Pivoting to manage the integration of two BMs initially separated: the case of digital transformation of established retailers

Abstract :

Firms are increasingly running multiple business models within activities. When adopting a business model portfolio, literature mentions that companies are choosing between a separation or an integration strategy to manage their multiple business models. However, business cases show that companies adopting a separation strategy may then plan an eventual integration strategy. Despite the growing knowledge related to BM portfolio literature, scholars and practitioners still lack a comprehensive understanding of the integration process of two business models that were initially managed separately. This qualitative research draws on a multiple case study of five traditional retailers to analyze how incumbent firms that have strategic activities with different business models (digital and physical business models) manage the integration of these two business models. We show that rather having planned a potential integration of business models of their business model portfolio, firms have been engaged within a logic of pivoting to change the organization of their BM portfolio. When managing a business model portfolio, established firms need to deviate their plans from their original expectations (i.e integrating BMs that were supposed to be disconnected). Finally, by considering pivoting at the business model portfolio level, this research adds to the ongoing discussion in strategic management on the way firms manage the dynamics of their business model portfolio.

Keywords: Keywords: business model, business model portfolio, digital transformation, multiple case study, pivoting

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INTRODUCTION

Established companies in most sectors are confronted with the need to continuously integrate new digital technologies in their organizational life (Warner & Wäger, 2019) and to adapt rapidly their business model (BM hereafter) to exploit these technologies and survive (Groeger et al., 2019). Digitalization is an issue in all sectors for incumbent firms, whether they operate in banking, publishing, food or specialized retailing, among others (Verhoef et al., 2015). To cope with digital competition, most traditional companies[1] are in a first stage launching a digital channel with a different BM to seize new opportunities (Kim & Min, 2015 ; Zott et al., 2011). This strategy has brought a kind of duality in the way traditional companies managed their BMs (Markides and Charitou, 2004). Indeed, the potential internal competition between the existing and the new BM (Lanzolla and Markides, 2020) has oriented companies towards a multi-channel organization: a separation strategy (Markides, 2013) between digital and historical physical BMs without precisely knowing if and when they would need to integrate these BMs. As a result, this separation has first led traditional organizations to operate with a portfolio of BMs (Aversa et al., 2017; Sabatier et al., 2010; Snihur & Tarzijan, 2018). After a few years with different BMs managed as a portfolio, various synergies have been created and firms may want to integrate the different BM into one to better serve customers and/or to manage more efficiently their resources (Aversa et al., 2020).

As it appears as a crucial interest for company performance, researchers and managers need a better comprehension of the dynamics of BM portfolios (Snihur and Tarzijan, 2018), in particular regarding the integration process between several BMs that were distinct. Indeed, when adopting a separation strategy between BMs, Markides and Charitou (2004: 31) pointed

[1] We use the term "traditional" to refer to companies that were initially brick-and-mortar but may have launched a digital channel at a later stage.

out that *"the challenge is to keep the new unit separate but prepare it for the eventual marriage"*. Thus, the central question of this exploratory paper is: How are established companies managing their BM portfolio to integrate two BMs that are initially separated?

This research uses the omni-channel retailing context that blurred the traditional frontiers between physical and digital (Jocevski, 2020) to provide new insights into how established firms are managing their BM portfolio strategy. Indeed, in retail, customer shopping behavior – most customers currently navigate both digital and physical channels - combined with innovative technologies have compelled retailers to step-up their BM portfolio strategy by integrating their BMs for a unified value proposition that aims to provide customers with a better experience (Verhoef et al., 2015).

Adopting an evolutionary perspective of BM (Demil and Lecocq, 2010 ; Warner and Wäger, 2019), this research uses an in-depth qualitative multiple case study (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) of five traditional retailers during the management of the integration of their digital and physical BMs. The research points out the need to consider the fact that rather than planning the integration or separation of their BMs within as a portfolio strategy (Markides and Charitou, 2004), firms are pivoting their BM portfolio over time, as they are not always able to anticipate the potential for synergies between their BMs. As a result, when managing a BM portfolio, established firms need to deviate their plans from their original expectations (McDonald and Gao, 2019) (i.e integrating BMs that were supposed to be disconnected). Finally, by considering pivoting at the BM portfolio level, this research adds to the ongoing discussion in strategic management on the way firms manage the dynamics of their BM portfolio (Aversa et al., 2020; Snihur and Tarzijan, 2018) to ensure sustainable performance and/or to adapt to external conditions.

1. THEORETICAL BACKGROUND

1.1. BUSINESS MODEL PORTFOLIO

Scholars have made an important effort to define the concept of BM and clarify the link between BM and strategy (Demil et al., 2015; Lanzolla and Markides, 2020; Massa et al., 2017). BM is now recognized as a new unit of analysis within the field of strategy (Snihur and Tarzijan, 2018). Teece (2010; 2018) points out that a BM describes the way a company creates and captures value by identifying unmet customer needs and finding technologies and organizations that will address these needs in a profitable way. BM is then often used in an activity system perspective (Zott and Amit, 2010) in which BM is considered as a system of interdependent activities that includes extra-organizational stakeholders.

Following Demil and Lecocq (2010), BM is now more and more mobilized through dynamic perspective rather than a static perspective (Ritter and Lettl, 2018). The aim is to understand the way companies questioned the components of their BM to adapt their organizational structure to changes in their environment (Groeger et al., 2019) and/or to their own strategic choices**.** In particular, incumbent firms may have to gradually transform their traditional BM (Berends et al., 2016; Saebi et al., 2017; Sosna et al., 2010) or to add a new BM (Kim and Min, 2015; Lanzolla and Markides, 2020; Markides and Charitou, 2004; Markides and Oyon, 2010; Markides, 2013). Indeed, companies across many industries are increasingly adopting a BM portfolio approach (Aversa et al., 2020, 2017) whether to implement simultaneously different kinds of strategy (Benson-Rea et al., 2013), to fight against a disruptive BM (Markides and Oyon, 2010), to serve different customers in the same market, or to use their core competences to address several markets (Aspara et al., 2013; Sabatier et al., 2010).

Introducing a new BM into an existing organization always raises many issues (Lanzolla and Markides, 2020; Teece, 2018) and often leads to company failures (Markides and Oyon, 2010). Managing multiple BMs urges companies to improve their organizational competences and flexibility (Casadesus-Masanell and Tarzijan, 2012) as it brings additional complexity within and between BMs (Snihur and Tarzijan, 2018). Therefore, companies are then confronted with a range of choices to prevent conflicts and optimize resources across BMs (Berends et al., 2016; Lanzolla and Markides, 2020; Markides and Oyon, 2010). They sometimes need to streamline their portfolios by divesting BMs of the portfolio (Aversa et al., 2017). The literature provides strong insights into the process of articulating several BMs into a portfolio structure, the different strategies to manage such a BM portfolio and their potential impact on a company's performance (see Table 1).

Table 1. Contributions to the management of BM portfolio

Questions raised by existing literature	*Current knowledge*
Why adopt a BM portfolio	- Responding to new entrants in the market (Markides and Oyon, 2010) - Generating and capturing new finance streams (Sabatier et al., 2010) - Using core competences to address additional customers' needs and/or serve new markets (Sabatier et al., 2010) - Crowding out competitors and/or forestalling potential disruptors (Casadesus-Masanell and Tarzijan, 2012) - Reducing risk through diversification (Aversa et al., 2017) or through pluralistic strategies (Benson-Rea et al., 2013) - Reacting to value migration across industries and between companies (Hacklin et al., 2018)
Strategies related to the BM portfolio	- Integration or separation according the degree of conflict and market similarity (Markides and Charitou, 2004) - Balancing BM portfolios according to the interrelatedness between BMs (Sabatier et al., 2010) - Creating an ambidextrous organizational environment to achieve a separation that avoids conflicts but does not prevent synergies between the two BMs (Markides and Oyon, 2010; Markides, 2013) - Abandoning BMs which do not generate foreseen synergies (Aversa et al., 2017) or which have caused previous failures (Aspara et al., 2013) - Faster synergies when companies follow a drifting pattern (experimentation and then cognitive search) in which linkages between old and new BMs result from the reconceptualization of a significant part of the existing BM as a new BM (Berends et al., 2016).

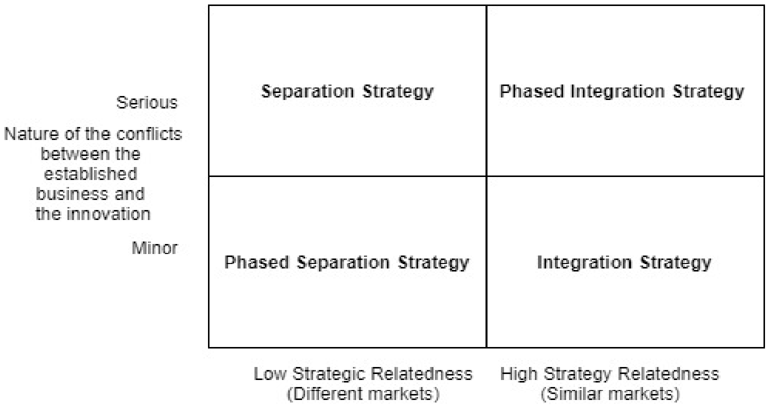
	- Adding a parallel BM only when value is slowly migrating across industries and between firms. When value is quickly migrating, pivoting (substituting the primary BM) is a better option, as the primary BM is already threatened (Hacklin et al., 2018). - Leveraging the ecosystem and complementarities among actors to facilitate the launch of a new BM with the aim of creating links between the new BM and established ecosystem (Hou et al., 2020).
Impact of BM portfolio on performance	- Better performance if the new added BM is different from the one of the disrupting actor (Markides and Oyon, 2010) - The more BMs are connected, the more they may generate value together (Casadesus-Masanel and Tarzijan, 2012) - Performance depends on the timing of new BM additions, the nature of assets (complementary or conflicting) and the organizational configuration (autonomous BM or integrated) (Kim and Min, 2015) - Complementarities between BMs contribute to organizational learning and capability development (Aversa et al., 2017) - High level of complexity between BMs fosters a company's competitive advantage (Snihur and Tarzijan, 2018) - Importance of "customer complementarity". By leveraging synergies between customer groups within and between BMs over time, companies may improve their performance (Aversa et al., 2020).

Table 1 summarizes major contributions to the management of multiple BMs. These articles have considerably advanced knowledge on BM portfolio as a phenomenon that is highly relevant for most companies today. However, little is known on the integration process of two BMs initially managed independently into one new BM.

1.2. *THE MANAGEMENT OF BM PORTFOLIO IN ESTABLISHED FIRMS*

The adoption of a new BM (often resulting from imitating new entrants) is a complex task, as when incumbent firms adopt a new BM, it may create internal conflicts due to cannibalization (Lanzolla and Markides, 2020). To lower this risk of internal conflicts, firms may choose carefully between an integration or a separation strategy when implementing several BMs (Markides and Charitou, 2004). Figure 1, hereafter explain the four kinds of strategies proposed by Markides and Charitou (2004) to successfully manage dual BMs.

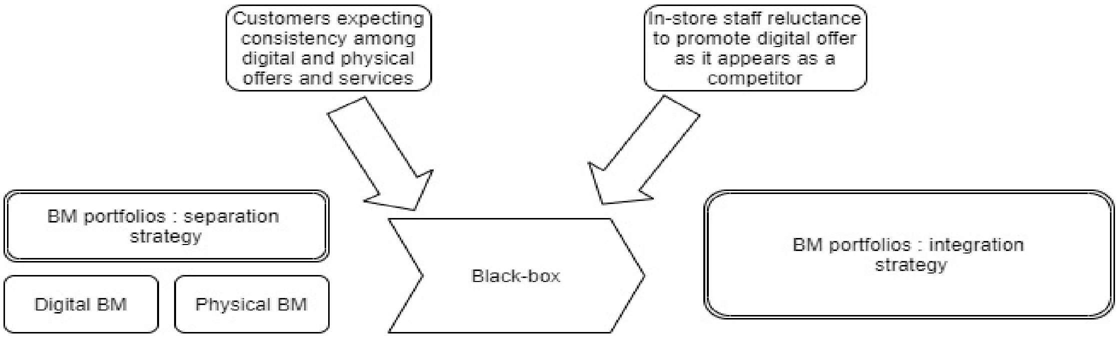
Figure 1. Strategies for managing dual business models (Markides and Charitou, 2004: 24)



Within a phased integration strategy, firms need to prepare the potential integration of their BMs. Markides (2013) highlights the disconnection may only be temporary. Indeed, temporal separation (starting the new BM in a separate business unit with the intention of gradually reintegrating it into the main business over time) is a better option when there are serious conflicts between BMs but markets are perceived to be similar.

This strategy may notably be adopted by companies that integrate their physical BM with their (more recent) digital BM to better serve their clients. However, these kinds of strategies imply that firms are aware that integration and separation strategies are not fixed (Markides, 2013; Markides & Charitou, 2004). Established firms that first implemented a separation strategy due to serious conflicting assets between physical and digital BMs would have been able to anticipate that these assets would became complementary due to changes of customers' behaviors (Jocevski, 2020). However, regarding uncertainty and unpredictability of most today markets, we may ask if established companies are willing to plan the management of BMs across times. In particular most of companies that first choose a separation between their traditional and their new digital BM did not anticipate the need for a future integration strategy which would involve that firms are deviating from original plan (McDonald & Gao, 2019) to experiment and tweak elements of their BM to experiment new configurations (Hacklin et al., 2018). Pivoting implies that firms reorient *"their strategic direction through a reallocation or restructuring of activities, resources, and attention"* (Kirtley & O'Mahony, 2020: 3). Due to this tension regarding the availability for firm to plan their BM portfolios strategy regarding the evolving degree of conflict between physical and digital BMs, figure 2 highlights the research question gap.

Figure 2. The black box of integration process of two separated business models



Thus, a central research question in terms of BM portfolio management is: How are established companies managing their BM portfolio to integrate two BMs initially separated? To improve knowledge related to the management of multiple BMs within the same organization, and in particular to the integration of two BMs, this research investigates the omni-channel retailing context which is challenging the BM portfolios of traditional retailers (Jocevski, 2020).

2. METHODS

The purpose of this paper is to analyze how established firms manage their BM portfolio strategy overtime. In particular when the nature of the conflicting assets switch from serious (Kim & Min, 2015) to minor (Jocevski, 2020) involving an integration strategy. Saebi et al. (2017) argue that qualitative research is suited to gain knowledge on mechanisms related to BM transformation processes. Regarding the scarcity of theoretical insights regarding the research question, a multiple case study (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Yin, 2003) was conducted with semi-structured interviews, internal documents and secondary data as main sources of data. Multiple case-study are particularly effective for theory development because it produces more robust, parsimonious, and generalizable theory than single cases (Eisenhardt and Graebner, 2007). Data collection and data analysis are described separately, although they occur in parallel during the research.

2.1. RESEARCH SETTING: OMNI-CHANNEL RETAILING AS A REVELATORY CASE OF BM INTEGRATION PROCESS

This research uses the shift towards omni-channel in retailing as empirical setting. This new context involves companies integrating their traditional physical and digital BMs, which were initially separated, into a new integrated BM (Jocevski, 2020). Due to the potential conflicting nature of assets between physical and digital activities, traditional retailers have, in a first stage, launched a digital BM separated from their traditional physical BM (Kim and Min, 2015; Zott et al., 2011). This line of reasoning largely explains the multi-channel approach chosen by retailers, in which channels were initially separated and managed in silos, into a BM portfolio while selling more or less the same products.

However, progressively, digital transformation has empowered customers and they have gained literacy towards online transactions (Baden-Fuller and Haefliger, 2013; Warner and Wäger, 2019). The emergence of digital tools such as smartphones and tablets and their increasing use by customers for purchase make it easier to gather more information online and offline. Most traditional retailers have gradually become aware of the need to manage their physical and digital BMs consistently to avoid poor customer satisfaction levels due to the silo effect (Bell et al., 2014; Bell et al., 2018; Cao, 2014; Gallino and Moreno, 2014) and improve overall performance (Cao and Li, 2015). Since the seminal paper published by Rigby in 2011 on "the future of shopping", more and more authors and even retailers have been referring to this new form of ubiquitous retailing, driven by digital innovations such as omni-channel retailing (Verhoef et al., 2015) in which the frontier between digital and physical activities is more and more blurry (Jocevski, 2020). Therefore, top managers of many traditional retailers have decided to adapt their organization to fit with their customers' new expectations (Bell et al., 2014) by integrating digital and traditional physical BMs into a new integrated BM.

2.2. CASE SELECTION AND DATA COLLECTION

The selection of cases is an issue often raised regarding the case study method. The purpose of case-study research is not to select cases that would bring representativity. Indeed, cases are *"chosen for the likelihood that they will offer theoretical insight"* (Eisenhardt and Graebner, 2007). Cases need to be chosen because they are revelatory and sometimes extreme examples of the research question (Eisenhardt and Graebner, 2007; Yin, 2003). Each case serves as a distinct experiment to shed light on similarities but above all on differences (Eisenhardt and Graebner, 2007). Case study selection is made for *"illuminating and extending relationships and logic among constructs"* (Eisenhardt and Graebner, 2007: 27). The empirical context of this research focuses on the omni-channel retailing setting that can be considered as revelatory examples of established firms that need to integrate two BMs initially separated. In particular, the cases have been chosen because these businesses are trying to integrate their BMs with a common starting point: they were first physical retailers which later added a digital BM within a separation strategy. The omni-channel objective appears in their recent strategic statements. The sample is furthermore composed by retailers which have an important physical presence, as this research seeks to investigate the integration between physical and digital BMs. The first case was selected from secondary data about their omni-channel integration strategy. Additional cases based on respondents' knowledge of the sector were investigated to add variance until reaching theoretical saturation resulting on a sample of five established European retailers with a global reach. In particular, we purposefully chose cases that differ within the initial separation strategy. Indeed, Eisenhardt and Grabner (2007) advices to adopt a "polar types" theoretical sampling to move away from description and make it easier the observation of cross-case patterns that improve theoretical insight. Three out of the five cases presented in this paper are companies included in the Deloitte Global Powers of Retailing ranking published in 2019[2]. Table 2 below provides a description of the sample.

Table 2. Cases description[3]

	Case a	Case B	Case C	Case D	Case E
Sector	Do-It-Yourself	Food and non-food	Sport	High-Tech	Clothes and toys for children
Retail format	Specialist	Hypermarket	Specialist	Specialist	Specialist
Turnover (in €M)	5,000–10,000	>50,000	15,000–20,000	900–5,000	900–5,000
Introduction of online channel	2006	2006	2006	2007	2015[4]
Initial separation	Moderate	Strong	Strong	Moderate	Strong
International presence (number of countries)	10–20	10–20	20–50	N/A	50–80

[2] https://www2.deloitte.com/global/en/pages/consumer-business/articles/global-powers-of-retailing.html.

[3] For reasons of confidentiality, we do not disclose the name of the companies.

[4] This case involves the integration of different brands: they launched the first common online channel in 2015 but were present online before that.

Number of stores	200–500	500–1,000	1,000–1,500	100–200	1,000–1,500
Number of interviews with managers	9	7	7	7	4
Number of secondary data	9	15	15	7	7
Total data collection	34 interviews: approximately 500 pages of transcription (Times new Roman, 12;1,5) 54 secondary data composed of press articles, press releases, internal report, books...				

Table 2 provides general information to better understand the general features of the companies studied.

Data were collected from February 2016 to January 2021. As it is recommended in case-study, this research mainly relies on semi-structured interviews as primary data source (McDonald & Eisenhardt, 2020). The interview guide was built mixing RCOV (Resources and Competences, Organization and Value proposition) framework (Demil and Lecocq, 2010) which is often used in BM literature (Casadesus-Masanell and Ricart, 2010) and Markides and Charitou framework related to separation and integration strategies to manage dual BMs. The interview guide was tested and improved thanks to three interviews with independent expert of the field. 34 semi-structured interviews, lasting on average one hour, with respondents working in the five firms investigated were conducted. Respondents were selected based on their position in the firm and their prior experiences linked with omni-channel retailing. These interviews mainly made in face-to-face and were all fully transcribed. No differences were found in term of richness of data depending on the way the interview was ruled. While semi-structured interviews are particularly common in case studies, it is important to collect other types of data as triangulation provides stronger insights (Gehman et al., 2018; Yin, 2003). Therefore, 54 documents extracted from books, articles published in specialized press and internal documents on the shift towards an integrated BM were collected.

2.3. Data analysis

The case study methodology is particularly relevant for answering the "how" research questions (Yin, 2003). The theory-building process in qualitative methodology involves *"recursive* *cycling among the case data, emerging theory, and later extant literature"* (Eisenhardt and Graebner, 2007: 25). Eisenhardt and Grabner (op. cit.) insist on the objectivity of the method with regards "*close adherence to the data*". The first step in the data analysis was within-case analysis, which involves a detailed description of each case. The researcher can then look for cross-case patterns (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). Primary data from the semi-structured interviews were all coded with the help of Nvivo 11, using thematic coding to identify the way in which firms build their BM portfolio overtime. As well, the authors draw their attention on specific BM integration decisions to make comparisons across cases investigated. Internal and construct validity was achieved through triangulation with different informants' profile interviewed, data sources and confirmation check with experts in the field and other respondents. To provide external validity of these findings, the results were discussed with respondents and with different academics. The empirical findings in the following sections are structured around the data.

3. EMPIRICAL FINDINGS

This section analyzes how incumbent firms actually manage the integration of digital and physical BMs initially separated. The integration process is more or less complex according to specific features that we are going to explore within this finding section. In particular, case B and E are the ones that are far away to the integrated BM outcome as they meet a higher level of complexities. In particular, case B traditional BM is challenged by the structural decreasing trends of their initial hypermarket model that prevent them from having access to enough financial resources to invest on digital transformation. According to secondary data, the firm has lost more than 1 billion dollars in 2018 and has nominated three chairmen in three years.

Case E difficulties relied on their specific organizations. Indeed, this group is a gathered of three initially independent brands dedicated to kids. As a result, in addition to integrate digital and physical models, they also need to integrate different brands and organizations related.

"We have different brands within our corporate organization and they all have a different maturity on e-commerce…we now propose a unique online channel for our customers but we still have different supply chains and IS so it is very hard to manage without new huge investments" (Head of supply chain, case E).

According to managers interviewed, these both companies are the most tied in their traditional BM and has been reluctant to move faster on the digital transformation than competitors and other firms studied within this empirical research. Middle managers interviewed of these firms regret that their top management still being stuck in the "dominant logic" (Bettis and Prahalad,

1995) of the firm in spite of the bad results. For example, one manager of case E (Chief New Business Officier) described its company as "*an old brick-and-mortar*" while one manager in charge of the digital transformation of case B declares "*one of our biggest problems is that the reinvention of our traditional hypermarket BM is designed by managers from hypermarket, so we things just go around in circles*"

The first part of this section sheds light on the "unplanned" aspect of the BM integration (McDonald & Gao, 2019). The second part of the findings sheds light on the cross-case analysis highlighting certain differences, in terms of date of awareness the difference in terms of organizational approaches that can explain the difference outcomes of the BM integration.

3.1. A PIVOTING RATHER THAT PLANNING MINDSET

In all the cases studied, the digital BM has been launched as an autonomous activity, disconnected from the traditional BM. The extent of disconnection varies between the cases studied. Case B, C and E had the most "extreme" separation strategy. Indeed, Case B digital BM office was, until last year, located in another geographical area, while the digital BM of Case C was launched under another name, selling more or less the same offer with different prices. Table 1 illustrates initial situation and the way each firm investigated launch their digital BM and how they decided to change their BMs portfolio strategy.

Table 3. Initial separation during launching of digital BM

Case	Initial separation	Verbatim
Case A	Moderate	"In our firm, we did not make enormous mistakes such as other for example that were until launching a fully autonomous business units with different IS and operating statements. In this case it is much harder to success within the integration. Hopefully, we did not take them as an example" (Omni-channel project manager)
Case B	Strong	"Until 2017, we really considered the digital channel as a fully separate BM with its own supply chain, its own technical organization and customer services. It is now the time to integrate all these channels under a new integrated governance" (Omni-channel project manager)

Case C	Strong	"In our firm, such as in many other brick-and-mortar firms, the digital BM was born independently and as a competitor of our traditional BM. The proof is that we were until giving to the digital BM another name while selling the same products. The two BMs were independents with different IS and different commercial strategies" (Omni-channel project manager)
Case D	Moderate	"At this time, our digital BM was considered as a selling channel dissociated from our stores, targeting different customers. During a while, pricing policies were different between digital and physical BMs but we still had common purchase structure and mutualized stocks" (Market manager)
Case E	Strong	"We first launched the digital BM as a separate entity with different organizational processes. Two years ago, in 2016, we made a huge organizational change by integrating all brands and channels under the same legal entity. We are now organized by competences and not anymore by channel even if we still have separation issues, for instance digital and physical metrics are still on different files" (Head of digital experience)

This table highlights the different initial decisions linked to the launch of the digital BM. In addition, it allows better understanding the complex set of decisions from this digital launch to the awareness that digital and physical BMs should be considered as complementary rather than conflicting assets. In particular, even if the firms took more or less radical decisions related to the separation of the BM, none of them anticipated that they would need to fully integrate their BM so quickly. Table 4 illustrates the unplanned nature of the BM integration.

Table 4. Unplanned nature of the BM integration

Firm	Unplanned nature of the integration
Case A	"In fact, this is the customer that is 'omni-channel' not us. We much more suffer from the integration than creating it" (Data project manager)
Case B	"In terms of competence and organization, we were and we still are not prepared at all for integration!" (Chief digital officer)

Case C	"Customers have caught up with us. Customers used to compare, and noticed that the same product was more expensive in store, there was a total misunderstanding as customers did not understand our answers based on organizational features, so in 2010, the boss of the digital channel integrated the French general direction governance" (Head of online channel)
Case D	"In the first steps of our multi-channel strategy, we could have two different prices for the same products, because at this period, it was a bit stupid with the benefit of hindsight, we used to segment customers according the channel of purchase, but our customers, made us understand that they did not care of our story of channel. They expected consistency among digital and physical offering" (Market manager)
Case E	"Two years ago, everyone in the firm did not care about digital customer experience. It was my topic but finally, they were not too much expectation. Now (in 2017), expectations are growingly stronger and sometimes are completely unstructured and irrational" (Head of digital experience)

Table 4 demonstrates that using a Markides and Charitou (2004) framework would have led us to reconstruct posteriori a phased integration that in fact was not planned at all. In addition, the findings show that firms within the same retailing industry took decisions relatively close (separation of their BM) even if some of them used the experience of their competitor to take better decision. In this perspective, due to the complexity to anticipate the nature of the conflicting or complementarity assets of digital and physical BM, it is better to not be the first-mover on adopting a portfolio BM. Indeed, as the chief digital officer of case D points out: *"In fact, we were quite lucky of starting later than our competitors on the digital side"*

Hence, trial-and-learning process (Sosna et al., 2010) does not just serve the firm that experiment it but as well other firms that can observe and then take decisions based on the success or failure of a strategy. These results echo with the parallel play pointed out by (McDonald & Eisenhardt, 2020) that allow firm to pivot easier. In this research, parallel play mindset allows firms not to design better their single BM but rather the interconnexion between the BMs of their BM portfolio. The findings demonstrate that parallel play not just consist in imitation of good practices from other firms but as well at not imitating what was not well done by first-movers.

3.2. ORGANIZATIONAL FACTORS THAT EXPLAIN THE DIFFERENCES IN TERM OF AGILITY

3.2.1. Case B and C: The same initial extreme separation but different outcomes

Depending on their specific features, the companies studied did not implement the same organizational approach even if they shared a common initial strong separation. The difference in terms of outcomes of case B and C integration illustrates the need to consider various organizational and strategic factors that improve the ability to pivot from a separation to an integration strategy. We will not investigate in details the difference between Case B and C.

The first thing to point out is the difference in terms of temporality of awareness of the limit of the integrated strategy. While case C realized around 2011 that they would need a common governance between digital and physical offerings, Case B only realized it around 2016.

In addition, organizational factors such as the degree of hierarchy explain the capacity to take efficient and quick decision. For instance, case C shaped their integrated strategy around the term "subsidiarity", that allows them to take radical and efficient decisions such as rethinking their Information System (IS) from scratch. In the very opposite configurations, case B suffer from a lack of agility to change their rigid IS that prevent them to efficiently integrate digital and physical BM. One project manager dedicated to the integration process regret that the hierarchy is too rigid when it comes to implement radical changes as well as the *"lack of courage from the managerial strata between me and the very top management."*

The amount of resources needed to build a new architecture that connect the initially separated BMs is very high. For case B, as their initial hypermarket model is in jeopardy, they did not success to invest enough quickly into the integrated process.

Therefore, the too rigid organizational structure, the degree of attachment of top management in their obsolete initial hypermarket model and the instability of the governance are blocking factors that prevent a smoothly integration.

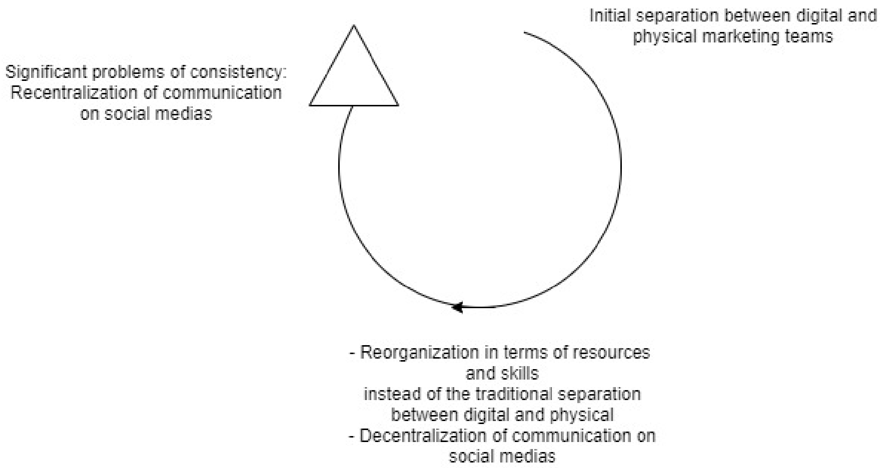
To resume, case C, even if they started from the same point, better succeed pivoting for two main reasons:

- The availability of financial resources: according to secondary data, the company is growing with the success of its positioning (around + 10% of turnover for the 2019 while case B turnover decreased by around 2% with a redundancy plan in the home country).
- Despite being a very large established companies, they have a very flat hierarchy so manager in contact with daily operations and issues have a chance to take strategic decision.

3.2.2. Fostering autonomy, simplicity and employee's migration across digital and physical business model

To help having a pivoting mindset, case A affirms that each of its international business units can choose to follow the path they want in regard to their BM integration organizational approaches: *"the company diffused a broad vision of how the integration should take place, but in fact, the relationship between the company and the different business units is not hierarchical"* (Internal Consultant in charge of omni-channel transformation, case A). In contrast, case B and E chose to retain a more centralized organization. This kind of organization help to foster the consistency of the integration process within the firm but prevent from the agility that is needed to experiment and tweak (Hacklin et al., 2018) new configurations to ensure a smooth BM integration. Figure 3 uses the case of marketing management of digital and physical at case E to illustrate the experimentation to find the appropriate organizational approach to manage the integration of digital and physical BMs.

Figure 3. Experimentation to find the right organizational approach: the case of case E



Figures 3 shows the several experiments necessary to find the right trade-off between centralization and decentralization. This figure demonstrates that integrating two BMs is not a direct and linear process. Rather, it involves a pivoting mindset to experiment different configurations (Hacklin et al., 2018).

In this perspective of having the ability to experiment, companies present abroad recognize that some of their international business units are better than others for reducing the complexity within the new integrated BM.

"We have some business units in other countries which are exceptional in that regard, in particular in Brazil where they have rethought their whole system and all channels share common tools between customers, employees and a supplier" (Head of Marketing, case A). International business units may serve as "laboratories" to test new organizational approaches which will then be reintegrated within the domestic organization.

Overall, when it comes to organizational approaches, not only do these differ across firms in terms of the degree of centralization or decentralization of decision-making, they also differ in their need to keep a digital business unit or not. Case B is among those more extremely positioned on this point, as they insist on keeping a digital business unit with specific metrics regarding physical and digital activities. *"If I started evaluating my in-store staff on purely omni-channel metrics, the customer experience in-store would be damaged so we need to keep specific aspects"* (Head of Digital Transition, case B). Case C has started to question the need for the existence of a Digital business unit, but they assume that it would take a long time before the demise of their digital business unit. Case E began a full reorganization by being organized not in terms of digital and/or physical channels, but rather in terms of resources and skills. This is a first step, but for the moment, operationalization is still at an early development stage as digital and physical metrics remain separated. These questions raised by each of the five cases studied are all linked to a common fear: loosing core competences because of the BM integration.

"We have many debates about how to promote our digital offers. My role is to remind everyone that we are not a purely digital player, what we want is an integrated tool…typically, many decisions are taken without considering that 80% of our consumers that visit our digital channels then go into our stores…when I start a meeting to present our new digital tool, I start by saying that if you are waiting for the best digital channel…the problem is that during this kind of meeting, only 10% of people present come from stores" (Omni-Channel Project Manager, case C).

If we refer back to the marriage analogy proposed by Markides and Charitou (2004), during this kind of BM integration, it seems important that each of the two BMs engaged in the integration should keep its core competences while progressively developing new ones. The question of competences is highly important as to succeed within the integration, all the firms recognize that they need to build new hybrid competences. However, as the previous verbatim mentions, there is still a separation mindset between physical and digital decisions. Firms within the sample of this research differ within their propension to fostering human resources migration across digital and physical BMs. It appears that stressing the importance of hybrid experience and therefore competences from their employees facilitate the plasticity to operate the integration.

"In fact, when we have a look on the managers profile we have, it is very segmented. We have purely physical retailing expert in one side and purely digital expert in another side. In addition, I notice a very small amount of mobility between physical and digital teams" (Head of digital customer experience, case E)

In contrast, the chief digital officer of case D fosters the importance of employee's migration across digital and physical BM. *"As a chief digital officer, I am a permanent member of the operational committee that gather all store managers. As well, in my team, around 50% has a physical retailing background"*. He adds that one factor explaining the success of integration of digital and physical and the propension of employees to have a hybrid experience is that the chairman has a strong experience within brick-and-mortar retailing and digital, so he is able to inject a hybrid culture which is *"quite rare in the retailing sector".*

These human resources aspects are very important to drive the integration process between digital and physical BMs.

Finally, even if all the companies differ in their organizational approaches, they all recognize that the integration between their physical and digital BMs should not prevent them from being different to their competition, in particular from purely digital competition. "*What is sure is that the digital and physical integration should not be synonymous with imitating the competition…each firm should keep its own identity*" (Head of Headquarters, Case A). This quote, among numerous similar quotes identified in the data, shows that firms aiming to engage in a BM integration process should resist the temptation to be like their competitors in terms of value proposition and organization.

4. DISCUSSION

The BM literature has begun to address the management of BM portfolios (Aversa et al., 2020; Hou et al., 2020; Snihur and Tarzijan, 2018). Aligned with such recent efforts, this study provides empirical evidence on the way digital transformation impacts incumbent firms (Warner and Wäger, 2019). In particular, this study is one of the first to our knowledge that consider pivoting not only within a single BM level, within an entrepreneurship or new venture context (Blank, 2013; Grimes, 2018; McDonald & Gao, 2019; McDonald & Eisenhardt, 2020) but at the business model portfolio level of established firms. Indeed, this research shows that even established firms can adopt a logic of pivoting in spite of their lack of plasticity and agility compared to entrepreneurial firms (Kirtley and O'Mahony, 2020). In particular, this logic of pivoting is highly relevant to manage the integration of two BMs. The contributions of this research are threefold.

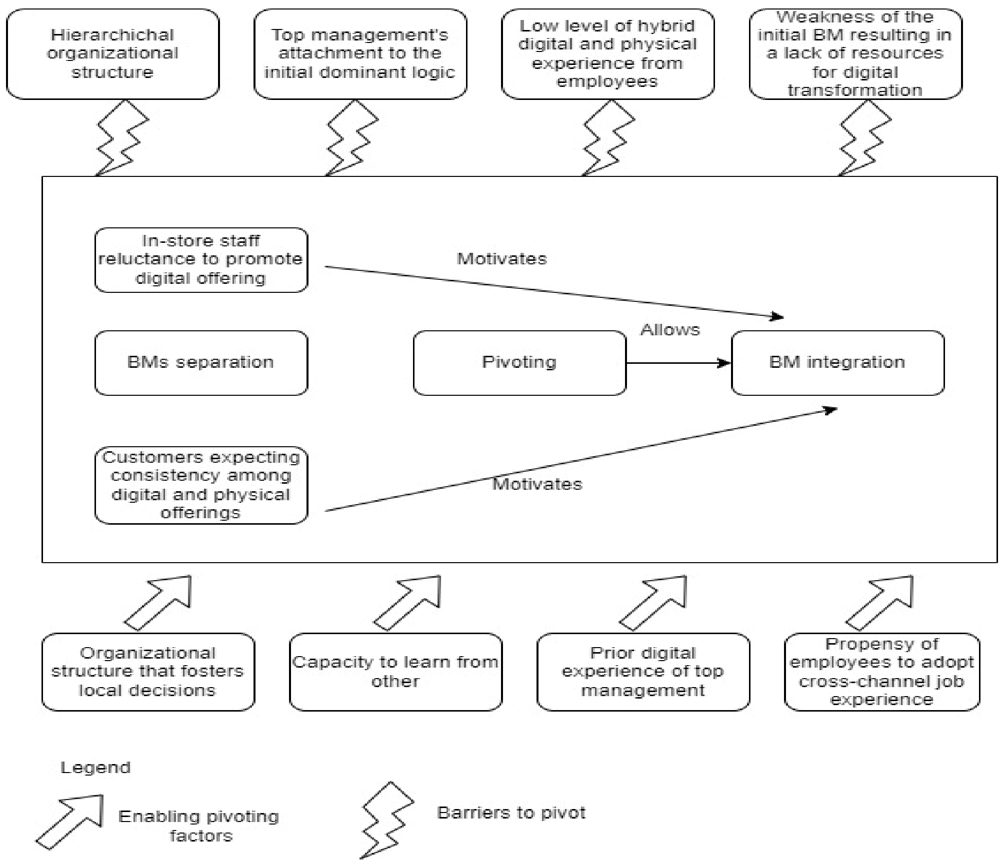
First, this research highlights that an integration process between BMs that used to be separated is not a direct and linear process. Kirtley & Omahony, (2020) recently asked the question when does strategic changes become a pivot? Their work helped to understand the management of the dynamic of the BM portfolio. Indeed, within existing framework to investigate BM portfolio dynamic, strategies are very segmented and each decisions need to be planned from a physical separation to a temporal separation (Markides, 2013; Markides and Charitou, 2004). However, the empirical findings of this study highlight the relevance of the concept of pivot to understand the dynamic nature of the management of a BM portfolio. Firstly because, firms are not able to plan the necessity to integrate the BM, so they need to be prepared to deviate from their initial plan (McDonald and Gao, 2019). Secondly because rather than directly switching from a separation to an integration strategy, firms need to experiment different configurations (Hacklin et al., 2018). Aversa et al., (2017) demonstrated how firms which manage a BM portfolio need to continuously question the synergies between their BMs to ensure performance and customer satisfaction. In particular, when the BMs may target the same customers (Aversa et al., 2020). Our research, rather than supporting (Markides and Charitou, 2004) framework on how to manage dual BMs, much more highlight a pivoting perspective in which, *"Firms that pivoted did so through the gradual accumulation of multiple strategic decisions over time, adding and exiting elements to their strategy, rather than reorienting the firm's strategy with one decision".* (Kirtley & O'Mahony, 2020: 23).

Second this research highlights that the gradual accumulation of strategic decision does not only come from internal features and test-and-learn (Sosna et al., 2010) but as well from competitor experiments that give insight into the strategy to adopt to foster the ability to pivot. This research echoes with the role of parallel play on the ability to pivot pointed out by (McDonald & Eisenhardt, 2020). In our research, parallel play mindset allows firms not to design better their single BM but rather the interconnexion between the BMs of their BM portfolio. The findings demonstrate that parallel play not just consist in imitation of good practices from other firms but as well at not imitating what was not well done by first-movers.

Third, this research sheds light on different kinds of complexities and organizational approaches as part of BM integration. The companies studied are facing a transformation in their customers, who are now looking for what is often called a "seamless shopping experience"

(Lemon and Verhoef, 2016; Verhoef et al., 2015). However, due to their size and the complexity of their organization and processes, they do not cope with current customer behavior in the same way. Existing literature point out that when it comes to experiment in terms of BM, start-ups and new ventures would act differently than established firms (Blank, 2013). Yet, this research has demonstrated that established firms has experiment and change their BM portfolio strategies across times depending on external features (changes of their customers' behaviors, new competitors) and internal features. In particular, this research extends prior research on pivoting that mainly investigate start-up and new ventures (Kirtley and O'Mahony, 2020; McDonald and Gao, 2019; McDonald and Eisenhardt, 2020). It demonstrates that being a big established company is not the only discriminating factor that can explain the propension and ability to pivot. Rather, it is the organizational pattern of the firm that allow a kind of decentralization so managers can easily take decision that fits with customers' expectations and challenge top management to prevent inertia. Figure 4 resumes the enablers and bariers of integration of digital and physical BM

Figure 4. Factors influencing business model integration



This figure resumes the contribution of this study. It insists on the enabling and blocking factors that explain the capacity of established firms to pivot their BM portfolio to move from a separation to an integration strategy. In particular, it highlights the fact that this not the size of the firm which explain the capacity or not to pivot. It is neither the fact of being an established firm rather that a new venture.

5. CONCLUSION

This research examines how established firms which started with a separation strategy between digital and physical BMs manage the integration these BMs within a new integrated BM. It addresses a recent call for more investigation into BM portfolio strategies (Aversa et al., 2020; Snihur and Tarzijan, 2018), opening the black box of the pivot towards an integration of two separated business models. Through a qualitative study of five established retailers confronted with the integration challenge, we investigate the management process of such a BM integration. Based on recent work and definitions of pivoting in which pivoting is seen as a deviation from original plan (McDonald and Gao, 2019) and the resulting of gradual accumulation of multiple strategic decisions (Kirtley and Omahony, 2020) this research is the first to stress the importance of pivoting for the management of a BM portfolio of established companies. This management of BM portfolio is much more consistent with emergent rather than planned view of the dynamic of BM portfolio in which it is assume that firms know in advance if and when they would need to integrate their different BMs.

However, as with all exploratory research, the current study is not without its limitations and further research is required. First, it is limited to a specific sector. Although the data is rich and the companies studied are large in size, the six cases are all retail companies. It would be interesting to investigate firms from other sectors, such as banking, which may also need to integrate BMs initially separated. Second, while a qualitative was used in this research, it would be interesting to adopt quantitative methods to complete this research and measure the long-term effects of BM integration on variables such as growth or performance. Regarding the potential of organizational factors to explain strategic outcomes in term of BM integration, it would worth to craft new research which formally aims to foster the link between organizational theory and strategic management to provide empirical element to the recent work of (Davis and DeWitt, 2021). Finally, this research presents evidence of heterogeneity in BM integration processes between the domestic market and international business units. Further research could investigate the link between the home countries and international business units when undertaking a BM integrated process in more depth, with research questions such as: could firms manage different BM portfolio strategies in different countries?

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