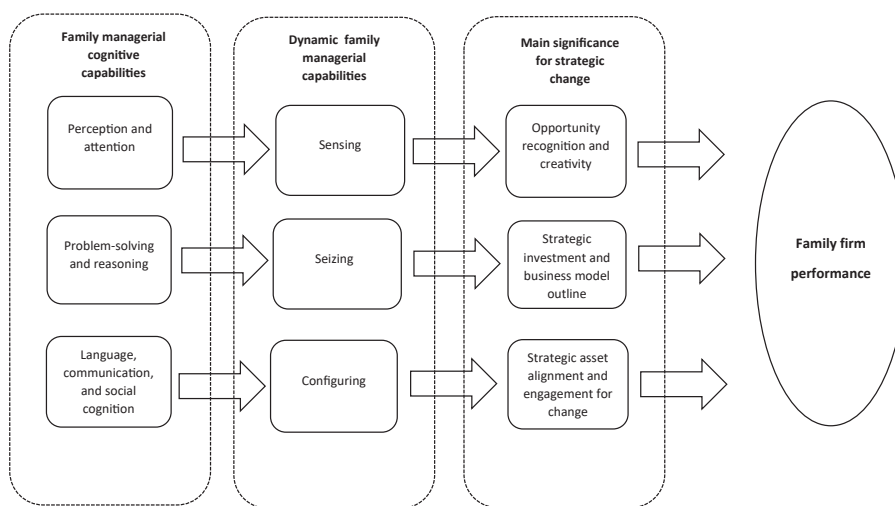
As strategic decision-making in retail MSMEs normally depends on one or several managers, this study examines DC research focusing on the cognitive and microfoundational level (Helfat and Peteraf, 2015; Schilke *et al.*, 2018; Suddaby *et al.*, 2020), as described below.

Managerial cognitive capabilities in a family firm context

In the seminal work of Helfat and Peteraf (2015, p. 835), the concept of managerial cognitive capability is defined as “the capacity of an individual manager to perform one or more of the mental activities that comprise cognition”, in turn underpinning the manager’s ability to sense, seize, and reconfigure. Managerial cognitive capabilities thus stress the individual-level microfoundations of DCs (Helfat and Martin, 2015; Helfat and Peteraf, 2015; Suddaby *et al.*, 2020). However, as the individual family manager is influenced by both the family’s and company’s goals and interests (Camisón-Zornoza *et al.*, 2020; Chirico and Salvato, 2008), it is reasonable that his or her cognitive capabilities would be affected by this intersection.

Figure 1 shows the main relationships between family managerial cognitive capabilities, family managerial DC, strategic change, and family performance. Managerial cognitive capabilities are illustrated based on three main tracks (Helfat and Peteraf, 2015).

Regarding the managerial cognitive capabilities of *perception* and *attention*, these underpin the DC of sensing, which in turn affects strategic change via opportunity recognition and creativity. To sense an opportunity, the cognitive capabilities of perception and attention are crucial (Kammerlander and Ganter, 2015). The concept of perception contains both the individual’s organization of information and how it is interpreted, while the concept of attention concerns the individual’s capacity to select relevant information, which also enables environmental scanning (Helfat and Peteraf, 2015; Joseph and Wilson, 2018). However, family firm management is influenced by the owner family’s values, social ties, and emotional involvement (Berrone *et al.*, 2012; Glyptis *et al.*, 2021), which affect both the family business manager’s attention to and interpretation of information (Kammerlander and Ganter, 2015). Thus, cognitive biases, meaning systematically distorted interpretations of reality due to personal ties and values (Acciarini *et al.*, 2021), can arise because of the emotional attachments, social bonds, and



Source(s): Authors’ own work

Figure 1.
The main relationships between family managerial cognitive capabilities, family managerial DC, strategic change, and firm family firm performance, based on Helfat and Peteraf (2015, p. 837)

dynastic successions that follow family business (Berrone *et al.*, 2012; Nuijten *et al.*, 2020). For example, the family business manager's perception and attention are influenced by what type of information previous generations of family owners have considered important (cf. Jaffe and Lane, 2004; Ljungkvist and Boers, 2023; Salvato, 2004). Furthermore, in times of change and uncertainty, managers tend to base their decision-making more on values, potentially evoking cognitive biases (Acciarini *et al.*, 2021).

The cognitive capabilities of *problem-solving* and *reasoning* strongly influence the manager's ability to seize opportunities through strategic investments that support the development of a business model and firm performance (Helfat and Peteraf, 2015; Suddaby *et al.*, 2020). Problem-solving refers to the ability to solve specific problems, i.e. the manager's ability to solve investment and business model problems, to attain strategic fit (Peteraf and Reed, 2007), while reasoning concerns the manager's skill to argue and assess information (Gazzaniga *et al.*, 2010). Regarding family businesses, previous research shows that strong family control can negatively affect the company's DC, while implementing family management solutions affects innovation capability in a positive direction (Camisón-Zornoza *et al.*, 2020). Furthermore, Soluk *et al.* (2021) show that the family owner's DCs influence the company's business model development, but that this relationship tends to weaken in dynamic environments. However, in addition to family businesses being characterized by long-term goals (Randerson, 2022), their capability to cooperate with suppliers and buyers is central, especially in changing and dynamic environments (Heider *et al.*, 2021; Park *et al.*, 2019). Previous research shows that family businesses tend to develop strong reciprocal ties not only within the family, but also to external actors such as long-term vendors, suppliers, customers, and the community (Le Breton-Miller and Miller, 2006). Because of their strong networks, family businesses often become aware of business opportunities in their local environment; this results in partnerships formed with various actors outside the family (Fitz-Koch and Nordqvist, 2017), supporting the family manager's lateral seizing ability (Butler, 2010). Hence, the family business manager's ways of solving business problems and of reasoning are affected by both the family and his or her social ties with external business partners (Fitz-Koch and Nordqvist, 2017; Glyptis *et al.*, 2021). However, the family manager's close and reciprocal relationships with external parties can lead to the illusion of manageability (Hirigoyen and Labaki, 2012), which in times of uncertainty can be reinforced by a higher degree of intuitive decision-making, i.e. nurturing the appearance of cognitive bias (Acciarini *et al.*, 2021).

The managerial capabilities of *language*, *communication*, and *social cognition* underpin the manager's ability to reconfigure, in turn enabling strategic alignment and change (Helfat and Peteraf, 2015; Suddaby *et al.*, 2020). Language and communication concern the ability to persuade and convince others to alignment. By presenting inspiring visions, the manager can motivate and mobilize staff and other stakeholders to reconfigure and implement new strategic plans (Jalonen *et al.*, 2018). The concept of social cognition defines the manager's ability to understand the motives of others, nurturing collaboration and trust and thereby supporting strategic change (Bendig *et al.*, 2018; Schilling, 2018). Relating to family business and social cognition, the relationship between DCs and trust-based networks is highlighted (Wang, 2016). Close trust-based cooperation with customers and external stakeholders improves the family business's development and innovative ability (Duran *et al.*, 2016; Heider *et al.*, 2021). However, such close relationships could generate altruism, which skews the family managers' business assessments (Hirigoyen and Labaki, 2012). Furthermore, since family businesses often feature mutual trust and overlapping roles of owners and managers (Arteaga and Escribá-Esteve, 2021), governance and communication tend to be more informal and personal than in non-family firms (Kotey, 2005; Ljungkvist *et al.*, 2022). This means that family firm managers communicate more directly with the counterparty, improving their social cognition, i.e. improving their understanding of the other's interests. Yet, this also means that family

managers' communication could be influenced by their need for personal control (Ljungkvist *et al.*, 2022) and is path dependent on the owner family's history (Glyptis *et al.*, 2021). Thus, informal communication and long and close relationships, which may also involve family succession issues, could cause cognitive bias regarding personal communication and social cognition (Hirigoyen and Labaki, 2012; Nuijten *et al.*, 2020).

Research method

Research addressing managerial DCs, more specifically, cognitive capabilities, in the retail industry is limited. Besides, the use of cognitive capabilities for strategy enabling is a complex phenomenon that needs to be understood in the context where it occurs, making a case study approach appropriate (Eisenhardt and Graebner, 2007; Pettigrew, 2012). Thus, to understand how family managers use their cognitive capabilities to enable firm strategy, it is essential to consider the actual context in which the strategy is facilitated; this means that the microfoundations of the family manager's perceptions, reasoning, and social cognition can be registered, aggregated, and analyzed (De Massis and Foss, 2018). Furthermore, since the family dimension of family firm management also carries complexity (Ljungkvist *et al.*, 2023), the case study approach is suitable when the studied phenomenon takes place in a family firm context. Besides, the method used allows for the triangulation of different data sources, increasing the study's validity (Yin, 2011). Hence, by using the case study method, empirical conditions can be revealed and conceptual frameworks developed (Eisenhardt, 1989), which is needed in this research area. To create a rich dataset and to reveal the overall features of the complexity associated with DCs and retail family firm managers' cognitive capabilities in a family firm context, data collected from 23 family-owned Swedish retail companies were merged into one case (cf. Ljungkvist *et al.*, 2023). This was appropriate as the stores' operational structures were similar, i.e. the family manager had a central operative role in day-to-day management, which also entailed frequent customer contacts. In addition, 19 out of 23 stores were located in a medium-sized city characterized by significant tourism in the summer. In this way, interview extracts and statements from archival data could be aggregated into a common case, making it possible to identify relevant patterns.

By selecting a case consisting of merged data from stores located in a medium-sized Swedish city characterized by summer tourism, the chosen case is suitable for examining family firm managers' cognitive capabilities in a context of economic change. As there is a clear connection between economic change and tourism, i.e. changed economic conditions are clearly reflected in increased or decreased tourism, national or regional economic changes have a reinforcing effect on the local retail trade (Webber *et al.*, 2010). Furthermore, the choice of case is also justified by the fact that the city has a rich range of stores, primarily owned by independent owners, which can be seen as representative of other medium-sized cities in the Western world that experience substantial summer tourism (Ekström and Jönsson, 2022).

The companies were selected based on the following three criteria: (1) the retail firms are family-owned MSMEs; (2) physical stores constitute their core business; and (3) the family manager has a central operative role in day-to-day management and customer meetings and in the firm's strategic decision-making.

Unit of analysis

Following Helfat and Peteraf's (2015) and Helfat and Martin's (2015) approach, the retail managers' explanations how they enable firm strategy constitute the primary unit of analysis. However, as the study applies a business perspective, with a particular focus on family business strategy development, the analysis is conducted in the frame of family-owned retail businesses.

Data collection

To explore how retail managers' cognitive capabilities are used to enable firm strategy in the context of economic uncertainty, it is essential to collect retail managers' explanations regarding their strategic plans and behavior. Therefore, 31 interviews were conducted with family firm retail managers, with the store manager and owner often being the same person (Table 1). The respondents consisted of retail managers from 23 retail firms, mostly with 3–14 employees. However, four companies had substantially more employees (i.e. 81, 76, 38 and 30 employees, respectively), which of course had strategic implications in terms of management and resources. Yet, these retailers also had clear generic similarities to the rest of the sample, and their family managers, besides running physical stores, clearly participated in daily operational activities, which entailed frequent customer meetings. The project started in 2021 but was mainly conducted in 2023. To get a more valid picture of how the macroeconomic uncertainty affected the retailers' strategy, the empirical base was supplemented in 2023 with several additional retail companies.

All interviews were conducted and recorded via Zoom by one or two of the authors. Each interview lasted about 45–60 min and was based on questions referring to Helfat and Peteraf's (2015) sub-concepts of cognitive capabilities: perception and attention, problem-solving and reasoning, and language and social cognition. In this way, the questions addressed, for example, how the family manager created customer attention, how the retail company collaborated with external actors, and how trust in customers and other stakeholders was created (for an overview of the interview questions, see Appendix). To better understand how the family firm strategy was enabled, supplementary interview questions were asked about the store's everyday decision-making, management, and areas of responsibility (cf. Schilke, 2014; Winter, 2003). The 2021 interviews followed the same themes but focused more on the uncertainty that retail businesses suffered during the COVID-19 pandemic, and lasted 30–40 min. The 2021 interviews contributed to an in-depth understanding of the retailers' business backgrounds and strategic development.

To triangulate the collected data, relevant data were also collected from additional sources, such as company websites and clippings from the local daily press, that directly or indirectly highlighted the retail companies' business activities and their relationship to strategy. The clippings could be categorized according to the following three themes: (1) the retail company's range and strategic change, (2) the retail company's strategic collaborations and relationships with other stakeholders, and (3) the family manager's role in the local community and how he or she indirectly creates trust in the business. In total, 201 press clippings were collected, comprising 400–1,200 words each and spanning the 2014–2023 date range (Table 1). Annual reports of the investigated companies, 2021 and 2022, were also collected; these were primarily used to register statements of strategic implications reported in the section "Significant events during the financial year". In this way, quotations and statements from the interviews could be triangulated, i.e. cross-checked, against the secondary data from press clippings and annual reports, minimizing the risk of skewed information and biased retrospective constructions (Golden, 1992).

Case description

The case comprises 23 Swedish family-owned retail companies. As the study partly uses interviews and archival material from 2021, it also reflects the uncertainty that prevailed in the retail industry during the COVID-19 pandemic. However, in Sweden no general lockdown was ever introduced, so physical retail trade did not experience the same decline as in most Western countries (Roos *et al.*, 2022); in 2023, when most interviews were conducted, the businesses were no longer affected by the pandemic. Thus, this study does not take account of specific measures that the retail industry implemented against the COVID-19 pandemic.

Retail firm	Type of retail	Number of employees	Number of family generations	Interview 2023	Interview 2021	Archival data		
						Number of local newspaper articles 400–1,200 words long, 2014–2023; extracts about cognitive capabilities were collected	Annual reports, 2022 and 2021; descriptions of “significant events during the financial year” were used; extracts about DC were collected	2022
Retail firm 1	Grocery	14	1st generation	X	X	6	X	X
Retail firm 2	Grocery	26	3rd generation	X		18	X	X
Retail firm 3	Grocery	8	2nd generation	X		5	X	X
Retail firm 4	Grocery	76	2nd generation	X	X	18	X	X
Retail firm 5	Grocery	81	2nd generation	X	X	16	X	X
Retail firm 6	Grocery	30	1st generation	X		3	X	X
Retail firm 7	Bakery	5	2nd generation	X		8	X	X
Retail firm 8	Bakery	6	1st generation	X		5	X	X
Retail firm 9	Bakery	38	2nd generation	X		24	X	X
Retail firm 10	Clothing	5	2nd generation	X	X	3	X	X
Retail firm 11	Clothing	4	2nd generation	X		10	X	X
Retail firm 12	Clothing	4	3rd generation	X	X	6	X	X
Retail firm 13	Clothing	4	1st generation	X		18	X	X
Retail firm 14	Clothing	4	1st generation	X		3	X	X
Retail firm 15	Sport and leisure	6	2nd generation	X	X	3	X	X
Retail firm 16	Sport and leisure	12	1st generation	X		10	X	X
Retail firm 17	Chemicals	4	2nd generation	X		8	X	X
Retail firm 18	Chemicals	5	2nd generation	X		6	X	X
Retail firm 19	Florist	3	1st generation	X		9	X	X
Retail firm 20	Home electronics	6	1st generation	X		5	X	X
Retail firm 21	Shoes	4	3rd generation	X		2	X	X
Retail firm 22	Bookstore	7	2nd generation	X	X	6	X	X
Retail firm 23	Hardware	12	3rd generation	X	X	9	X	X

Source(s): Authors' own work

However, in early 2022, the Swedish market, like the rest of the Western world, was affected by rising interest rates and increased inflation (Konjunkturinstitutet, 2023). During Q1 2023 (January–March), Swedish retail trade grew weakly in sales. In addition, retail trade was characterized by relatively high uncertainty starting early 2022, with some types of retail trade (e.g. hardware and sports and leisure) decreasing in sales, while others have not yet been affected (Handelsfakta, 2023). Common to all researched retail companies was that they experienced high uncertainty due to the macroeconomic uncertainty, in turn affecting their strategic work.

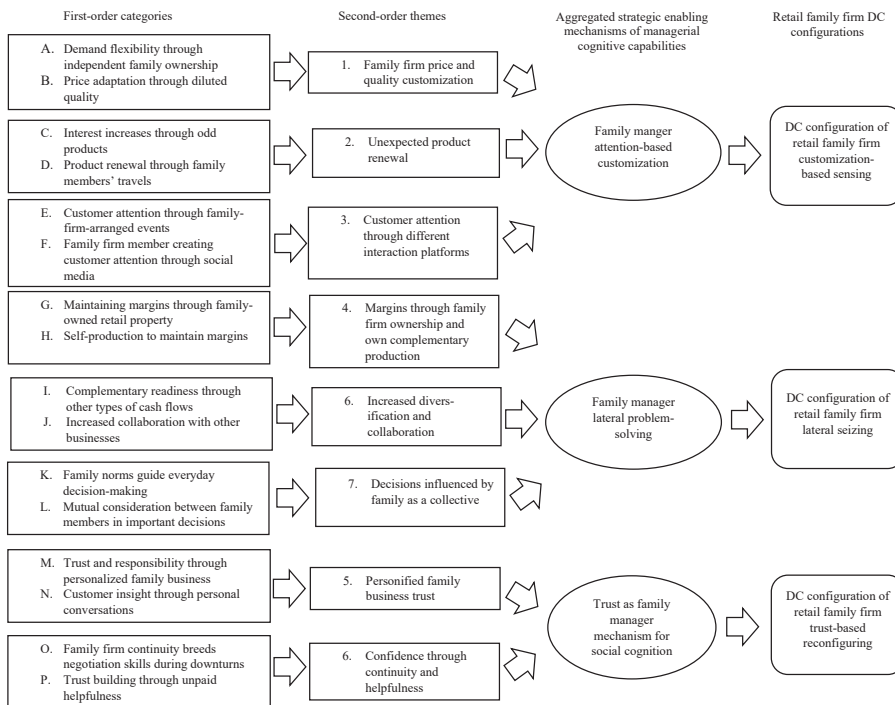
The retail firms investigated could be classified according to eleven diverse types of retail businesses. The most frequently encountered form of retail was grocery stores, totaling six in the sample. The second most frequently encountered was clothing stores, totaling five, followed by bakeries, totaling three; for a full enumeration, see Table 1. Due to the differential impact of macroeconomic changes on different retail types (Handelsfakta, 2023), the generalizability of the findings may be limited. However, common to all the examined retail companies was that they experienced high uncertainty due to the macroeconomic change, in turn affecting their strategic work.

Almost all retail businesses were in and around a medium-sized city on the Swedish west coast. As the city has significant tourism during summer months, all retail sales tend to increase during this period. To address this limitation, four retail businesses located in other medium-sized cities in western Sweden were also investigated. However, since cities with significant tourism are more affected by economic changes (Webber *et al.*, 2010), the chosen case offers an empirical understanding of how retail family managers enable firm strategy to face economic uncertainty. In addition, the relationships developed between the campus and retail owners as well as Swedish accounting transparency offered rich empirical access. A characteristic of the selected retail companies was that they were physical stores whose staff met customers face-to-face, i.e. their online commerce was only marginal. However, almost all interviewees said that social media were beneficial for creating attention and interaction with customers. Even though online shopping experienced a decline in 2022 due to the easing of COVID-19 restrictions, the overall long-term trend in Sweden shows a growth rate of 15% per year (Handelsfakta, 2023). It should be noted that the focus of this study is primarily on the cognitive capabilities of retail family managers in relation to strategy and physical stores, which can be regarded as a limitation of the findings.

Data analysis

To explore how retail managers' cognitive capabilities are used to enable firm strategy, this study chose to follow the established practice of inductive qualitative studies, categorizing and systematizing the collected data according to first-order categories, second-order themes, and aggregated theoretical dimensions (Corley and Gioia, 2004; Gioia *et al.*, 2013), see Figure 2. In this way, a DC-based conceptual framework (Wilden *et al.*, 2016) for retail family firm managerial cognitive capabilities could be developed. An important reason for using the inductive approach is that it enables the unconditional use of established constructs, suggesting that the researchers can adjust and transform the constructs of managerial cognitive capabilities (Helfat and Peteraf, 2015) to better apprehend the meanings of managers who experience their own decisions and actions (Gioia *et al.*, 2013). Thus, this study presents a theoretical framework regarding how retail family firm managers' cognitive capabilities are used to enable firm strategy in a context of economic uncertainty.

The data analysis comprised the following stages. First, as a guiding principle, the authors selected all interview extracts or any statements in the empirical material that could be linked to the cognitive managerial DC concepts of *perception and attention*, *problem-solving and reasoning*, and *communication and social cognition* (Helfat and Peteraf, 2015).



Source(s): Authors' own work

Figure 2.
Data structure

Thus, by following Short *et al.*'s (2010) method, the authors focused on sentences whose meanings and implications could be related to the three sub-concepts of managerial cognitive capabilities. For example, the interview extracts relating to how the manager discovered a business opportunity, i.e. relating to perception and attention (Helfat and Peteraf, 2015), were selected. Second, using axial NVivo coding (Corley and Gioia, 2004), the selected interview quotations and statements were classified according to each managerial cognitive capability. Quotations with similar meanings were identified, meaning that similarities, differences, and patterns could be revealed. Then, by iteratively comparing the selections of quotations, common features could be identified, allowing aggregation into first-order categories (Gioia *et al.*, 2013). Third, implicit meanings of the first-order categories were merged into second-order themes. In this way, characteristics in common between the first-order categories were merged into themes, describing superordinate categories (Grodal *et al.*, 2021) of managerial cognitive capabilities. For example, a common implicit meaning of the first-order categories of "trust and responsibility through personalized family business" and "customer insight through personal conversations" is "personified family business trust" (Figure 2), which articulates a second-order theme.

In the fourth stage, the second-order themes were aggregated into the three managerial cognitive mechanisms: family manager attention-based customization, family manager lateral problem-solving, and trust as family manager mechanism for social cognition. Thus, connected implications of the second-order themes were identified and abstracted into three DC-related theoretical dimensions (Gioia *et al.*, 2013; Grodal *et al.*, 2021). For example, as the two second-order themes of "family firm price and quality customization" and "unexpected

product renewal” have implications for how attention is created, and since they have explanatory value (Langley and Tsoukas, 2010) for family managerial cognitive capability, the mechanism of “family manager attention-based customization” could be aggregated (Figure 2). In the final stage, these managerial cognitive mechanisms were abstracted into three retail family firm DC configurations. By analyzing and discussing the managerial cognitive mechanisms and their microfoundations from a family firm DC perspective (see “Discussion”), three retail family firm DC configurations could be extracted and identified. The mentioned enabling mechanisms describe how the family managers use their cognitive capabilities, in turn generating different DC configurations.

Findings

This section explains how three aggregated managerial cognitive strategic enabling mechanisms were identified, consisting of the following: family manager attention-based customization, family manager lateral problem-solving, and trust as family manager mechanism for social cognition (Figure 2). Representative quotations from the retail family business managers are presented in Table 2, forming the basis of the first-order categories.

Family manager attention-based customization

Based on our guiding principles, i.e. identifying all statements in the empirical material that could be linked to the cognitive managerial DC concepts, and through conducting cognitive-capability-based NVivo-axial coding, several relevant empirical patterns emerged. The family business managers’ sensing (Helfat and Peteraf, 2015; Joseph and Wilson, 2018) during economic uncertainty appeared to be strongly influenced by two types of attention: “family firm price and quality customization” and “unexpected product renewals” (Figure 2). Both of these attention forms are based on the retail manager’s close and personal customer contacts, which may have been built up over generations (Ljungkvist and Boers, 2023). The first form concerns understanding the customer’s product and price sensitivity, with the family firm manager quickly adapting to what is demanded: “We have started selling bags of leftover bread that we sell cheaply – there has been huge demand to buy these bags for \$5 each . . . we know from customers we know well that they sell when people are short of money” (family manager of a bakery, Retail firm 8). The second form is based on the retail manager’s capability to create attention by renewing the product range by incorporating odd products: “We have included frozen dog food in our range, which may not be what you expect to find in a building material store” (family manager of a hardware store, Retail firm 23). This was often a result of inspiration received by family members when traveling or visiting other companies. However, family members and staff also contributed to creating customer attention in other ways. By creating family firm events and being active on social media, customer attention was created “through different interaction platforms”.

Family manager lateral problem-solving

The DC dimension of seizing was also affected by the economic uncertainty (cf. Weaven *et al.*, 2021). Referring to the cognitive capabilities of problem-solving and reasoning (Helfat and Peteraf, 2015), the retail managers noted that the importance of “family firm ownership and own complementary production” (Figure 2) had increased. A few family firms owned their own retail properties, so the rent could be kept relatively low, contributing to better margins and to afford extended product ranges. The family-owned stores also faced the economic uncertainty by increasing lateral seizing, i.e. the store operations were diversified with other types of income, i.e. in-house or arrangements with external partners. For example, a family manager of a florist shop explained: “We have started course activities with small groups

Retail managerial cognitive capability

Representative quotations

First-order categories

Family managerial retail perception and attention

- A We want to put our own stamp on our own store . . . since we have a lot of tourists, we need to have a decent range, and bring in what the customers ask for (Retail firm 22)
- A We have run the store for 70 years as a family business. Consistency and service are essential, then we present suitable and lifelong advice. (Retail firm 21)
- B The customers simply ask for cheaper, which leads to us picking products of lower quality, often second-class products, e.g. sandwiches with a smaller number of shrimps, or that we sell whole fish instead of fillets, it's cheaper. (Retail firm 1)
- B When the customer wanted a bouquet for SEK 500, we were forced to fill it with greens that we took from the forest, which we have access to, so we made a lot of green bouquets with fewer varieties, so we could keep the price down. (Retail firm 19)
- C We try to squeeze in something extra and odd in the assortment, for example, pizza offers, to arouse interest and show that something is happening here. (Retail firm 7)
- C Sometimes we go to Paris to find and buy some odd things that arouse interest in the assortment. (Retail firm 18)
- D My sister lived in Stockholm for six months and had tried cinnamon buns with vanilla cream and shortcrust pastry. We tested it and it is now one of our best sellers. (Retail firm 7)
- D My wife was out traveling and came home with the Pelle P brand, which she thought we should try. We did it and it has worked well. (Retail firm 10)
- E During our family meeting we have every month, many ideas come up, the latest was about arranging a spring exhibition. Have some suppliers exhibiting and some good prices and make people notice that they probably need to build a little. (Retail firm 23)
- E My mother and I wondered if it was a good idea to advertise for the 60th anniversary [of the family company], but we did, we advertised with slightly lower prices and then sold very well. It was a little unexpected that people bought so much. "We'll take five cans of outdoor paint" [said the customers], in March when it's pouring rain. (Retail firm 17)
- F Youngsters find top English romance charts suitable for teenagers. It really exploded here last fall, but we were involved quite early . . . My sister has two daughters who are very into TikTok and apps like that and who tipped us off. (Retail firm 22)
- F Sometimes I'm surprised what people [i.e. customers] know – "I've seen this and I've heard you're going to have this", and then just "oh, well, did we say that?" Then Mary [i.e. the family manager's wife] has made a new post on Instagram that I have missed. (Retail firm 11)

- A Demand flexibility through independent family ownership
- B Price adaptation through diluted quality
- C Interest increases through odd products
- D Product renewal through family members' travels
- E Customer attention through family-firm-arranged events
- F Family firm member creating customer attention by social media

(continued)

Retail managerial cognitive capability	Representative quotations	First-order categories
Family managerial problem-solving and reasoning	G The family owns the property in which the business is located, so we can be a little lower [in price] than some competitors, which has allowed us to have a wider range of shoes. (Retail firm 21)	G Maintaining margins through family-owned retail property
	G We [i.e. the family] own the property ourselves. Of course, we have to pay rent, but we keep it as low as possible so we can have more staff. Personal service is our mantra. (Retail firm 12)	
	H We started the cultivation [to complement the bakery] to make more money when we sell to wholesalers and grocery stores. (Retail firm 3)	H Self-production to maintain margins
	H We increased our own bindery [i.e. of wreaths] for funerals and weddings and we also started courses in it, which has brought extra income. (Retail firm 19)	
	I We have expanded and included dry cleaning in the business. (Retail firm 10)	I Complementary readiness through other types of cash flows
	I We started the cafe and farm shop to have more legs [i.e. sources of income] to stand on. (Retail firm 3)	
	J We have good contacts with grocery stores, so we have one of our stores in-house there, which is a win-win situation. (Retail firm 1)	J Increased collaboration with other businesses
	J It's a small city, so we work together a lot here. We just teamed up with a company in town that delivers ready-made meals, which we add to our selection (Retail firm 2)	
	K Daily, I make a lot of decisions, but all of us [i.e. family members] are brought up in the same spirit, so of course, I listen to them. (Retail firm 17)	K Family norms guide everyday decision-making
	K It's not like I go and poke at everything, I think it's great when they [i.e. next-generation family members] step forward and make their own decisions. (Retail firm 8)	
	L The organization is flat and everyone in the family has an influence on our decisions. (Retail firm 21)	L Mutual consideration between family members in important decisions
	L We [i.e. husband and wife] are both owners and managers and make important decisions together . . . Bengt started . . . he's been here since childhood, and I started in the company for . . . It's the 26th year this year [laughs]. (Retail firm 10)	

(continued)

Retail managerial cognitive capability	Representative quotations	First-order categories
Family managerial communication and social cognition	M You develop a personal relationship [with the customers], because you feel as though people come home to us. (Retail firm 7)	M Trust and responsibility through personalized family business
	M The big win with family businesses is that the customer relates to a person. There are Marie, Christine, and John [i.e. family members], so we have to be on our toes. (Retail firm 12)	
	N We create relationships and are interested in the customers. You become like a psychologist or therapist, as some customers say. (Retail firm 19)	N Customer insight through personal conversations
	N After all, we have many [customers] with whom we have had a very long relationship. So, you've been there when they've baptized children and even buried a relative and married off the daughter and . . . some of them have a relationship back to my parents. (Retail firm 11)	
	O Other skills immediately became more important [i.e. at the beginning of the economic downturn], due to our long and good relationships we were able to negotiate better rental and supplier agreements (Retail firm 1)	O Family firm continuity breeds negotiation skills during downturns
	O We have close contact with our suppliers . . . I sat down and called all of them and said we couldn't pay now, they told me to stay calm, then we paid later and it worked very smoothly. (Retail firm 11)	
	P We try to help as much as possible without having to make money from it . . . If an old lady comes in with an old typewriter, we change the ribbon without charging for the service. (Retail firm 22)	P Trust building through unpaid helpfulness
	P To help with both common and uncommon problems, and sometimes not charge for the service. It builds trust. (Retail firm 23)	

Source(s): Authors' own work

that visit us, then we have the corporate customers, which we have expanded by arranging shop windows” (Retail firm 19).

Furthermore, the lateral seizing also increased through collaborations with companies in other industries, which occasionally meant that they become resellers of their products, as highlighted by a family manager of a hardware store: “There was a modular house company that needed some space, so we built a modular house and put it in the yard for display, then the customers need us to complete the house” (Retail firm 23). However, such lateral problem solving depended on the ownership family’s initiative and decision-making ability. Certainly, the family manager had the most influence over the day-to-day decisions, but other family members were also encouraged to make their own decisions – after all, they contributed to the shared family norms. Regarding more important decisions, such as diversification through collaboration arrangements with outside companies, the interviews showed the importance of the family members listening to one another before decisions were made, so the decisions would appear to be “influenced by the family as a collective”.

Trust as family manager mechanism for social cognition

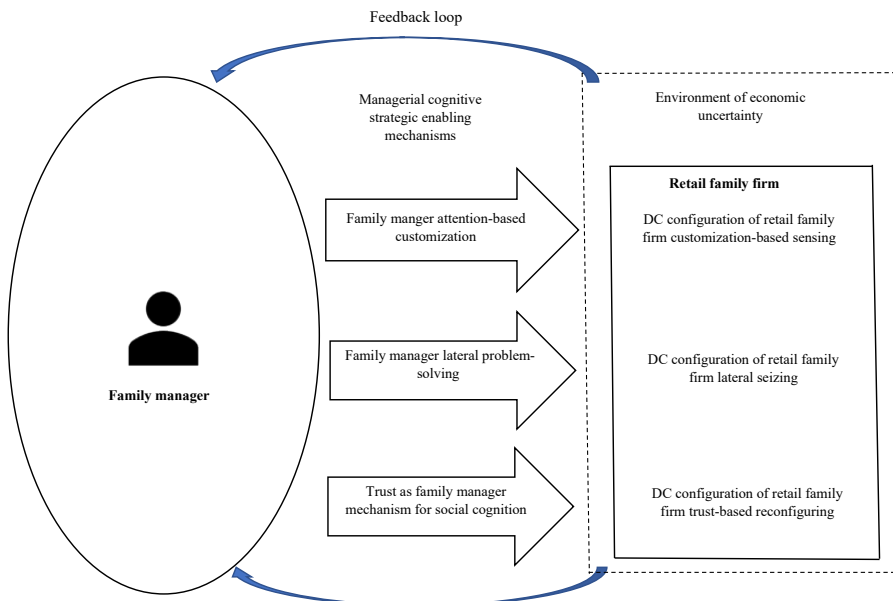
Regarding the capability of reconfiguring (Schilke *et al.*, 2018; Teece, 2007), the family business manager’s ability to create trust through long and personal customer relationships emerged as central. By connecting to the cognitive capabilities of communication and social cognition (Schilling, 2018), “personified family business trust” (Figure 2) could be developed between customers and family firm managers; these strong relationships supported the family firm’s ability to reconfigure its resources. By developing a personal customer relationship based on the company’s family identity (Boers *et al.*, 2023), insights attained through personal conversations could be accessed: “As we are a small company, we have a very good relationship with our customers . . . we talk about our products, and have a feeling for what they want. We create a very personal relationship with many” (family manager of a grocery store, Retail firm 3), which also facilitated a customer-centric approach (Lamberti, 2013).

Family firm continuity, which sometimes spanned three generations of family owners (Table 1), also played an important role in supplier relations. “Confidence through continuity” could be built (Figure 2), whereby the accompanying social cognition supported business negotiations, which appeared especially important during economic uncertainty. Moreover, trust in the family business was built through the family business manager and staff helping the customers, for which they rarely charged: “This may mean that you meet the customer in a complaint, which may be at the limit of how far you can go, but the important thing is that the customer is satisfied. We also produce specially adapted soles for the customers at no extra charge . . . we have customers who have shopped here since the store opened 70 years ago” (family manager of a shoe store, Retail firm 21), indicating a high level of customer centricity.

Discussion

This study illustrates how family firm managers enable firm strategy by using their cognitive capabilities during economic uncertainty. By identifying retail family firm DC configurations, which provide insights into how family managers use their cognitive capabilities to enable and propel strategy in a context of economic uncertainty, this study contributes by presenting a cognitive-based DC framework for family-owned retail firms (see Figure 3 below).

This study develops the DC framework (Eisenhardt and Martin, 2000; Schilke *et al.*, 2018; Teece, 2007; Wilhelm *et al.*, 2015) and deepens our understanding of how managerial



Source(s): Authors' own work

Figure 3. Managerial cognitive strategic enabling mechanisms shaping retail DC configurations in economic uncertainty

cognitive capabilities are used (Helfat and Martin, 2015; Helfat and Peteraf, 2015). To understand how retail family firm managers enable firm strategy in a context of economic uncertainty, it is important to understand the manifestations of the DC dimensions and how they are facilitated (Schilke et al., 2018). The authors accordingly begin by discussing how family managers enable firm strategy based on the three identified managerial strategic enabling cognitive mechanisms, and then discuss the implications and propositions of the three generated DC configurations (Figure 2): retail family firm customization-based sensing, retail family firm lateral seizing, and retail family firm trust-based reconfiguring.

Aggregated strategic enabling mechanisms by managerial cognitive capabilities

Previous research has highlighted the importance of studying the role of family members in organizational change and the role of *microfoundations* (i.e. individuals, their interactions, and the company's strategic execution; De Massis and Foss, 2018) and their relationship to mechanisms in explaining DCs in various contexts, deepening our understanding of DC-related cognitive capabilities (Schilke et al., 2018). This study has identified three central enabling mechanisms for family firm retail managers. The first managerial cognitive mechanism, i.e. *family manager attention-based customization*, is propelled by the family manager's (also influenced by family members and retail staff) close customer contacts. Through this customer knowledge, the family manager selects relevant information from personal conversations (Joseph and Wilson, 2018; Kammerlander and Ganter, 2015), using it to understand the customer's quality and price sensitivity. Via this *microfoundation*, the family manager was able to balance price with quality demands, while creating attention by including "unexpected products" in the range (Figure 2), doing so to counter a market characterized by high uncertainty.

The managerial cognitive mechanism of *family manager lateral problem-solving* is based on the family firm's long-term perspective (Boers et al., 2017; Randerson, 2022), and was

primarily driven by the *microfoundations* of improving margins and creating supplementary income sources to deal with economic uncertainty. By using lateral problem-solving (cf. Helfat and Peteraf, 2015; Peteraf and Reed, 2007), the family manager was able to reduce the vulnerability of the retail business through increased diversification and through collaborations with other types of businesses. Lastly, the cognitive mechanism of *trust as family manager mechanism for social cognition* consisted of the *microfoundation* of trust, which had built up between the family business and the customer, often over several generations of family owners (Ljungkvist and Boers, 2023; Salvato, 2004). Propelled by the family firm's and the family manager's close and long-term relationships with customers and suppliers, personalized insights were created that in turn generated social cognition (Bendig et al., 2018; Schilling, 2018). Furthermore, the social cognition capability also provided the family manager with good "negotiation skills" (Figure 2), supporting the realignment of resources and collaborations with business partners as well as customers (Helfat and Peteraf, 2015).

DC configuration of retail family firm customization-based sensing

In response to previous calls to study the role of managerial cognitive capabilities and their relationships with DCs (Helfat and Peteraf, 2015; Huy and Zott, 2019; Schilke et al., 2018), the inductively derived DC configurations of retail family firms contribute by clarifying how they are manifested and their implications. A typical feature of all three configurations is the importance of long and close relationships among the retail family firm, customers, and other actors. This is in line with previous research highlighting the importance of reciprocal relationships that support the transfer of knowledge and insights between family businesses and customers (Belkhdja, 2022; Le Breton-Miller and Miller, 2006). Regarding the *DC configuration of retail family firm customization-based sensing*, it was manifested by the family manager's active customer sensing (cf. Suddaby et al., 2020). Through close conversations with customers, the family managers gained insights into how they could create customer *attention* by balancing price and product quality, renewing the range with "odd products", and using "different interaction platforms" (Figure 2), which were used to cope with the tougher market situation. Thus, the family manager's market sensing activities promoted experimental learning (Day, 2011), i.e. deep and insightful customer relationships created favorable conditions for experimenting and renewing the product range. Indeed, family businesses are often characterized by long and close customer relationships that sometimes span several family generations (Randerson, 2022), which can be seen as a strength. However, as the family manager's and family members' perception of and attention to customers' attitudes and viewpoints are influenced by previous family generations' norms and values (Jaffe and Lane, 2004; Ljungkvist and Boers, 2023), there is a risk of bias in the form of path dependency (Glyptis et al., 2021; Suddaby et al., 2020). Thus, biases promoted by family relations and common experiences can create systematic misinterpretation of customer needs (Nuijten et al., 2020), especially concerning the younger customer group. Overall, close conversations between customers, family managers, and family members (and probably also other retail staff) appear to be a key activity forming the basis of the family manager's perception and ability to influence customer attention, leading to the following proposition:

Proposition 1. Family firm customization-based sensing is enabled by the family firm manager's sensitive and responsive-oriented customer relationships, in turn facilitating experimental learning and customer attention via price and quality adjustments, product renewals, and social media.

However, given that family managers' market sensing relies on sensitive and responsive-oriented customer relationships—through which experiential learning and customer

adaptation occur—[Proposition 1](#) refines the DC assumption regarding family-based sensing ([Glyptis et al., 2021](#)). In the context of retail family firms, the sensing activity is strongly influenced by the firm’s long-standing and close customer relationships, meaning that it occurs in consultation with the customer.

DC configuration of retail family firm lateral seizing

This configuration is manifested through the family business’s and the family manager’s ability to create margins and solve profitability problems through creative collaborations. To protect the family firm’s financial and non-financial objectives and long-term control, previous research shows that financial uncertainty can motivate family firms to undertake strategic diversification ([Hafner, 2021](#)). Relating to family businesses’ long-term orientation ([Berrone et al., 2012](#); [Boers et al., 2017](#)), shown, for example, by owning their retail property and by diversifying through “own complementary production” of the range ([Figure 2](#)), margins could be maintained despite economic uncertainty. Moreover, previous research also indicates that the strong reciprocal ties characterizing family firms appear as a key asset in diversifying and establishing partnerships with, for example, long-term vendors, suppliers, customers, and other family firms ([Hafner, 2021](#)). In this way, the family manager could seize business opportunities through lateral problem-solving ([Butler, 2010](#)), resulting in the incorporation of cash flows from other business solutions and from collaborations with other companies. However, a dilemma arising from increased collaboration with external parties is that this increased flexibility entails increased dependence on them ([Smith and Lewis, 2011](#)), affecting the family owners’ ability to make independent decisions. Another problem that could arise from the family firm’s personal and close relationships with external parties is the bias of illusion of control ([Hirigoyen and Labaki, 2012](#)). As indicated in the empirical material, family managers’ collaborations with external parties were characterized by close cooperation, suggesting a risk of bias in the assessment of the business partners’ business ability ([Nuijten et al., 2020](#)), a risk that tends to increase in times of uncertainty ([Acciarini et al., 2021](#)). Taken together, the family’s long-term reasoning regarding business margins ([Gazzaniga et al., 2010](#)) and the family manager’s lateral problem-solving ([Helfat and Peteraf, 2015](#)) appear decisive for the family firm’s capability of seizing, resulting in the following proposition:

Proposition 2. Family firm lateral seizing is enabled by family owner’s long-term control and the family firm manager’s ability to diversify the product range and to enter into collaborations with external parties.

Yet, as the present study indicates that retail family firms tend to diversify their operations through external partnerships during times of economic uncertainty, this emphasizes that the seizing capability largely results from the close relationships that characterize family firms, i.e. the capability is generated under external influences (cf. [Day, 2011](#)), which refines our understanding of the seizing capability in the family firm context.

DC configuration of retail family firm trust-based reconfiguring

The *DC configuration of retail family firm trust-based reconfiguring* is manifested through its personified relationships. By means of family firm continuity, the company was personified by the family manager, who became a representative of “trust and responsibility” ([Figure 2](#)). Furthermore, personal relationships with customers and suppliers created insights and improved the family manager’s and family members’ social cognition ([Schilke et al., 2018](#); [Schilling, 2018](#)), in turn supporting the conditions for customer centricity ([Lamberti, 2013](#)). Largely generated by family firms’ non-financial goals, customer centricity is driven by factors such as trust and the family firm’s reputation and image ([Binz et al., 2017](#)), which stem

from the retail family firm manager's capability of social cognition. As a central element of this family firm configuration is its informality (Ljungkvist *et al.*, 2022), both social cognition and trust are built through direct and informal conversations, which also could support the family firm's capability to reconfigure. Mutual trust supports the (re)alignment of people and resources, and new combinations of staff and customers (Duran *et al.*, 2016; Teece, 2007). However, reconfiguration can also be hindered by escalating commitment between the family manager and the customer (Schreyögg and Kliesch-Eberl, 2007), i.e. long-term informal relationships can be locked in by loyalty, altruism, and pride, counteracting flexibility and the ability to reconfigure. This, in turn, can skew the family manager's strategic decision-making (Hirigoyen and Labaki, 2012), a bias likely to be amplified in times of change (Acciarini *et al.*, 2021). To sum up, the personified and trust-based relationship between the retail family business, the family manager, and the customer generates the following proposition:

Proposition 3. Family firm trust-based reconfiguring is enabled through the owning family's and the family firm manager's social cognition and customer centricity, which is underpinned by long-term personified relationships and personal conversations.

However, as family businesses are characterized by long-standing reciprocal ties that also encompass customers (Le Breton-Miller and Miller, 2006), and sometimes extend over several generations, conditions for high social cognition, trust, and customer centricity are supported (cf. Lamberti, 2013), driving the reconfiguration capability of the store's product assortment and resources. This means that the reconfiguration capability of the retail family firm manager is primarily driven by the co-created element of trust, which highlights that the inherent inside-out perspective of DC theory and its lack of sensitivity to market signals (Day, 2011) are less relevant to the family firm context.

Conclusions

This study addresses how the retail family manager's cognitive capabilities are used in relation to family firm DC configurations. By studying managerial cognitive capabilities and DCs in a family firm retail environment, it contextualizes and develops a framework of cognitive capabilities and DCs for strategic development. Through identifying managerial cognitive strategic enabling mechanisms, this paper explains how retail family firm DC configurations are shaped in a context of economic uncertainty.

Theoretical contribution

By presenting three retail family firm DC configurations, this study contributes by developing Helfat and Peteraf's (2015) framework of cognitive capabilities. Unlike previous research on managerial cognitive capabilities (Helfat and Martin, 2015; Helfat and Peteraf, 2015; Huy and Zott, 2019; Schilke *et al.*, 2018; Schilling, 2018; Suddaby *et al.*, 2020), this study contributes by revealing the microfoundations of retail managerial cognitive strategic enabling mechanisms, providing insights into how cognitive capabilities underpin the presented family firm DC configurations. By suggesting three family-firm-based DC configurations, which advances our understanding of how sensing, seizing, and reconfiguring are manifested in family-owned retail MSMEs during economic uncertainty, this study also contributes to DC-oriented family business research (Camisón-Zornoza *et al.*, 2020; Chirico and Nordqvist, 2010; Glyptis *et al.*, 2021; Heider *et al.*, 2021; Weaven *et al.*, 2021). Furthermore, this study emphasizes that the outside-in perspective gains greater significance for retail family MSMEs (cf. Day, 2011; Wójcik, 2015), which are characterized by long and close relationships with customers, suppliers, and partners.

Practical implications

This study's practical contribution consists of making family firm retail managers and owners aware of different strategic approaches to dealing with a market characterized by economic uncertainty, i.e. the results could be used as a reflexive mental map to improve the family firm's DC. For example, the results show the importance of renewing the product range with unexpected products (Figure 2) that catch customers' attention. Another practical implication is the importance of alternative cash flows and collaborations with other types of companies, providing the retail company with strategic flexibility (Brozovic, 2018). This study also emphasizes the practical importance of "personified family business trust", achieved through the family manager's continuous physical presence in the store. Through this presence, he or she personifies the family business, i.e. the family manager becomes a representative of trust and responsibility, supporting the (re)alignment of resources, staff, and customers.

Study limitations and future research

The empirical basis was a sample of family managers and family businesses operating in different retail markets. This reduces the comparability among them, which could negatively affect the study's validity. However, the investigated retail companies had several similarities (see "Case description"), allowing for reasonable comparability. Besides, the macroeconomic and market uncertainty affected all retailers severely. Since this study focuses on how the family manager uses his or her cognitive capabilities to cope with economic uncertainty, it does not emphasize the dynamics of the family business, so the roles of other family members should be developed more in future studies (Chirico and Salvato, 2008). Another limitation is that the investigated case almost entirely comprises retail companies located in a medium-sized Swedish city and its surroundings. As cultural aspects influence the family business and the family manager's propensity to use DCs (Teece, 2007), as well as their customer relationships, the findings cannot be easily translated to other contexts and countries. Moreover, as the city experiences considerable tourism in the summer, retail trade increases during this period, also affecting the comparability of the study. Finally, a further limitation is that this study does not emphasize the e-commerce of the studied retail companies; however, this is because e-commerce was only marginally important for the investigated companies, and no significant near-term investments in it were declared. Based on the described limitations, future research should investigate how retail family managers' cognitive capabilities are used in other countries, which are influenced by other cultural values and expectations (Ljungkvist *et al.*, 2023). Differences between family and non-family retail managers, and retail managerial differences between rural and urban areas (Wong and Sohal, 2003), also need to be studied. To validate the suggested managerial cognitive enabling mechanisms and the retail family firm DC configurations, future research should examine family managers and family firms operating in the same retail trade; for comparative reasons, this would need to be done using quantitative methods.

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Appendix

Interview questions

- (1) How do you discover potential business opportunities? Any special way of working? How has it been affected by the economic downturn?
- (2) How do you create business opportunities on your own?
- (3) What does your strategy consist of and how do you develop it?
- (4) How do you analyze and solve problems that are connected to your strategic investments and your business model? How has it been affected by the socio-economic downturn?
- (5) How do you win over and create trust with the store's customers/stakeholders and potential customers? How has it been affected by the socio-economic downturn?
- (6) What decisions, and to what extent, have you delegated to employees?
- (7) How is commitment created among store staff?

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