

Business Model Transition in an incumbent firm

“A real change or old wine in a new bottle?”

Abstract: Business model innovation has become increasingly important for firms to remain competitive in the market. Although a vast body of research has explored the business model innovation process, less research has been devoted to the implementation phase. Many incumbent firms are struggling when transitioning to a new business model, where tensions may arise as a result of the change. Prior literature has acknowledged that organizational tensions are inherent in organizational change, but insufficient attention has been given to the intra-organizational tensions that may arise when firms undergo a business model transition. To address this knowledge gap, this paper, therefore, explores this phenomenon from the perspective of middle managers in a large incumbent firm within an IT-unit. The findings of this study are that four triggers, namely, flexibility in the implementation, lack of vision and top-down commitment, traditional financial system, and two conflicting structures generated five tensions, which are strong BU identity, discrepancies about resource allocation, high employee utilization, internal competition, and fear of loss of power and control. These tensions were found to lead to three specific outcomes, lack of understanding of the new model, sub-optimal resource allocation and illusory change.

Keywords: *Business Model Innovation, BMI process, BM transition, Intra-organizational tensions, Middle Managers*

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Definitions

Business Model (BM)	BM as the “design or architecture of the value creation, delivery, and capture mechanisms” of a firm. (Teece, 2010, p. 172).
Business Model Innovation (BMI)	BMI as “designed, novel, nontrivial changes to the key elements of a firm’s business model and/or the architecture linking these elements.” (Foss & Saebi, 2017, p. 201).
BM addition	Adding BM2, while keeping BM1 stable
BM transition	Moving from BM1 to BM2 (often incremental and experimental change process)
Business Unit (BU)	When referring to a business unit (BU) the authors refer to the different subunits in the IT-function used as case in this study
Project-driven approach, waterfall	Working with waterfall projects, with a clear start and end
Product-driven approach, agile	Working in iterative, short time cycles with a product
Middle manager	Working between strategy and execution, whose work highly involved in the transition between the models
Blueprint	The guidebook to the new business model (BM2)
Chapter	Chapter are human resource pools or competence pools
ICT	Information & Communication Technology

1. Introduction

This section contains the introduction of the paper, where section 1.1 will introduce the background of the research topic, section 1.2 gives information about the problem formulation, section 1.3 states the research questions, section 1.4 describes the purpose and the expected contributions, and section 1.5 provides information about delimitations of the study.

1.1 Tensions emerging during the internal BMI process

In today's fast changing world, permeated by volatility, uncertainty, complexity, and ambiguity, it is essential for organizations to update, adapt and innovate their operations and offers to keep up with competition (Millar et al., 2018). It is, therefore, not surprising that Business Model Innovation (BMI) has gained a considerable amount of interest in the literature (Spieth et al., 2014; Foss & Saebi, 2017), where BMI implies making changes in the firm's underlying logic of operating and creating value to its stakeholders (Amit & Zott, 2017; Yun, et al., 2016). Even though engaging in BMI has increased in popularity, it is described as very difficult (Chesbrough, 2010) since it requires a shift in many different parts of the organization which pertains to processes, people, and structure (Foss & Saebi, 2017).

The existing literature on BMI often characterizes BMI as a dynamic process that involves several stages, including initiation, ideation, integration, and implementation of a new BM (Frankenberger et al., 2013; Björkdahl et al., 2022). Much of this research has focused on start-ups and their ability to create value through the generation of new innovative products or services for customers (Mitchell & Coles, 2004; Chesbrough, 2010), which corresponds to the initial stages of the BMI process. However, less attention has been given to research focusing on the optimization of operational efficiency, which is also a critical aspect of value creation (Mitchell & Coles, 2004; Amit & Zott, 2010; Amit & Zott, 2001). This type of BMI is often associated with established incumbent firms aiming to innovate or reorganize their internal activities related to their current business model (BM). This presents unique challenges, particularly in the implementation phase of a new BM (Chesbrough, 2010; Velu & Stiles, 2013; Haftor & Climent Costa, 2023), which have been stated to be a neglected stage of the BMI process in the literature (Broekhuizen et al., 2018; Berends et al., 2016; Birkinshaw & Goddard, 2009).

The challenges associated with the implementation of a new BM in an incumbent firm often relate to trying to achieve fit with the existing organizational structure, where incumbent firms often struggle with organizational inertia created by rigidity in resource allocation and processes being tightly coupled to its environment (Gilbert, 2005). To address these challenges, it is not unusual for companies to add a separate unit (Kim & Min, 2015), often called BM addition, which can focus on explorative and entrepreneurial activities while the established

operations are focusing on exploiting the current activities (Kim & Min, 2015; Markides & Charitou, 2004; Velu & Stiles 2013). However, some firms do also decide to pursue BMI within the established firm, transitioning from one BM to another (Kirtley & O'Mahony, 2017; Manders et al., 2020), referred to as BM transition. In these situations, companies often chose to pursue an evolutionary or incremental change process, instead of a big bang approach, in order to not cause any damage on the established and profit generating activities (Frankenberger et al., 2013). Inevitably, such an approach compels managers and employees to handle both the existing and the new business model simultaneously, which has shown to cause difficulties, and not seldom tensions regarding resource allocation, organizational structure, and culture (Eklund & Kapoor, 2019).

Prior literature on innovation and organizational change has widely acknowledged that change is inherently characterized by a complex interplay of tensions (Smith et al., 2017; Visnjic et al., 2022). These tensions may exist latent in the organization, where a change process can make them become salient and challenging to manage (Smith & Lewis, 2011). A large number of studies on tensions, focuses on inter-organizational tensions, that is, tensions between the focal firm and other firms (Stål et al., 2021; Gnyawali et al., 2016; Tidström, 2014; Austen, 2018). Additionally, other scholars discuss tensions related to circular and more sustainable BMs (van Bommel, 2018; Stubbs, 2019), and intra-organizational tensions, specifically focusing on the tension between managing exploration and exploitation activities simultaneously (Mathias et al., 2018; Eriksson & Szentes, 2017; Andriopoulos & Lewis, 2009). However, while there is some understanding of the tensions that can become salient when adopting a new BM, there is limited knowledge about the intra-organizational tensions that might surface during a BM transition (Visnjic et al., 2022). Effectively managing these tensions is crucial for facilitating successful BMI (Sund et al., 2016; Sund et al., 2021), and managers are therefore instrumental in anticipating and addressing these tensions to ensure a smooth transition to the new BM.

1.2 Problem Formulation

Engaging in BMI is important for firms to remain competitive in the market (Sund et al., 2016), but incumbent firms have been stated to encounter multiple difficulties when pursuing BMI and with a high likelihood of failure (Gilbert, 2005; Haftor & Climent Costa, 2023). There are relatively few studies that focuses on the BM transition, meaning moving from one BM to another, which may pose even greater challenges than solely adding a new BM (Sarasini & Linder, 2016), as they involve the simultaneous management of two models without clear separation (Visnjic et al., 2022). However, the process of implementing BMs still seems to be poorly explored, where not much is known what intra-organizational tensions firms face during the BMI process (Broekhuizen et al., 2018; Berends et al., 2016; Birkinshaw & Goddard, 2009). Additionally, scholars have devoted less attention to intra-organizational tensions during the BM transition (Visnjic et al., 2022). The effective management of these tensions is of strategic importance for incumbent to sustain value creation (Sund et al., 2021), where specifically middle managers play an important part in BMI implementation, linking and enabling strategy

to implementation (Floyd & Wooldridge, 1992). Further research is therefore required to fully comprehend the intra-organizational tensions that may emerge during BM transition and how they influence the BMI process in an incumbent firm.

1.3 Research Questions

With previous problem formulation stated, this research, therefore, seeks to answer two research questions:

- **RQ1:** *"What intra-organizational tensions do middle managers face in a business model transition in a large incumbent firm, and what triggers them?"*
- **RQ2:** *"How do these tensions influence the implementation?"*

To answer these, this study conducts a single case study of an IT-unit in a large incumbent firm within the Information and communications technology (ICT)-industry, pursuing a BM transition.

1.4 Purpose & Expected Contributions

This study aims to contribute to this above-mentioned gap in the literature (*see figure 1 for an overview of the research structure*). This is considered important from both a theoretical and practical perspective.

From a theoretical perspective, this research delves deeper into the BMI process of an incumbent firm, and particularly a BM transition (moving from BM1 to BM2), instead of focusing on BM addition (adding BM2, while keeping BM1 stable). This is an important area to investigate as a BM transition implies higher complexity (Sarasini & Linder, 2016), since the firm needs to balance BM1, which it is dependent on for revenues, while transitioning to BM2 (Frankenberger et al., 2013). Therefore, this study's intention is to provide valuable insights into the BM transition process and the potential tensions that may arise, which can enhance the theoretical understanding of the BMI process in an incumbent firm.

From a practical standpoint, the findings from this study can be beneficial for incumbent firms undergoing or planning to undergo a BM transition. The knowledge gained from this study can help managers to anticipate and manage the tensions that may arise during the transition process, which ultimately can facilitate the ease of the BMI process.

Literature field	Business model innovation (BMI) <i>As a dynamic process/implementation</i>
Empirical context	BM Transition <i>Moving from BM1 to BM2</i>
Phenomenon	Intra-organizational tensions <i>Experienced by middle managers during BM transition</i>
Research question	<i>"What intra-organizational tensions do middle managers face in a business model transition in a large incumbent firm, and what triggers them?"</i> <i>"How do these tensions influence the implementation?"</i>

Figure 1 - Overview of research structure

1.5 Delimitations

The present study delimits its scope to the perspective of middle managers, thus excluding the views of front-line employees, which are also significant in BMI. Additionally, the customer perspective and external activities are excluded as the study concentrates on internal activities. Moreover, the study is limited to exploring the tensions that arise during the BM transition, while disregarding other possible intra-organizational tensions. Lastly, the focus of the study is on the implementation and transition between business models, excluding the phases of idea generation and development of a new BM.

2. Literature Review

This section outlines prior literature discussed about BMI and organizational tensions. Section 2.1. presents what BMI is and how the literature has viewed BMI, specifically focusing on BMI as a dynamic process in incumbent firms and the BM transition. Section 2.2 presents the organizational tensions during change found in literature.

2.1 Business Model Innovation

2.1.1 BMI as a concept

The concept of Business Model Innovation (BMI) has increasingly gained attention in the academic literature (Spieth et al., 2014; Foss & Saebi, 2017), where exploring new business models (BM) is a way for firms to remain competitive in the market (Sund et al., 2016). While the business model can be described as how the business creates and delivers value to customers (Teece, 2010; Foss & Saebi, 2015), BMI has been referred to as “designed, novel, nontrivial changes to the key elements of a firm’s business model and/or the architecture linking these elements” (Foss & Saebi, 2017, p. 201).

Firms can achieve BMI through several ways, such as exploring new value propositions, deploying value propositions in new segments, changing the value chain, or experimenting with alternative revenue models, but the logic stems from finding new ways of creating and capturing value (Sund et al., 2016). Research about BMI has often been explored in the context of responding to external pressure, such as new market conditions, intense competition, and disruptive innovation (e.g., Sosna et al., 2010; Mao et al., 2020; Saebi et al., 2017). Such pressures are commonly addressed by adjusting or innovating the product or service offered to the customer (Mitchell & Coles, 2004; Chesbrough, 2010; Pynnönnen et al., 2012). However, improving the process of developing new offers can also be referred to as BMI, since increased operational efficiency and innovation of internal processes can lead to increased profit margins and value capture (Mitchell & Coles, 2004; Amit & Zott, 2010; Amit & Zott, 2012; Haftor & Climent Costa, 2023). Hence, BMI is important for firms both external and internal activities to stay competitive in the market.

2.1.2 BMI as a static view or dynamic process

The existing research within BMI often adopts a static view of BMI or view BMI as a dynamic process (Foss & Saebi, 2017). The static view is mostly focused on identifying new types of innovative ventures that can affect firm performance, whereas the dynamic view portrays BMI as an organizational change process (Foss & Saebi, 2017), which can be described in terms of four stages, namely, initiation, ideation, integration, and implementation (Frankenberger et al. 2013; Björkdahl et al., 2022). Studies adopting the dynamic view seem to focus on the first

stages of the BMI process, such as the idea generation of new business models (Frankenberger et al., 2013; Evans & Johnson, 2015; Foss & Saebi, 2016; Cavalcante, 2014). However, the last stage of the BMI process, implementation, is stated to be poorly explored, where not much is known what dilemmas firms face during the BMI journey (Broekhuizen et al., 2018; Berends et al., 2016; Birkinshaw & Goddard, 2009). One study that specifically explores the implementation phase of BMI states that a cautious approach can be favorable instead of using an aggressive big bang approach, but that there are challenges with such an approach (Frankenberger et al., 2013). These challenges are often associated with ensuring that the organization learns from each step in the implementation and uses the knowledge to fine-tune or make bigger adjustments to the BM if needed (Frankenberger et al., 2013). Another challenge in business model implementation is related to overcoming internal resistance and convincing the organization to commit to the implementation, but also to receive resources and investments (Frankenberger et al., 2013).

2.1.3 BMI in incumbent firms

A large number of studies on BMI has been stated to evolve around innovative start-ups and the creation of new BMs (Amin & Zott, 2010; Foss & Saebi, 2016; Sund et al., 2021; Kirtley & O'Mahony, 2020), where less devotion has been given to incumbent firms that already have established BMs (Sund et al., 2021; Kim & Min, 2015). However, incumbent firms face specific challenges when engaging in BMI (Chesbrough, 2010, Velu & Stiles, 2013; Haftor & Climent Costa, 2023) and face high failure rates (Gilbert, 2005; Haftor & Climent Costa, 2023).

Previous literature states that challenges that incumbent firms face when engaging in BMI relate to dealing with organizational inertia and lock-in effects created from the previous BM (Sosna et al. 2010). This often takes form in either resource rigidity, implying challenges in changing resource allocation patterns, or routine rigidity, where the firm's processes are tightly coupled to its environment making them difficult to change (Gilbert, 2005). Such conditions often make it difficult to integrate a new BM in existing organizational structures and complicates the possibility to fully understand or anticipate implications (Chesborough, 2010; Frankenberger et al., 2013). Other impediments mentioned in the literature are insufficient top management support, decision-making autonomy, and resource constraints (Sund, et al., 2021; Frankenberger et al., 2013). This calls for organizational realignment, mobilization of scarce resources, developing unique competencies and adjusting organizational structures (Sosna et al. 2010).

Moreover, prior work that has explored BMI in incumbent firms, have often focused on successful cases (e.g., Amit & Zott, 2012; Haftor & Climent Costa, 2023; Sabaruddin et al., 2022). A possible reason for this is that BMI is often looked at retroactively, which might encourage survivorship bias, implying that only successful cases, that managed to navigate through the process, are being investigated (Rohleder et al., 2011). The lack of research on

incumbent firms and the implementation phase is thereby surprising since many BMs fail during this stage (Broekhuizen et al., 2018).

2.1.4 Business Model Addition and Business Model Transition

When examining prior research focusing on the implementation of BMI in incumbent firms, it seems to circulate around around two broader themes: (1) *business model addition*, which means pursuing an additional BM, where the original BM remains more or less unchanged and is managed simultaneously as the new is being added (Kim & Min, 2015), and (2) *business model transition*, which can be described as an incremental and experimental change process from BM1 to BM2 (Kirtley & O'mahony, 2017; Manders et al., 2020). However, this is not always straightforward and sometimes it is not clear if the firm will choose one BM over the other (e.g., Eklund & Kapoor, 2019).

Many scholars have focused on BM addition, where the firm often pursues an additional BM in the response to external pressures such as fierce competition and disruptive innovation (Kim & Min, 2015; Markides & Charitou, 2004; Velu & Stiles, 2013). Some researchers have also highlighted the need for structural separation of the two BMs (Gilbert, 2005; Amit & Zott, 2010; Bock et al., 2012), which has been argued to be challenging due to the risk of destroying value and mismanaging the BMs since they might compete in the same market (Markides & Charitou, 2004).

However, less research seems to explore the BM transition, which has been an imperative for many firms seeking competitive advantage (Carlborg et al., 2021). This is different from BM addition since the organization is trying to fundamentally change their established BM to a new BM, which may be more challenging than only adding a new BM (Sarasini & Linder, 2018). BM transition can also be done through structural separation, but some firms choose to implement the new BM incrementally to minimize transition costs (Khanagha et al., 2014), and to avoid disrupting the profit generating activities (Frankenberger et al., 2013). Implementing the BM incrementally, implies that there is a period where the organization might have to deal with two BMs simultaneously (Visnjic et al., 2022), meaning that some of the challenges that arise during BM addition also can become evident. An important notion with this approach is that the firm is trying to change the BM, instead of competing with two BMs.

Research on BM transition have focused on how the firm is organized structurally (Khanagha et al., 2014), challenges that firms face during the transition period, specifically the adjustment costs and conflicts between managers because of limited resources (Manders et al., 2020; Eklund & Kapoor, 2019), as well as exploring how firms can innovate their BMs when they are dependent on the established one for revenues and profits (Sosna et al. 2013). However, as the BM transition process involves both changes between different interconnected components in the business model, as well as interactions between the actors involved in the process, it is seen as highly complex (Manders et al., 2020), and calls for further research.

2.2 Organizational Tensions during Change

In the organizational literature, it has been widely recognized that innovation and change involve a complex interplay of tensions, conflicting demands, dilemmas, and contradictions (Smith et al., 2017; Visnjic et al., 2022; Sheep et al. 2017). Organizational tensions are often described as an inherent part of the organizational life that arise from different goals, structures, and values (Fairhursts et al. 2016). Moreover, tensions are commonly referred to as paradoxical (Smith & Lewis, 2011), seen as social complex constructs and based on the assumption that their complexity can not be solved with traditional problem-solving methods (Fairhursts et al. 2016; Smith & Lewis, 2011). Additionally, organizational tensions can arise at many different levels such as between employees, between the individual and the group, as well as between firms and actors (Galati et al., 2021; Smith et al., 2017). Organizational tensions can further be categorized into four different categories of organizing, learning, performing, and belonging (Smith & Lewis, 2011).

2.2.1 Different types of Organizational Tensions

Several different types of organizational tensions have been discussed in previous literature. Some scholars have focused on inter-organizational tensions, which means tensions between the firm and other firms (Stål et al., 2021; Gnyawali et al., 2016; Tidström, 2014; Ghosh, 2018; Austen, 2018; Galati et al., 2021), while others have focused on intra-organizational tensions (Schreyögg & Sydow, 2010; Broekhuizen et al., 2018; Eriksson & Szentes, 2017). As this study focuses on BMI in an internal context, next sections will focus on previous literature about intra-organizational tensions.

2.2.2 Intra-organizational Tensions and Change Management

A related field to BMI is change management as it involves implementing organizational transformations to adapt to internal or external challenges. In this context, intra-organizational tensions are stated to stem from various sources. First, conflicting goals and priorities among different organizational levels and departments can create tensions (Smith & Lewis, 2011; Meyer, 2006; Fairhursts et al. 2016; Panayiotou et al., 2019). Senior leaders may prioritize strategic objectives, while middle managers focus on operational efficiency, leading to power struggles and resource allocation disputes (Meyer, 2006). Second, employee resistance to change can result in tensions as individuals fear job insecurity, loss of control, or unfamiliarity with new processes (Todd, 1999; van Dijk & van Dick, 2009). Thirdly, intra-organizational tensions can arise due to middle managers pulling in different directions due to unclear descriptions of the implementation (Meyer, 2006; Tóth et al., 2018). Lastly, the ambiguity and uncertainty associated with change efforts can generate tensions and anxiety among employees (Kotter, 1995).

Several triggers can also activate and intensify intra-organizational tensions during organizational change. Existing literature highlights that communication gaps and inadequate

stakeholder engagement can foster misunderstandings and fuel tensions (Lewin, 1946; Kotter, 1995; Meyer, 2006), where insufficient information about the change process, its rationale, and anticipated outcomes can contribute to diverse interest pulling the change initiative in different directions (Meyer, 2006). The absence of top management involvement during the implementation processes can evoke tensions (Meyer, 2006). Moreover, organizational structures that hinder collaboration and decision-making may lead to tensions as employees struggle to align their actions with the change objectives (van der Voet, 2014).

It can be thus concluded that there is rather extensive research focusing on intra-organizational tensions within the field of change management and organizational change. However, less attention has been given to the intra-organizational tensions in the field of BMI and how it impacts an organization undergoing a BM transition.

2.2.3 Intra-organizational Tensions in BMI and the research gap

Scholars who have investigated organizational tensions in BMI, have recognized that the introduction of a new BM, whose goals and practices are in conflict with the traditional BM can result in persistent tensions (Markides & Charitou, 2004; Sjödin et al., 2020; Velu & Stiles, 2013). Additionally, previous research states that resource tensions can emerge, due to the challenge of allocation resources between the established and the new BM (Visnjic et al., 2022). However, most organizational tensions in the BMI literature often relate to the inter-organizational tensions as highlighted above, or tensions related to BM addition. For instance, many scholars have studied tensions related to exploration-exploitation (Mathias et al., 2018; Eriksson & Szentes, 2017; Andriopoulos & Lewis, 2009). As a conclusion, even though the intra-organizational tensions are rather explored within the field of change management, there is scarce literature within the BMI field that explore intra-organizational tensions and how it impacts the implementation of a new BM.

3. Research Methodology

This section outlines the methodological choices that have been made. Section 3.1 describes why the method employed was considered appropriate for this research, section 3.2 motivates the use of a single case study, section 3.3 describes the choice of case company and the empirical context. Further, section 3.4 goes through the method of data collection and analysis, and lastly, section 3.5 presents the quality considerations of this paper.

3.1 Methodological fit

This paper aimed to research a relatively underexplored phenomena, namely, the BM transition, including the intra-organizational tensions that middle managers face during the implementation phase and how they influence the BM transition. To understand such phenomena, an inductive approach, and thereby a qualitative research strategy, was considered most suitable. This choice is particularly suitable when limited prior research exists on the topic, as it allows to explore and generate insights without relying heavily on existing literature (Bell et al., 2018). In addition, given the limited existing research on the topic, a quantitative and deductive approach was deemed inappropriate, as it relies on testing hypotheses numerically through data collection and analysis (Bell et al., 2018).

Another dimension of the research topic in this study is that tensions can be described as inherent to the organization, or socially constructed by people (Smith & Lewis, 2011). This implies that tensions have a complex and multifaceted nature that might not be apparent or evident for middle managers. To account for this complexity, an interpretivist perspective was adopted, recognizing that social reality is subjective and influenced by individual perceptions. This approach was adopted to provide a nuanced understanding of the social phenomena, by exploring its complexity and gaining interpretative insights (Bell et al., 2018). Furthermore, given the complex nature of tensions (Smith & Lewis, 2011), a qualitative study was deemed appropriate as it offers the opportunity to delve deeply into the topic (Saunders et al., 2012). This approach facilitates a comprehensive understanding of the challenges and problems encountered by middle managers, thereby uncovering multiple tensions that are directly associated with the ongoing business model implementation. Moreover, qualitative research is exploratory or explanatory in its nature, where the exploratory strategy can be conducted through using open-ended interview questions to gather information about the area of interest (Bell et al., 2018). This study, thereby, used this strategy in order to explore the research questions through semi-structured interviews with middle managers in a large incumbent firm.

3.2 Single Case Study

To accomplish the research objective of this paper, a single case study approach was employed. This approach allows for the collection of detailed and comprehensive data from various sources, such as interviews, observations, and documents, enabling triangulation of findings and enhancing the study's validity (Bell et al., 2018). The decision to use a single case study approach was driven by the need to thoroughly examine the tensions faced by middle managers during a BM transition within a specific context.

This research specifically utilized a *revelatory case*, which is described as suitable when an investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation (Bell et al., 2018; Yin, 1984). The revelatory case is therefore commonly used in qualitative interpretative research. Moreover, the comprehensive exploration of their middle managers experiences deepened the authors understanding of how these tensions influence a BM transition. This approach aligns with the qualitative research tradition, which emphasizes the importance of rich and detailed data that can provide insights into complex phenomena (Yin, 2009). As such, it allows for a thorough exploration of the research question while maintaining a good level of validity and reliability.

While a multiple-case study design could be considered to draw more generalizable conclusions (Bell et al., 2018), one of the strengths of this report lies in the researchers' ability to examine the BM transition as it unfolded. It would have been challenging to find multiple organizations undergoing similar transitions simultaneously during the study period, making the single case study approach more appropriate.

3.2.1 Unit of analysis

In research design, it's important to clearly identify the unit of analysis (Bell et al., 2018). In this study, the unit of analysis is middle managers in an incumbent firm undergoing a business model transition. Middle managers are well-suited to provide insights into the tensions that arise during this process, as they often coordinate and execute the changes required by the new business model (Balogun, 2003; Conway & Monks, 2011). Considering the study's specific focus on an IT unit within a large incumbent firm, the involvement of middle managers is of utmost importance. Middle managers hold a pivotal position in the organization, as they bear the responsibility of effectively managing change and successfully implementing the new business model within the complexities of the organizational environment.

3.3 Empirical Context

3.3.1 Choice of Case Company

The chosen case for this research is an IT-unit at a multinational incumbent firm operating in the ICT-industry. This case company was mainly chosen due to the fact that the IT-unit is undergoing a BM transition where the researchers got the opportunity to examine this process live, but other factors impacting the choice were size and organizational complexity. The BM transition involves implementing new internal processes and structures to increase the efficiency of operations to ultimately increase value creation and capture within the company. Such changes in internal processes and operations is in line with what previous research describes as one type of BMI (Mitchell & Coles, 2004; Amit & Zott, 2010; Amit & Zott, 2012; Haftor & Climent Costa, 2023), and is therefore considered a highly relevant context for this research.

The operational activities in this particular case can be conceptualized as a dynamic shift from an existing business model to a novel one, commonly referred to as a business model transition. This implies that it becomes imperative to effectively manage both business models (BMs) concurrently, whereby the existing BM is maintained to generate funding, while concurrently experimenting with the new BM on an exploratory basis. This case offers a great opportunity for the authors of this study to observe a BM transition in progress (live) where only looking at this case in isolation gives the authors opportunity to understand a BM transition and the tensions that may emerge, in greater depth and detail (Bell et al., 2018). Overall, the chosen case was argued to provide a valuable context for investigation to fulfill the research objectives of the paper.

3.3.2 Case Description

The IT-unit consists of several separate business units (BUs) providing different IT services and solutions, such as hardware, data & analytics services and AI/ML solutions, to other internal business functions, eg. supply, sourcing and finance functions.

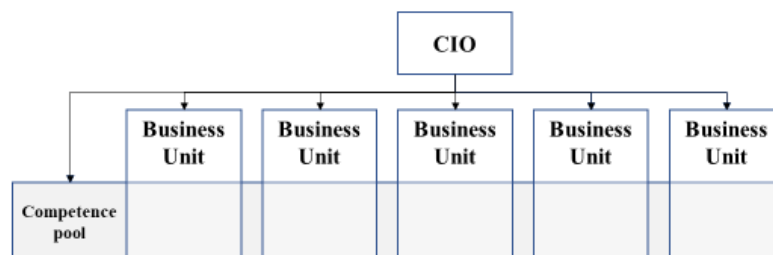


Figure 2: Simplified overview of the established organizational structure in the IT-unit

As *Figure 2* illustrates, the IT-unit has historically been structured into vertical units, each specializing in specific technologies and solutions, with one competence pool providing internal human resources across BUs.

3.3.3 The Business Model Transition

The BM transition was initiated in 2020, where the BM1 has been kept to continue ongoing operations, while BM2 was added and has been experimented with since then. This means that the two BMs are currently coexisting in the IT-unit. Below each BM will be explained in detail.

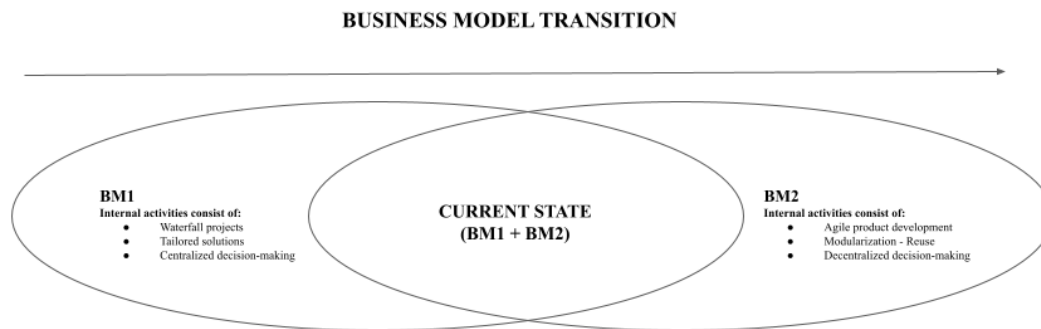


Figure 3: Current state - BM transition

3.3.3.1 BM1: The established business model

The established BM can be seen as *project-oriented*, following a waterfall approach where projects have a clear start and finish date with several control-checks in-between. In this model, services are provided tailored and customized for the unique requirements and specific challenges and pain points experienced by business functions within the organization (a.k.a. customers for the IT-unit). This tends to lead to low possibilities of replication or reuse of the solutions delivered. Moreover, the decision-making in this model is commonly centralized, with a lot of decisions taken at the top and cascaded down through the organizational layers. Furthermore, the organization's allocation of funds among the business units (BUs) within the IT unit is influenced by the assessments made by top management regarding the areas deemed in need of financial resources. However, it is noteworthy that the IT unit also obtains financial resources (value capture) from the BUs that benefit from the solutions provided. Consequently, the BUs rely not only on the internal funding system within the IT unit, but also on receiving funding from other BUs across the entire organization. Moreover, in the current established model, the BUs operate independently, often working within their respective silos and utilizing specific technologies.

3.3.3.2 BM2: The new business model under implementation

The BM under implementation is called a *product oriented operating model*, aimed at creating products and services in a manner that allows for the reuse of components once created. This can also be seen as a more modular way of creating products. This approach aims to increase the value capture by eliminating the need to create products from scratch every time which is costly. Under this model, the organization is divided into two distinct components: the 'What' and the 'How' (see figure 4). The 'What' represents product areas that focus exclusively on engaging with customers through cross-functional product teams, focusing on product development, life-cycle management, and maintenance, ultimately to increase customer satisfaction. The 'How' component comprises a collection of chapters (specific competence pools with human resources), which provide the product areas with the necessary expertise and competence to deliver their products effectively. The aim with this way of organizing is to enable resource fluidity, which implies that competence is not stuck in one area, but is flexible to move across the different units to utilize the competence where it is most needed. This model encourages a more decentralized decision-making by eliminating layers within the organization to promote speed, efficiency, and ultimately, increase value creation for customers. This model can also be called a more 'agile' model, which means that employees are working cross-functional with the products in a more iterative manner, and in shorter time-frame than normal projects, where planning is made throughout the product development in order to be able to adjust quickly to changes in requirements.

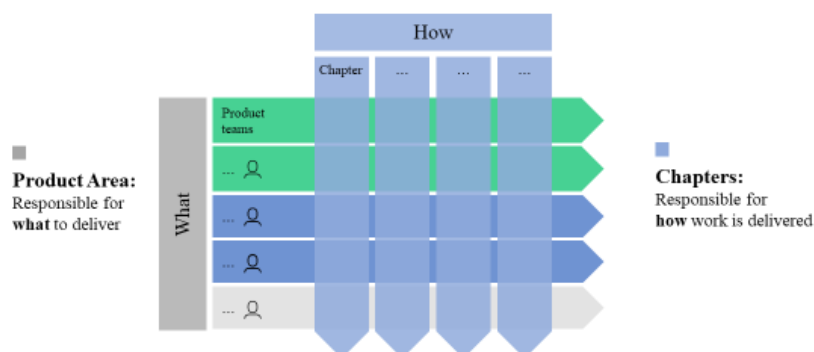


Figure 4 - Overview of organizational structure in BM2

3.4 Data Collection & Analysis

3.4.1 Sample Selection

To select participants from the population, the authors employed a judgmental sampling approach. This approach involves selecting participants based on their extensive experience and expertise within the topic of interest (Bell et al., 2018). In this case, the authors used personal judgment to identify cases that they believed would help answer their research questions. The judgmental sampling approach was deemed appropriate for this qualitative and exploratory study since it provided the best opportunity to generate meaningful findings related to the research topic.

Moreover, this sampling approach allowed the authors to select middle managers located within different BUs within the IT unit that has initiated BM2. Thereby, this sampling method enabled the authors to pick people who had experience with the change to BM2. This approach ensured that the selected participants had extensive experience and knowledge relevant to the research questions and provided a rich and insightful dataset for analysis.

3.4.2 Data collection

The data was collected through 28 semi-structured interviews with middle managers at the case company. In qualitative research, interviews have been identified as a primary means of data collection (Bell et al., 2018), to provide researchers with reliable and valid data relevant to the research topic, while affording a deeper understanding of the subject matter (Saunders et al., 2012). Semi-structured interviews are also at heart of the qualitative work (Gioia et al., 2013).

Although this method has low levels of standardization, the authors used an interview protocol (see appendix 1) with some main questions, supplemented with additional questions developed during the interview. The initial interview protocol was quality checked during a pilot interview, to understand how well the questions filled their purpose to answer the research question, as well as to make the researchers comfortable in the research setting. The interview guide was slightly adjusted as the interviews proceeded to make sure that focus was kept on relevant topics in order to identify possible tensions, but also to let the interviewee guide the questions. Revision of the interview protocol is important to make sure that one is following where the informants lead the interview and not ending up adhering to a misguided protocol that is not relevant (Gioia et al., 2013).

Semi-structured interviews generally encompass three types of questions: open, probing, and specific/closed questions (Bell et al., 2018). The use of open-ended and probing questions allowed interviewees to expand on their responses rather than providing simple "yes" or "no" answers (Saunders et al., 2012). By employing semi-structured interviews, the authors gained

an in-depth understanding of the managers perception of emerging tensions in an IT unit undergoing BMI, which was crucial in order to answer the research questions.

The interviews were in general one hour long and probed middle managers' experiences of the BM transition, where the authors took notes and recorded the interviews through Teams. Through these interviews, the authors of this study also got the names of other potential candidates that had been important in the BM transition which led to more interviews being scheduled, as well as enriched the authors understanding of the implementation and the tensions that middle managers faced. Through focusing on different focal roles in the implementation, this led to a more holistic perspective of the tensions middle managers faced. An overview of the interviewees is provided in *appendix 2*.

To avoid the potential of single-source bias (Eisenhardt, 1989; Yin, 1994) and to gain contextualization of the topic, the authors also collected secondary data about the BM transition and BM2, where a specific 'blueprint', explaining the new BM, provided by the case company was read in detail, as well as information available on the intranet of the company.

3.4.3 Data Analysis

The interviewing and data analysis processes were conducted simultaneously, following the recommendations of established scholars (Lincoln & Guba, 1985; Gioia et al., 2013). Upon completing multiple interviews, the initial transcripts were generated using Microsoft Teams. The authors thoroughly reviewed and made corrections to these transcripts by referring back to the recorded video format of the interviews. Subsequently, these transcripts were uploaded into Quirkos for the purpose of coding the data, and this process was repeated as additional interviews were conducted.

In order to make sense of the data and to achieve rigourness in the qualitative data, the authors followed the approach laid out by Gioia et al. (2013). The Gioia method was argued to be a powerful and rigorous tool to investigate tensions in a BM transition that managers face and to develop a deeper understanding of how these influence the implementation of the new BM. The authors categorized the data first separately, and then compared with each other to make sure that the coding of the empirical data had been understood similarly. This was done based on the method Gioia's guidelines (Gioia et al., 2013), where the authors developed several initial first-order categories, staying referent to the interviewees own words without involving prior theory. This is to make sure that the interviewees' voices are represented and to create an opportunity to find new concepts rather than confirming existing concepts (Gioia et al., 2013). The authors had several conversations about these categories to make sure that they represented the data correctly, and disagreements were resolved through discussion and mutual coding. These first-initial categories were then grouped into a more manageable number of first-order categories, more specifically, 38 first-order categories, which then were grouped into 12 first-order concepts through seeking similarities and differences amongst them (Gioia et al., 2013).

Later on, these were formed into 12 second-order themes, where three aggregate dimensions were identified which were triggers to the intra-organizational tensions, intra-organizational tensions, and outcomes of the intra-organizational tensions.

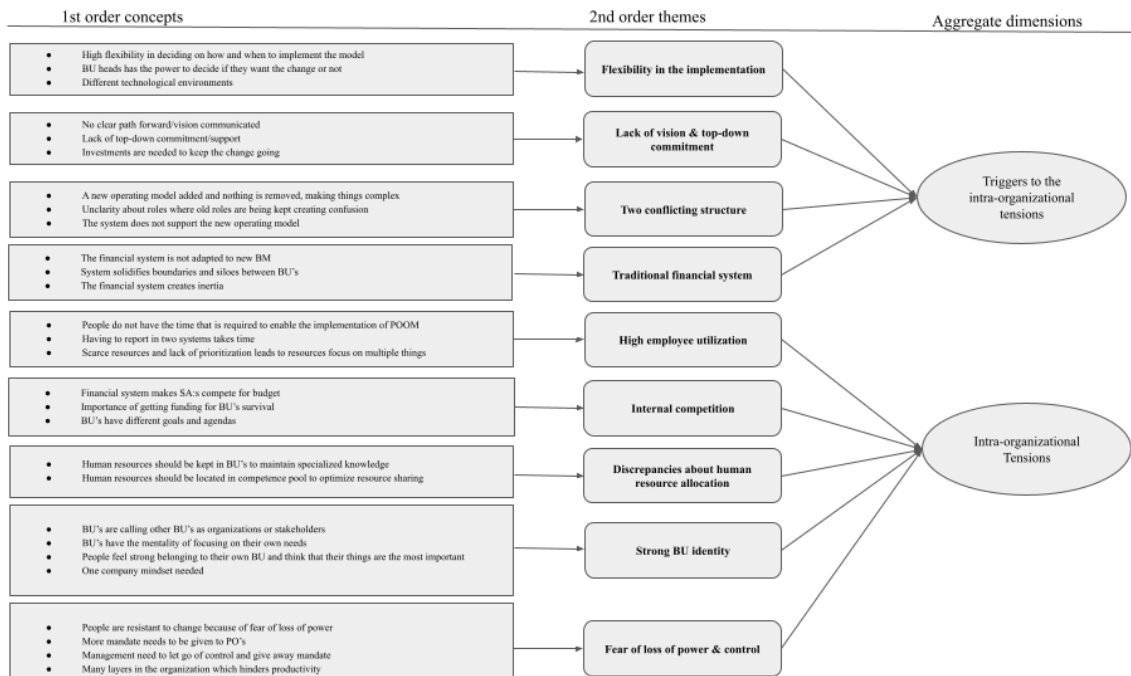


Figure 5a - Data analysis

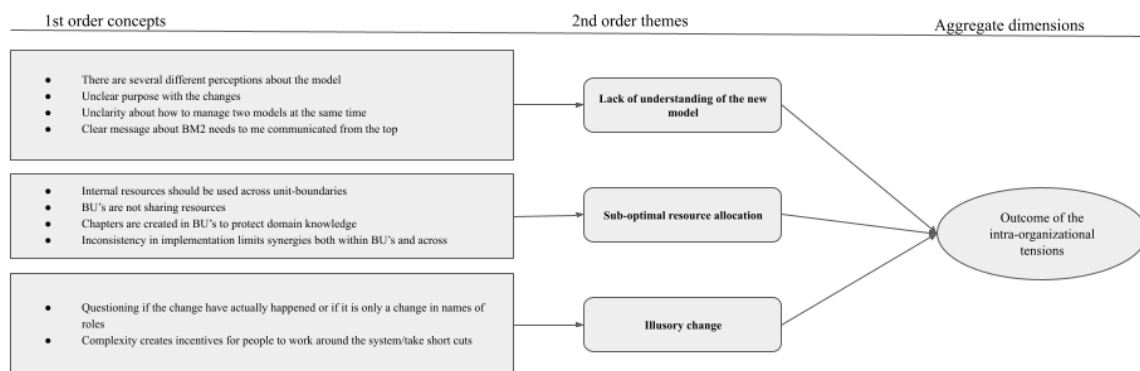


Figure 5b - Data analysis

3.5 Quality Considerations

3.5.1 Credibility

Credibility of data involves stressing that the findings of the study accurately reflect the experiences and views of the participants in the sample (Lincoln & Guaba, 1985). The researchers engaged in triangulation and coded the data separately to then engage in mutual discussions to ensure that the data was credibly represented. Since the qualitative approach has been discussed as lacking scholarly rigor and meeting high standards, it is important to be transparent about the research process (Gioia et al., 2013). The researchers therefore coded the data according to the Gioia method, which has been considered as a way to rigorously show the connection between data and theory (Gioia et al., 2013). The authors also made sure to collect enough data to reach saturation to fully explore the research questions. For instance, when the authors felt that they had reached saturation, they engaged in two more interviews to make sure that no new insights were gained.

3.5.2 Confirmability

Confirmability means that the research process is transparent where the outcomes are founded on the gathered data and not on the researcher's prejudices or preconceptions (Lincoln & Guaba, 1985). The authors of this study made their best efforts to ensure that the data had been transparent while remaining the anonymity of the participants. For example, quotes have been provided in the empirical findings in combination with *appendix 3* to provide additional transparency and insights into what the participants stated. In addition, the authors asked open-ended questions in order to avoid asking misleading or confirming questions.

3.5.3 Transferability

Transferability involves to what extent the research findings can be applied to other contexts, which is a commonly discussed issue in the case of a single case study (Harley et al., 2018). In fact, the authors acknowledge that this case may not be representative for all incumbent firms undergoing BM transition. However, transferability is dependent on if the authors of the research have provided enough information about the context, also referred to a “thick description” (Lincoln & Guaba, 1985). In the case of this report, the researchers aimed to provide an extensive description of the case, the two types of BMs involved, and the current stage of the implementation. This allows the reader to determine how well the application of the findings can be done in other situations.

3.5.4 Ethics

Ethics in research means making sure that the research is conducted with ethical considerations, where in a case study it is important with thick descriptions, but also to ensure and maintain the anonymity of the individuals involved (Lincoln & Guaba, 1985). To ensure ethics in the study, the researchers tried to provide as in-depth descriptions of the context as possible, but also

assured anonymity of both the case company and the interviewees, where the interviewees also had to both verbally confirm that they agreed upon doing the interview but also signed an informed consent. The data is also to be deleted after the paper is done.

4. Empirical Findings

This section will present the empirical findings from this study. Section 4.1 explains how the empirical findings will be presented and how it was derived from the data analysis. Section 4.2 identifies the four main triggers for the intra-organizational tensions, section 4.3 outlines the intra-organizational tensions that were identified, and lastly, section 4.4 presents the associated outcomes of the intra-organizational tensions found.

4.1 Structure of Empirical Findings

This section will present the empirical findings of this research, which explores the intra-organizational tensions that emerge in a BM transition faced by middle managers. The data analysis, based on Gioia's methodology, enabled a comprehensive deep dive in understanding these tensions, and consequently, identified four triggers, five tensions, and three outcomes. To enhance clarity and comprehension for the reader, this section will present the findings of the study structured in the second-order themes from the data analysis, recognizing the interconnected nature of these themes.

The four triggers of tensions that were discovered include '*flexibility in implementation*', '*lack of vision and top-down commitment*', '*two conflicting structures*', and the influence of the '*traditional financial system*'. Furthermore, the analysis revealed five key intra-organizational tensions that middle managers encounter in this context. These tensions encompass '*high employee utilization*', '*internal competition*', '*discrepancies about resource allocation*', '*strong BU identity*', and '*fear of loss of power and control*'. Lastly, the authors of the paper explored three important outcomes arising from these tensions. These outcomes include a '*lack of understanding of the new business model*', '*sub-optimal resource allocation*', and the emergence of '*illusory change*' within the organization.

During the course of the analysis, multiple diverse tensions emerged from the empirical data, underscoring the intricate and multifaceted nature of intra-organizational dynamics. However, for the specific scope of this study, the authors of the paper chose to focus solely on tensions directly associated with the BM transition. These particular tensions were deemed vital due to their profound influence on the success and efficacy of the transition process. Additionally, it is noteworthy that while some of the identified tensions may not have represented entirely novel contributions to the existing literature, their inclusion in this study was substantiated by their interconnectivity with other tensions and their consequential relevance in comprehending the broader implications of tensions in the context of a BM transition. Moreover, by examining these tensions within the contextual setting of their interactions and interdependencies, the authors could gain a more comprehensive understanding of how they collectively shaped and influenced the BM transition process.

Subsequent sections will delve into an exploration of each trigger, tension, and outcome individually. This will be accomplished by providing illustrative quotes and statements that highlight their emergence from the data.

4.2 Triggers to the Intra-organizational Tensions

This section will go through the main triggers that were found in this study that made the intra-organizational tensions salient. Four main triggers were found and will be discussed in this section, namely, '*flexibility in the implementation*', '*lack of vision and top-down commitment*', '*two conflicting structures*', and '*traditional financial system*'.

4.2.1 Flexibility in the Implementation

The interviewees claimed that a high level of flexibility has been given in the implementation, both to decide if the BUs should adopt BM2, but also flexibility in how to implement it.

*“This far at least, it is **not that organized or coordinated**. It is very **optional** and **flexible** for me to **choose my own toolkit**.”* - Interviewee B

Flexibility was also seen as something positive, where interviewees highlighted that they could decide what was needed and adopt the new model in the best way to fit their BUs.

*“It is that our system **allows for flexibility**, which is a **valuable thing** in this company. We have that level of **flexibility** because we trust our employees, my boss trusts me. He gives me the mandate, he gives me the **flexibility** so I can **apply my thinking** and **my prioritization** to what I do. We get some space to maneuver. We know the group direction but we also have to understand what's the **best we need** [in the BU] and how to prioritize.”* - Interviewee Å

Additionally, some of the interviewees stated that it will not be possible to apply the model in the exact same way across the BUs since they were argued to have different technological environments, emphasizing the need for the flexibility. However, this was said to limit the possibilities of a joint model.

*“I think we see it **differently** and see **different needs**. And we're also **different BUs**, right, so we have **different assignments** and **different products**. But now I don't think we'll see a **joint model**.”* - Interviewee J

In summary, it was shown that middle managers had been given a high level of flexibility in choosing when and how to implement BM2.

4.2.2 Lack of Vision & Top-down Commitment

The interviewees stressed the importance of having a common vision to work towards to enable successful operations and synergies across BUs. However, the vision seemed to be vaguely communicated, or barely existing, for the implementation.

*“To be honest, after working with this for a long time, I **don't think we have a clear vision.** The outcome, **if we succeed, will be speed.** There will be **synergies**, it will be **good for the employees** when it comes to the **career model** and we can **deliver much faster things.** But I **don't really see the vision.** It may be due to the cost pressure that the company has today.” -*

Interviewee W

The missing or unclear vision, was also stated to be related to that there had not been much top-down commitment in this transition and that more support was needed to be given to BM2.

*“There **needs to be a top-down commitment**, right, that the leadership team understands **what it's all about and believes in the idea and supports the organization** to get moving.” -*

Interviewee J

Moreover, it was mentioned by interviewees that the implementation was affected by current budget constraints, leading to several change initiatives being paused, and that more investments needed to keep the transition going.

*“There are **other things on mind right now**, **budget** is one of them to **reduce our budget.** So a lot of **transformational activity across the BU** has been **taken off the radar** because of **lack of budget**, and this is also a transformation activity, right? It cannot be it... It **will not happen automatically.** You will have to involve a team of people who would execute it and how do you pay or **how do you fund** that sort of **initiative?**”- Interviewee S*

In summary, participants stated that there had been little support and guidance from top management, and that the vision of both the implementation and the BM2 seemed to be unclear.

4.2.3 Two Conflicting Structures

Many of the interviewees mentioned that adding a new BM without removing anything or adjusting any processes, had made everything more complex.

*“We do PI planning, we have backlogs, we do retros, we do everything according to the **new model.** ...What I've been **struggling** with is that we have put this in place, but we **never change the rest** of it. So we have maybe **two or three different operating models at the same time.** So if you are in this context you still **need to follow all the other models that still exist.** I **feel it's more complicated** than before from that perspective.” - Interviewee O*

Additionally, the interviewees stated that the two structures clashed since the waterfall approach (BM1) versus agile approach (BM2) are fundamentally different, leading to confusion.

*“I think we're still having **issues** with trying to **adapt to several different models**. The **processes** are **blocking** us in a way, ..., But as there are several different ways of doing things, still putting **layers of governance** and stating that we should do an **agile setup**, we have a **clash between how to govern things**. Which then makes people **needing** to work in **several ways, and several processes and not understanding things**.” - Interviewee J*

The current organizational structure was also discussed as not working well together with BM2, and that the processes needed to be adjusted accordingly.

*“But we've also figured out that yes **tweaking our systems within IT will not help**, right. It requires a substantial thing like **completely rethink and re-engineer processes**.” - Interviewee A*

Moreover, since the two BMs are different, interviewees mentioned that some roles also need to be adjusted, which was described as confusing. Interviewees stated that more clarity would be needed about who should have what role and responsibilities in the new BM.

*“You will have a business product owner, and you will have a digital product owner. What sort of **roles and responsibilities** should be kind of **split between these responsibilities**? Then in our BU, we also have [related role], it is a bit **complicated**. We have some overlaps, but yeah, these are some of the **questions that I get**.” - Interviewee E*

Ultimately, it was revealed that there were two conflicting structures and that the system, roles, and responsibilities needed to be adjusted and clarified to make things work better.

4.2.4 Traditional Financial System

The interviewees expressed that the old established financial system is not changed or adapted to enable BM2, and that the old reporting structures impacts the cross-functional collaboration negatively, since it solidifies boundaries of the BUs.

*“You're **keeping some of the reporting structures, escalation structures, which have both positive and negative aspects**. ..., Where the negative aspect is that you are just **preserving something that's already in place**, you might **solidify the boundaries of your silo, which prevents cross-functional work**” - Interviewee Q*

Additionally, the financial system was also described as making BUs compete in order to fulfill BUs own needs, as noted below:

*“I think there are some concerns. Again, maybe not on BU level, but how this model is supposed to increase alignment between the BUs. We are still, we have our BUs, and we are **still operating as we always have operated** in this company - **in siloes**. The **old financial model increases competition** between the BUs, who compete about resources to **fulfill our own needs in the BUs**.”* - Interviewee H

Moreover, interviewees also mentioned that the financial system was limiting speed and the possibility of work according to the new BM, since the budget system is not designed to flow in an agile manner:

*“**Budgets...**are they done in an **agile manner** [flowing faster] or not? We still need to do forecasting for a full year. We need to do everything, **it's very waterfall** [the old way of working]”* - Interviewee O

In sum, it was expressed that the traditional financial system made BUs compete for funding and slowed down the implementation of BM2, as well as limited the information of budget flows which is needed in BM2.

4.3 Intra-organizational Tensions

This section explores the intra-organizational tensions that were found as a result of the four triggers mentioned in the above section. Five specific intra-organizational tensions were identified and are elaborated upon in this section. These tensions include *'high employee utilization'*, *'internal competition'*, *'discrepancies about resource allocation'*, *'strong BU identity'*, and *'fear of loss of power and control'*.

4.3.1 High employee utilization

It was commonly mentioned by the interviewees that their time is currently being highly utilized, which meant that they did not have time to focus on the implementation.

"Our unit head keeps telling us we should take the lead and you know we should because we were the first movers. We should take the lead and teach the others how to do it and stuff like that. I mean it's well said but it's very conflicting because you have your own work to do and you know it's not as if you're free to go out there and educate people." - Interviewee S

At the same time, interviewees also mentioned that adding BM2, and needing to adhere to processes from both BM1 and BM2 simultaneously, led to that they needed to navigate double work tasks, leading to the feeling of being stuck and being unmotivated.

"As I said, you are in two models, which means you're stuck. You can't drop the old thing. You need to report in a new model. You need to report in the old model, which means you have twice as many meetings., So that means you're you're you're stuck in different models and it takes some time and I know I will never come to a [BM2] based upon that." - Interviewee K

Additionally, interviewees mentioned that employees were often spread out across multiple projects due to scarce human resources and not wanting to say no to an opportunity to make money for the company.

"I mean to keep things going, I do two things. One is that if both the projects have to be started and there is no other thing, we try to kind of split or kind of overstretch at a time so the same person may be working in two projects at the time. And we kind of tried to take extra load between the projects, sometimes we also get a cooling off." - Interviewee F

Interviewees also described that it is not clearly communicated what should be prioritized, which is difficult when there are scarce resources.

"I usually ask, 'OK, you want me to do this, fair enough, I can do that. But what will I not do instead?', and that I never get an answer on." - Interviewee O

Ultimately, it was revealed that there was scarce human resources and high utilization of employees' time.

4.3.2 Internal Competition

The traditional financial system was, by the majority of the interviewees, discussed as causing the BUs to compete with each other for budget. It was described that the budget was given to the ones that screamed the loudest, causing them to compete in order to get funding for their BUs products or projects.

*“Today **everyone is fighting about money** and trying to **show their case** and then they present their case with use cases and stuff.”* - Interviewee G

Additionally, the competition between BUs was further highlighted by that people between the BUs was not discussing with each other or encouraged to talk to each other as this quote highlights:

*“There is **not** that much **collaboration between the different BUs**, and **people are not encouraged to talk about what they're working on** with each other. So it's **zero collaboration**.”* - Interviewee V

The interviewees also discussed that it is very important for the BUs to focus on delivering on their own targets in order to secure more financial resources and secure the BUs survival. For some, it seemed to be the only thing of importance, which ultimately limits possible focus on collaboration across BUs.

*“The **only thing that matters** is that **my unit delivers [number] in value**. So **everybody should work towards that**. And how do you get [amount of money] in to enable the value? Then **you have to sell** so you get a new project and you need to deliver on those etcetera. So it's quite self regulating. I would say ultimately the **only thing that matters** is to **bring in business funding [to this unit]** that is to sell to our customers. **If we don't sell, we are closed down**. So that's the **only job that matters**.”* - Interviewee Ä

In summary, the interview data revealed that there was internal competition amongst the BUs due to the financial system, and because of needing to deliver on their own targets to secure more funding.

4.3.3 Discrepancies about human resource allocation

A major topic amongst the interviewees was how to best allocate human resources. In the new BM, human resources are supposed to be more fluid and to be able to work across BUs, but this was said to cause an internal debate.

*“So this is one of the **big debates** we're having **internally**. How do we make it into a more **liquid workforce** where we steer them?” - Interviewee K*

Moreover, there were two distinct opinions about human resource allocation across the interviewees. One group of the interviewees were aligned on the idea that all the chapters providing human resources to the product teams should be located in one place, and preferably in the general competence pool that the BUs historically have used to access additional human resources. It was believed that such set-up would optimize resource allocation and enable resource fluidity, cross-learning and sharing between BUs.

*“In my view, it is clear. The **chapters should be in one place**. Then we need to decide where that place is. ..., If we allow the **BUs or the product areas to also build up their own capabilities**, but if we have them in **one place**, then you can **use them across** and you can **find the synergies**.” - Interviewee W*

The other group argued that having resource fluidity, with chapters located in a general competence pool, would not work since BUs have a need for specialized competences. This group emphasized that specialized skills and expertise is best maintained within each BU, to ensure resources to be allocated in a way that supports the unique needs of each function, and some interviewees showed to have very strong feelings about it.

*“But I can conclude that the chapters that **have stayed within the respective BU to preserve and protect domain knowledge** and understanding. So it is a quite **particular experience and knowledge and skill set** that you organize in these teams, and **it has limited**... that set of skills and competences have **limited application in other contexts**” - Interviewee Q*

*“There are people who say **I will never ever** transfer my chapter into that organization [BUs]. Forget about that.” - Interviewee W*

Additionally, one interviewee argued that it would be easier if the middle manager had an own chapter with their specific competence within the BU since they have had problems with receiving human resources from the general competence pool.

*“The easiest way for me would have been **if I had a chapter in my BU**. That were **delivering the resources for me**, and I don't have that today. Even if we are working in the product oriented model [BM2]. We have **difficulties with [receiving] the resources there**.” - Interviewee K*

This revealed that there were discrepancies on how to organize human resources, where one group thought they should be placed in chapters at one place, while others argued that they needed more specialized competence and thereby, that the competence should be placed in each BU.

4.3.4 Strong BU Identity

The interviewees' way of speaking showed that they identified very strongly with and felt proud of their own BU. This became evident as most interviewees talked favorably about their own BU:

*“I think **our BU is flexible, people in this BU are flexible and adaptive to the changes. They're also more enthusiastic about and curious about what is this? What are the possibilities that can come, right? People are willing to try and explore.**”* - Interviewee E

The BU identity was also evident in how the interviewees stated that their BU is considered good, but pointed to that the problems were coming from the other BUs as can be seen in this quote:

*“**In my BU, I think our management has been very supportive trying to figure out how we should do this as good as possible. But I feel that it is cumbersome outside our BU., the process of everything outside our control becomes very cumbersome.**”* - Interviewee O

Moreover, interviewees often mentioned the other BUs as ‘other organizations’, creating distance between them. Additionally, it was discussed that the BUs had become more individualistic over time, where they have become more divided than before, further strengthening the BU identity, as mentioned in these quotes:

*“It has **not been the blame gaming, not finger pointing** before, when I started at [BU] I could feel that it was this **family feeling** that if you needed help, anybody actually jumped in and helped you. I think this is moving away a little bit, to more and **more individualistic** and I feel a little bit sad because of that.”* - Interviewee O

However, some participants also stressed that it is important to not only have a BU ‘mindset’ but rather to focus on the IT-unit as one team, to make the implementation work.

*“You will hear somebody from **my organization** say, ‘I have a **stakeholder meeting**’, and **what they mean** is they're going to have **a meeting with somebody in a BU**, ..., I think that's another fundamental part of the **culture and the mindset**, and saying **we are all on the same team, we don't have each other as stakeholders**”* - Interviewee M

In sum, the interviewees stated that the individualistic and silo-based thinking had intensified, separating the BUs more with time.

4.3.5 Fear of loss of power and control

Many of the interviewees highlighted that for the implementation of BM2 to work, middle managers needed to let go of some of their mandate that they have had previously, in order to empower product teams to work more autonomously.

*“So if you want to work in a product oriented approach [BM2], **you need empowered teams**, that **essentially means you need to stay close to the customer**. So today if someone wants to talk to my customer, he has to go **via me or via [role]** and then you know then reach the customer. Probably he may not be given that luxury also to go and meet the customer directly, right? So I have to **communicate via the [role]** to reach him, right? Because they are the ones who know the job the best, right? It's not me who is doing the job. They [product teams] know what are the **challenges that are there** and they are the ones who can **address these challenges the best**. So that's one piece which I think is missing in our product oriented operating model also. We talk about **empowerment**, but we actually **don't dig deep into what exactly that means**.” - Interviewee D*

Additionally, several interviewees stressed that people often have a strong urge to stick to what they have, meaning keeping the power and maintaining control, which causes resistance.

*“It is more about **sticking to what you have**. You know the mindset of **gaining power** by the number of **people reporting** to you, the **fear of loss of power and authority**. Those all things are there of course, the **resistance**. And what if I don't do what I'm doing currently, **what will happen to me in the future**.” - Interviewee L*

*“You want to keep control, and I still believe **the bigger organization** you have, the **more power you feel you have**. You want to have big organizations. That is part of the culture then as well, it is very **hierarchical**. You know, **being a line manager**, getting as big organizations or units as possible” - Interviewee W*

It was also mentioned that middle managers who before have had a lot of employees reporting to them might in BM2 get a position with less employee responsibility, as noted below.

*“There is **resistance in existing layers** of, how should I say, **roles whose sole purpose** is to convey and move information, coordination. ,..., If you have **fancy titles** and you think, wow, **I made it and I'm the director of this and that**, and you go out and present things, then you're **probably more a product person in the new setup**, with **less people reporting to you**.” - Interviewee M*

This was explained to not seldom provoke frustration and impact motivation negatively due to feeling downgraded in the new and more decentralized organizational structure.

*“There is a **game of power**. There is a game of **frustration** about people **feeling downgraded**. And there are people also **feeling that they have new tasks** that they **don't want to perform**. I mean maybe even me, right? So those are the factors that **people might not want change, power loss, downgraded and being in a position that they don't want to be**.” - Interviewee I*

In summary, interviewees stated that middle managers seemed to resist letting go of control due to the feeling of being downgraded, but more empowerment and mandate needed to be given to front-line employees.

4.4 Outcomes of the Intra-organizational Tensions

This section describes the outcomes of the five intra-organizational tensions identified in the section before. The data analysis revealed three specific outcomes which are '*lack of understanding of the new business model*', '*sub-optimal resource allocation*' and '*illusory change*'.

4.4.1 Lack of Understanding of the New Business Model

Interviewees often mentioned that adding BM2 on top of the old model, as described previously, often generated a lot of questions about how to manage both models at the same time. This pointed to that there was not a clear understanding of the new model and how it should operate together with the old one simultaneously during the transition phase.

*“Squeezing the command and control process into the product operating model doesn't really match, right? And it's a lot of **explanations back and forth on what works, what doesn't work, how will it work? Should we continue?**” - Interviewee J*

*So we have **worked on the model for almost a year** to try to figure out **how do we set it up** - Interviewee K*

From the interviews, it was also shown that it was not very clear for everyone what the purpose of the new model was, where one interviewee pointed out that if employees do not have an understanding of the model, it will be difficult to harness the benefits with the new BM.

*“If you **don't really understand why** you're using the tool you **lose the whole value** of that tool, right. So, putting people into agile ways of working or putting people into a product oriented model without understanding why we're doing this and maybe the benefits of it then **we cannot really leverage all the good things that come out of actually working in this way**”.*
- Interviewee N

In addition, interviewees also stated that to drive this implementation there need to be a very clear message from the top management, what it means and how it will be done, because people are currently being too busy with their work to digest it themselves and have a commitment to deliver on their priorities in BM1.

*“It needs to be **driven from the top**, and the message needs to be consistent. I mean you have to have a change driver, you have to have somebody really, really driving, designing a change right. We did that initially. We started the first six months, and then when that disappeared it all stopped. **You can't leave it up to people, right?** People are **still busy** and have to **deliver what they work with** and all of those things so I think it, it really has to be a very clear message”. - Interviewee M*

In summary, the participants discussed that there is a lack of understanding about the new model, creating confusion which needs to be addressed by the top management. Even though training and material is provided about the model, the conflicting structures make people too busy to have time to engage in such things.

4.4.2 Sub-optimal Resource Allocation

One of the outcomes identified was sub-optimal resource allocation, which emerged due the extensive flexibility given in how to implement the new business model. This was said to lead to that chapters had been created in places where it was not intended.

*“So people started in some cases **declaring themselves a chapter anonymously**, or some using some of the **power dynamics** and they said, OK, I want to **create a chapter** and **this is my announcements**, **BUs, started declaring, announcing chapters**. And they also said we want to **host this within our own units**, which was not the purpose.” - Interviewee F*

In connection to the above, interviewees mentioned that it was difficult to access human resources in chapters that had been created in other BUs, even if they should be available for other BUs as well. This was said to result in BUs creating additional and sometimes even duplicate chapters.

*“Yes, they are practically **unavailable to me** [human resources in chapters in other BUs], and it is also a failure, or there is **still work to be done and fixed**, I think. Because what happens then is that we **build parallel competences** in our **own chapters**, and that is **not optimal** either. The chapter's organization would need to be **reviewed**.” - Interviewee B*

Since the process of making resources fluid between BUs was discussed as complicated, interviewees said that they often need to acquire human resources from external parties instead.

*“How to **avoid being silofied** because in the end we have a number of chapters. Another BU has **totally different chapters** and at some point perhaps you need some competence from another chapter, but it's like, oh, **that chapter belongs to another BU**, so we go to the market and get an external consultant instead.” - Interviewee H*

In summary, even though the new BM was supposed to make human resources fluid and more optimally utilized, participants stated that the resource allocation has become increasingly complicated. Moreover, sharing resources between BUs was described as not working optimally.

4.4.3 Illusory change

The implementation of BM2 had been going on for more than two years, where some BUs had joined more recently, while other BUs were a part of the change from the beginning. Some interviewees highlighted that even though the transition had been going on for a while, there were doubts if anything had changed or if there only had been a change in names of roles, without changing how they actually work.

*“Some of the areas did make some progress, but then the question is if **the changes really happened**, or if it is a **bottle in a new pack**?” - Interviewee K*

*And here is my cynical part coming out. I've been around for a while. I have seen changes, you know, every two years. So for example, and I'm speaking very frankly here, when I see our transformation area changing into a product area. My first question is "well, **we changed the names, but did it really change anything**?".” - Interviewee P*

At the same time, some participants said that even though they implement a new model, there will not be any changes compared to how they are already working.

*“I think that **how we deliver will not change**. The time that we deliver will maybe be shorter. So that will be, but I think **it's the language** that we will use when we talk about it that would change” - Interviewee R*

Other interviewees also discussed that the model have been implemented ‘on paper’ but that the changes are still to be done:

*“The model is “implemented”, but **not really implemented**...” - Interviewee K*

In summary, it was revealed that some employees questioned if the change really happened, while some said it is not more than a change in names and not much that would change with how you work in BM2.

5. Discussion

This section contains the analysis of the empirical findings that will answer the research questions. Section 5.1 gives a summary of the identified themes, namely, the identified triggers, the intra-organizational tensions and the outcomes identified from the intra-organizational tensions. Section 5.2 discusses the analysis of the triggers and intra-organizational tensions, section 5.3 discusses the outcomes and impact of the intra-organizational tensions on the BM transition, as well as provides an overview of the complex interplay of tensions and their influence on the BMI process.

5.1 Summary of identified themes

Aggregate dimension	Empirical Findings	Explanation
Triggers of intra-organizational tensions	Flexibility in implementation	Middle managers have been given high flexibility in when and how to implement BM2
	Lack of vision & top-down commitment	Vision has been vaguely communicated about BM2 and little support has been provided by top management
	Two conflicting structures (of BM)	The two BMs are fundamentally different and clashing in ways of working
	Traditional financial system	The traditional financial system makes BUs compete for funding and slows down the implementation of BM2
Intra-organizational tensions	High employee utilization	Employees time is highly utilized which means that they don't have time to focus on the implementation of BM2 since no old processes has been removed
	Internal competition	BUs compete with each other for funding to ensure their own survival and they are not incentivized to collaborate
	Discrepancies about resource allocation	There are two different opinions about how to allocate human resources; one arguing for having it in one place (often in the general competence pool), while other wants to have it in the specific BUs
	Strong BU identity	Middle managers identify strongly with their own BU which creates a distance towards other BUs which has been intensified over time
	Fear of loss of power and control	Middle managers need to let go of some of their mandate, but resistances emerge due to feeling downgraded and wanting to remain control

Outcomes of intra-organizational tensions	Lack of understanding of the new model	Many things remain unclear in BM2 which creates a lack of understanding that needs to be addressed by the top management
	Sub-optimal resource allocation	Human resources are supposed to be fluid, but resource allocation has become increasingly complicated since chapters (competence pools) has been created in own BUs
	Illusory change	Some employees question if anything has changed while some employees think that not much will change with the BM2

Table 1 - Summary of empirical findings

5.2 Triggers and intra-organizational tensions

This section will answer RQ1: *"What intra-organizational tensions do middle managers face in a business model transition in a large incumbent firm, and what triggers them?"*. The triggers identified were 'flexibility in the implementation', 'lack of vision and top-down commitment', 'two conflicting structures', and the influence of the 'traditional financial system', which will be discussed in 5.2.1. The intra-organizational tensions identified were High employee utilization, Internal competition, Discrepancies about human resource allocation, Strong BU Identity, and Fear of loss of power and control, which will be discussed in part 5.2.2. The triggers and tensions will be compared and contrasted with what is known from the BMI literature. However, since this topic is poorly explored within the field of BMI, the tensions and triggers will also be discussed together with change management literature, which is a related field to BMI, to provide nuances to the findings.

5.2.1 Triggers

5.2.1.1 Flexibility in the implementation

The flexibility in the implementation was shown to be a trigger for multiple tensions and implied that BUs were given the freedom to adjust BM2 to fit their technological environments. This might be an attempt from top management to empower middle managers, where it can be considered good in order to adapt and modify the change based on circumstances, feedback, and unforeseen challenges. However, it also introduces uncertainty and ambiguity, and in turn, too much flexibility was stated to result in difficulty with alignment across the BUs. Similar findings have been discussed in the literature field about agile where Moe, Šmite, Paasivaara & Lassenius (2021) discusses the need for having alignment while at the same time allowing autonomy (which is possible when flexibility is given) to product teams that work closely to the development of the product. The authors argued this to be difficult since if the development teams work too independently, their solutions might end up too different. The same was

noticeable in this context, where the flexibility in implementation allowed each middle manager to adjust and implement BM2 freely, but where alignment between BUs had not been prioritized. However, a few forums with the purpose to increase cross-collaboration had been initiated, but since employees lacked the time for engaging in it, the forums did not serve its intended purpose.

5.2.1.2 Lack of vision and top-down commitment

The *lack of vision and top-down commitment* has commonly been discussed as a mistake that organizations commit when pursuing organizational change initiatives (Kotter, 1995). The absence of a clear vision and lack of top-down commitment was identified as one of the triggers in this study, leading to several tensions in the implementation of the new BM. Previous change management scholars such as Kotter (1995), Lewin (1946), and Errida & Lotfi (2021) have highlighted that developing a clear and shared vision of the change as a critical early step of the change process, as well as the acceptance of it. Additionally, both Kotter (1995) and Lewin (1946) emphasizes the need for effective and active support from leadership. Moreover, Bojesson & Fundin (2021) describes that change initiatives must be given dedicated resources and commitment. This has also been noted in the BMI literature as impediments for incumbent firms undergoing BMI (Sund, et al., 2021; Frankenberger et al., 2013). This indicates that the case in this study was missing this change enabler, which has been emphasized as important in both literature fields.

5.2.1.3 Two conflicting structures

The trigger of *two conflicting structures* was apparent in this study. This goes in line with Eklund & Kapoor (2019), who found that tensions might arise when adding a new BM, due to incompatibility with the current systems. This was also evident in this case, where the two structures in BM1 and BM2 are inherently different. While one emphasizes the traditional waterfall approach, the other is agile and flexible. These two are the opposites and clashes between them are inevitable which is thereby, triggering tensions. Similar findings have also been previously discussed by Frankenberger (2013), who states that organizations face challenges in integrating all pieces of different BMs. Additionally, the authors state that a lack of integration of the BM dimensions can lead to difficulties and/or failure in the implementation of a new BM, which is in line with what this study showed.

5.2.1.4 Traditional financial system

The *traditional financial system* was considered to be a trigger to tensions in this study. Lewin (1946) discusses, in his change management model, that the organization needs to align the changes with values, norms and systems of the organization to enable change. The financial system used in this case study was clearly not adapted to the changing systems and processes, which confirms Lewins (1946) findings. Additionally, Bojesson & Fundin (2021) describes that the financial model can pose a barrier to change if it prioritizes a project-centric approach, thereby influencing decision-making in a way that undermines the intended focus on product-

oriented organization. This concludes that this trigger has previously been discussed in the change management literature literature as a potential trigger or barrier to change.

5.2.1.5 Summary of triggers

To summarize, the triggers identified in this study bear some resemblance to prior research on BMI, particularly regarding the adaptability of implementation and the presence of conflicting structures. Additionally, the trigger lack of vision and top-down commitment have frequently been cited in earlier literature on both change management and BMI. Moreover, the reliance on a traditional financial system has been previously discussed in change management. These findings offer insights into the field of BMI. In essence, the four triggers examined in this section serve as the basis for generating intra-organizational tensions, which will be further explored in the subsequent discussion.

5.2.2 Intra-organizational tensions

5.2.2.1 High employee utilization

High employee utilization is an intra-organizational tension that was shown to be triggered by the two conflicting structures. Hiatt (2006) discusses similar topics within his change management model, 'ADKAR', where he describes 'ability' as a key component encompassing the time to develop the needed skills to implement the changes. Since employees in this study were shown to be highly utilized, they commonly mentioned that they did not have enough time to learn about the model or teach others about it. Thus, it can be concluded that they lacked the ability to focus on the implementation of BM2, which builds upon Hiatts (2006) previous research.

Moreover, the tension of *high employee utilization* can also be related to what previous studies on change management describe as employee resistance or reluctance to change. van Dijk & van Dick (2009) explains that resistance exhibited by individuals towards change does not often stem from the change itself, but rather from the expected consequences or outcomes associated with it, where one of the negative outcomes could be increased workload. This means that employees might feel overwhelmed by their regular job tasks and may view the introduction of a new BM as an interruption to their existing workloads or routines, leading to increased stress and resistance. The high workload of the employees was confirmed in this study, however, this was not described to lead to resistance, but rather leading to confusion, and ultimately, creating ineffective work.

5.2.2.2 Internal Competition

Internal competition emerged as a tension impacting the implementation process and was shown to be triggered by the traditional financial system, as it incentivized BUs to compete for resources. Similar challenges have been identified in prior research on sustainable BMI by

Bocken & Geradts (2019) who found that incentive systems often prioritize short-term goals, which in this case was confirmed by that BUs were focusing on short-term wins for their specific units, rather than the long-term goals of the whole IT-unit. This challenge was also intensified in the case study due to extensive budget cuts in recent months.

Moreover, existing studies in change management have predominantly examined the tension between competition and collaboration dynamics between firms. However, a few authors have started to look into how this tension impacts interaction between units within an organization as well, as in this study. Naidoo and Sutherland (2016) define internal competition as a phenomenon that can increase employee effort, motivation, task effectiveness, and innovation, but they also emphasize the need to strike a balance between internal collaboration and competition to avoid negative consequences, such as unethical behavior, limited knowledge sharing, and resource duplication. The authors state that optimal outcomes are achieved through moderate levels of both internal competition and collaboration, known as the "sweet spot". This could also be confirmed in the case of this study, where imbalance between internal competition and collaboration led to limited knowledge sharing amongst the BUs. Birkinshaw (2001) further highlights that uncontrolled internal competition can hinder organizational change, while also acknowledging its potential as a valuable tool under specific circumstances where it can improve efforts of innovation.

In this study the participants explained that since they have their own targets to deliver on, the possibilities of focusing on collaboration with the other BUs is limited. In contrast with this, Chiambaretto, Masse, and Mirc (2019) emphasize the crucial role of collaboration and information sharing among BUs to achieve shared company-wide goals. However, they also note that BUs recognize the value of their individual knowledge as a unique resource that can provide a competitive advantage over other units, and therefore limit their willingness to share information with other BUs since they want to deliver on their individual targets to enable more funding. This recognition adds complexity to the dynamics of internal competition. Moreover, the findings of this tension can thereby confirm the presence of internal competition as previously noted in change management studies, and confirms that it limits the knowledge sharing abilities seen as crucial when undergoing organizational change.

5.2.2.3 Discrepancies about human resource allocation

One of the tensions identified in this study was *discrepancies about human resource allocation*, which was shown to be triggered by the high flexibility in the implementation, and the lack of vision and top-down commitment. This goes in line with Meyer (2006) who states that a lack of clear strategic communication from top management during change led to diverse interests among middle managers, resulting in conflicting directions.

Todd (1999) also emphasizes the role of politics in the allocation of resources within organizational change. The author mentions that change programs, accompanied by uncertainty

and fear, intensify the volume of politics as conflicting goals are negotiated. Moreover, that this requires a combination of persuasion and enforcement, where change initiators must possess sufficient power, influence, and authority to drive the change while gaining the consent of the workforce. Comparing this with the study at hand, the tension of discrepancies about human resource allocation was shown to emerge from the BU heads with the same authority level, who held different opinions on how to organize the chapters. The BU heads themselves said that they would need a decision from above, referring to the top management, to solve this situation as none of them holds the mandate to make the decision. According to Todd (1999) such a situation and failure to gain agreement may result in mechanistic compliance and the resurgence of old behaviors. Additionally, previous research by Kim & Min (2015), who focuses on BM addition, states that viewing managerial choices and existing assets separately, and not aligning them, can negatively impact a company's ability to innovate its BM effectively. Hence, the authors state that it is important to consider them in combination when making decisions about BMI, to make sure that they are compatible and supportive of each other. As found in this case, managers held strong opinions and different views about where to allocate the resources, complicating the BM transition.

Further, Bojesson and Fundin (2021) also advocate for collaboration and the integration of diverse competences through the implementation of an organizational design that establishes novel connections among different functions. This aligns with the intended chapter structure in this study, where chapters located outside the individual BUs would enable resource fluidity and facilitate convergence of competencies and collaboration aligned with the new strategic direction. Bojesson and Fundin (2021) means that this transformative process enables the convergence of appropriate competencies and facilitates new forms of collaboration that align with the new strategic direction. As in the findings of this study, where chapters currently are created within the different BUs, with discrepancies about where they should be located, collaboration is limited and obstructs the flow of important information across units.

5.2.2.4 Strong BU identity

The tension of *strong BU identity* was shown to be triggered by the traditional financial system and from the resulting internal competition. This was identified from middle managers' strong focus on their own BUs success and the fact that the middle managers were referring to other BUs as 'organizations' or 'stakeholders'. The tension of BU identity can be connected to what Smith & Lewis (2011) call belonging tensions, which arise between individuals and collectives due to competing values, roles and memberships. However, compared to Smith & Lewis (2011), this study brings this tension into the contextual light of the BMI process.

In this study, it was observed that the IT-unit, intended to function as a single entity, actually comprised multiple identities associated with each BU. In connection to this, Pratt & Foreman (2000) developed a framework for how organizations can manage multiple identities, where the strategy compartmentalization could be used to describe the strategy in this study. This,

since each BU operates independently (referred to as silos) and focuses on different technologies and thereby establishing distinct identities. According to Pratt & Foreman (2000) compartmentalization has the advantages of avoiding coordination costs and enabling responsiveness to diverse stakeholders. However, it does not eliminate the potential for conflicts between identities and can lead to political disagreements over resource allocation. This study highlights the challenge faced by management in balancing the autonomy of BUs with fostering organizational change and also points to the fact that a strong BU identity can strengthen the tension discrepancies about human resource allocation (*see dotted arrow in figure 6*). Furthermore, Kump (2019) explains that organizational practices and identity are closely connected where the existing organizational identity can either support or hinder certain practices. This is also confirmed by the findings in this study, where the strong BU identities caused difficulties with collaboration across BUs and the implementation of BM2.

5.2.2.5 Fear of loss of power and control

The tension *fear of loss of power and control* was shown to be triggered by the two conflicting structures and the lack of vision and top-down commitment. As mentioned previously by van Dijk & van Dick (2009), resistance displayed by individuals might emerge due to the anticipated consequences of the change. This involves different aspects such as a decrease in social status, a loss of financial stability, loss of control or a disruption of comfort. Therefore, individuals may resist the change because they perceive it as a threat to their personal interests or because they fear negative outcomes (van Dijk & van Dick, 2009). In line with this, Kump (2019) mentions that changes in practices can lead to conflicts in individual identity where people often define themselves based on their professions. Therefore, what individuals "do in their jobs" plays a significant role in their sense of identity. This was shown in this study as well, since moving from a centralized to a decentralized organizational structure had an impact on the middle managers' identity where it was described to make people feel downgraded and upset.

According to Will & Pies (2018) the resistance in change may arise due to an emotionally driven sensemaking process, where employees are thinking in terms of trade-offs which can trigger negative emotions and intuitions. These mental models have the potential to manifest as self-fulfilling prophecies. Todd (1999) further confirms that managers often find themselves grappling with their own emotions while navigating change. The process of change can trigger emotional responses, including anger resulting from a perceived investment of significant time and effort in the organization, grief associated with the loss of status and familiarity within the organization, and fear stemming from uncertainty about the future and one's role in it (Todd, 1999). This also seems to be the case in this study, as the lack of vision and the unclarity about roles seem to be one reason why some middle managers felt the need to keep the control and were resistant to change. This does not necessarily mean that the middle managers do not want to empower their employees, but instead it represents the fear of the unknown, as stated above, e.g., what would happen to the managers if they would let go of their control.

In relation to this, Baarle et al. (2022) studied the positive aspects of power and its possibility to foster innovation, change and growth. These scholars state that such positive activities can be enabled when people possessing power give individuals or groups resources, autonomy or authority, or by enabling knowledge sharing and collaboration through their networks. However, in the case of this study, even though it in theory could be a good opportunity to harness such benefits, the context with an hierarchical organizational structure, in combination with the ambiguity about the changes and vision, seems to be the reason for such possibilities to be limited.

5.2.2.6 Summary of tensions

To summarize, parallels can be drawn to both BMI and change management literature. In the context of change management, tensions such as internal competition, discrepancies about human resource allocation and fear of loss of power and control have previously been acknowledged. The tension of high employee utilization has also been discussed, but in this context (BMI), this tension led to confusion and ineffective work rather than employee resistance. Moreover, the tension strong BU identity has been broadly mentioned in the change management literature, but this study sheds light on how it can be perceived in BMI. This study thereby highlights that learnings about intra-organizational tensions within the field of change management could also be applied in the field of BMI. Next, the outcomes of these tensions will be discussed.

5.3 Outcomes and the Interplay of Intra-organizational Tensions

Considering the above triggers and tensions, there were three main specific outcomes found that emerged due to these tensions. These were *lack of understanding of the new model*, *sub-optimal human resource allocation*, and *illusory change*, which will be discussed in section 5.4.1. Additionally, it was evident that there were no linear relationships between the relationships of triggers, tensions and outcomes which will also be discussed in the section 5.4.2. Both of these discussions will contribute to answering the second RQ2: "*How do these tensions influence the implementation?*".

5.3.1 Outcomes of the intra-organizational tensions and its influence on the implementation

5.3.1.1 Lack of understanding of the new model

Lack of understanding of the new model was an outcome that was caused by the tensions high employee utilization and fear of loss of power and control. As mentioned previously, the fact that employees were highly utilized indicates that there is not enough time to understand the new model or to engage in sharing knowledge between the BUs. This showed to have an impact on the BM transition since not knowing what it means or what the change implies, will aggravate and prevent the implementation. Moreover, the fear of loss of power can have an impact on the understanding and acceptance of a new BM during its implementation. As previously mentioned by van Dijk & van Dick (2009), the potential outcomes from change, such as loss of financial stability and decrease in social status, can easily cause resistance. This implies that managers in this study might have an unwillingness to learn about the model if they fear that they will lose power and control. Additionally, previous research from Li et al. (2022) gives evidence that organizational learning and knowledge sharing are key for efficient BMI. As a result, the outcome lack of understanding of the new model causes value destruction in forms of inefficiencies, rather than value creation which is the intention with the new BM.

5.3.1.2 Sub-optimal resource allocation

The presence of the tensions strong BU identity, discrepancies about human resource allocation and internal competition, showed to collectively contribute to the outcome of *sub-optimal resource allocation*. These tensions align with previous findings, where it is recognized that ineffective resource allocation can hinder organizational performance and impede successful change initiatives (Smith & Lewis, 2011). In a study made by Meyer (2006), diverse interest among middle managers led to that the managers interpreted the strategic intent based on their personal preferences, leading them to pursue individual projects striving to establish their indispensability without aligning their efforts. The same could be seen in this study, where each BU pursued what they thought were best for their BU, which led to the outcome of sub-optimal resource allocation.

In addition, this outcome aligns with the change management literature's focus on the importance of effective resource management during change efforts. The internal competition and discrepancies about resource allocation do not only create tensions but ultimately result in sub-optimal resource allocation, impacting the fluidity of BM2 and potentially leading to duplications and increased distances between BUs. This corresponds with prior studies by Bocken & Gerdats (2019) that highlight the importance of resource fluidity for successful BMI, stating that fixed and inflexible resource allocation hampers the adaptability and agility required for innovative change efforts. This reinforces the potential downside of sub-optimal resource allocation identified in this study.

In the change management literature, sub-optimal resource allocation is recognized as a barrier to achieving organizational objectives and inhibiting strategic renewal (Eisenhardt & Martin, 2000; Amit & Zott, 2010). Hence, it is crucial for organizations to address these tensions, reconcile discrepancies, and adopt resource allocation practices that promote flexibility and adaptability to support successful change initiatives and value creation.

5.3.1.3 Illusory change

The third identified outcome, *illusory change*, was shown to emerge from the tensions internal competition, discrepancies about human resource allocation, and fear of loss of power and control. This outcome sheds light on the skepticism expressed by interviewees regarding the extent of change achieved through the transition to the new BM. It is noteworthy that the internal competition for financial resources may incentivize BUs to claim compliance with the new BM without undergoing actual transformation. In addition, the discrepancies about human resource allocation also indicates resurgence of old behaviors, as been previously mentioned by Todd (1999) that a failure to reach an agreement may result in mechanistic compliance and revival of previous behaviors.

Moreover, Kump (2019) states that employees need to adjust their habits according to the modifications to organizational practices. However, the author further states that changing habits is a gradual process that requires transforming mindless actions into mindful actions, which consumes cognitive resources. Consequently, individuals who do not alter their habits during a significant change may not always demonstrate passive resistance. Instead, their adherence to old habits may reflect a high level of automation in their behavior. Similarly, an individual's failure to adopt newly envisioned practices does not necessarily imply resistance; it could also indicate a lack of skills that hinder their ability to change (Kump, 2019). This suggests that the high employee utilization, leading to a lack of understanding (*see arrow in figure 6*), might lead middle managers to mistakenly believe that they are operating in accordance with BM2 when, in reality, they are not. Additionally, concerns about power and control among middle managers may prompt them to rename roles within their BUs to align with the new model, while maintaining the status quo and retaining control through existing hierarchical structures. These observations raise a crucial question: Does the BM transition ultimately result in illusory change, merely creating increased workload and complexity, without yielding substantial transformation?

Even though Kump (2019) has identified similar findings in his work, to the best of our knowledge, the outcome of illusory change has been less explored in both BMI and change management literature. This outcome indicates a lack of genuine transformation and poses challenges to the long-term success of the new BM. Additionally, undergoing BMI or organizational change is very costly, thereby also highlighting the importance for managers to take this into consideration.

5.3.1.4 Summary of outcomes

To summarize, the outcome lack of understanding of the new model and sub-optimal resource allocation aligns with previous research on BMI and change management. A somewhat new finding of illusory change. While previous literature has identified that separate tensions, such as discrepancies about human resource allocation, may lead to resurgence of old behavior (Todd, 1999), it has not been put in the context of BMI. Neither has it been stated that all these tensions jointly can contribute to this outcome. This, thereby, underscores the importance of managing the intra-organizational tensions in a more holistic manner. Next, the complex interplay between these intra-organizational tensions will be further elaborated upon.

5.3.2 The complex interplay of tensions and their potential influence on BMI

The findings of this study indicate that the identified intra-organizational tensions exerted a significant influence on the implementation of the new BM. Rather than facilitating change and value creation, these tensions showed to contribute to a state of change inertia, in the form of illusory change, and value destruction as there was a lack of understanding of the new model and the tensions led to sub-optimal resource allocation. Instead of enabling the intended transformation, the tensions generated complexities and barriers that impeded the realization of desired outcomes. This intricate interplay of intra-organizational tensions within the BMI process is illustrated in *Figure 6* below, highlighting the dynamic and multifaceted nature of their influence.

It is crucial to recognize that these tensions did not merely act as isolated obstacles but had a cumulative effect on the implementation process, also impacting each other. The presence of multiple tensions simultaneously exacerbated the challenges faced, intensifying the resistance to change and hindering the organization's ability to adapt and embrace the new BM effectively. This is in line with previous research by Smith & Lewis (2011), who acknowledged that when paradoxical tensions become salient they can evoke responses that can contribute to the development of either positive or negative reinforcing cycles. The authors also discuss factors that spur this phenomena, which could be individual factors, as a cognitive and behavioral drive for consistency or emotional anxiety and defensiveness, as well as organizational forces for inertia. These factors could be looked upon as the triggers mentioned in this study that spurred the intra-organizational tensions.

Considering the above spurring factors, the trigger for a particular tension can often be the outcome of another tension, while the resolution of one tension can act as a catalyst for a new set of tensions to emerge. This non-linear relationship between tensions underscores the dynamic nature of organizations and is illustrated by the dotted arrow between *triggers to tensions*, *tensions*, and *outcomes* in *Figure 6*. For example, the outcome of illusory change might make it appear as the change is progressing, while it is a facade. This in turn, might hinder management to realize that the vision and commitment is not being enough, as they might think that the change is progressing as it should. Thus, the illusory change may be a

trigger and reinforce the lack of vision and top-down commitment, creating a situation which can be associated with what Smith & Lewis (2011) calls a vicious cycle. This can be seen in the dotted arrow between *illusory change* and *lack of vision and top-down commitment* in Figure 6.

Smith & Lewis (2011) further suggest tensions consistently exert influence on one another as they intertwine across various types of tension and become nested across different levels of analysis. This was also shown in the case of this study, where the tension of fear of loss of power and control is a tension that can relate to the individual level, whilst the tension of internal competition is one that exists on the group level. These both contributed to the outcome of illusory change which is nested at the group level. Smith et al. (2017) argues that a more cohesive examination of the complexity and interconnectedness between tensions need to be researched.

Consequently, it can be concluded that the anticipated benefits and value creation potential of the BM transition were in the case of this study compromised. Additionally, the interconnectedness and interdependence of tensions necessitates organizations to take a holistic approach to manage tensions effectively. Organizations must recognize that addressing tensions in isolation may only provide temporary relief, as new tensions can arise as a result.

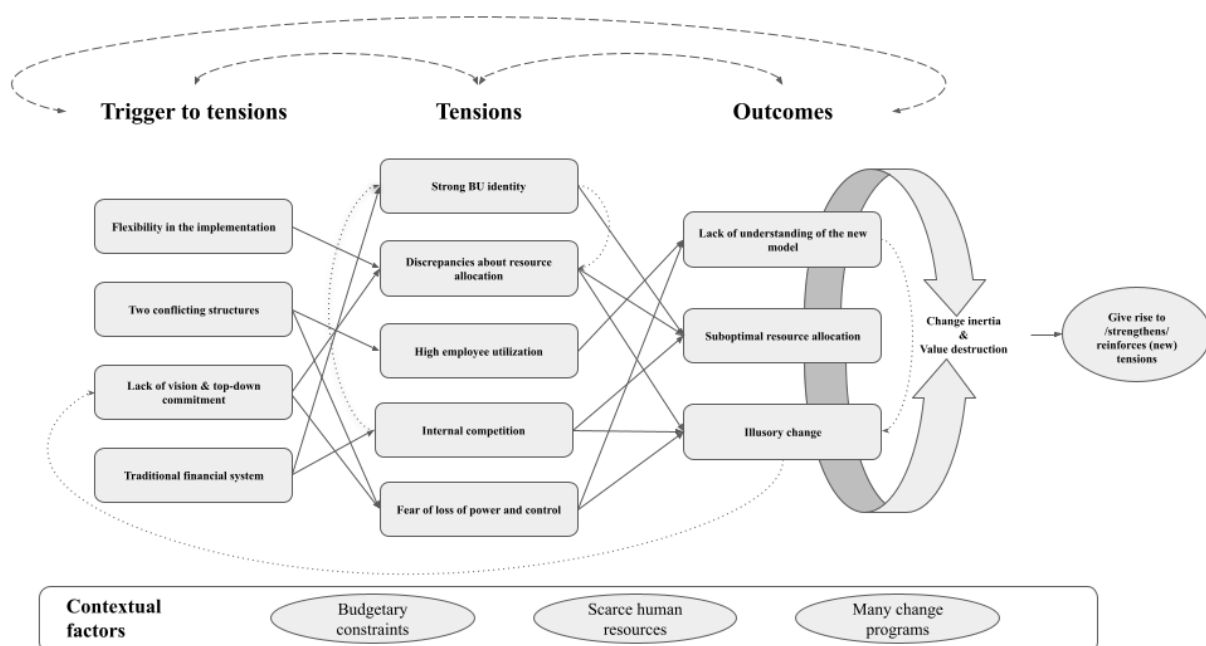


Figure 6 - The complex interplay of tensions

6. Conclusion

This chapter summarizes the findings and analysis, as well elaborates on the fulfillment of the purpose of this study. Section 6.1 contains a summary and conclusion of the findings and analysis. In section 6.2 the contributions of this study is being discussed. 6.3 discusses the limitations & future research.

6.1 Conclusion

This inductive study aimed to identify the intra-organizational tensions that middle managers face in a business model transition within a large incumbent firm, what triggers them, and explore how these tensions influence the implementation process. The findings of the study reveal that middle managers encounter several tensions during a business model transition, including *high employee utilization, internal competition, discrepancies about resource allocation, strong BU identity, and fear of loss of power and control*. These tensions have significant negative implications for the BMI process and the overall transition. Moreover, the tensions were shown to be triggered by *flexibility in the implementation, lack of vision and top-down commitment, two conflicting structures*, and the influence of the *traditional financial system*.

The study further demonstrates that these identified tensions manifest in three distinct outcomes: *Lack of understanding of the new model, suboptimal resource allocation, and illusory change*. These outcomes adversely impact the BMI process, hindering the successful implementation of the new business model. The lack of understanding impedes effective adoption and integration of the new model, suboptimal resource allocation leads to inefficiencies and limitations in resource utilization, and illusory change creates the perception of transformation without substantial impact.

6.2 Contributions

This study makes valuable contributions to the existing literature on BMI by uncovering and describing the specific intra-organizational tensions faced by middle managers during a BM transition and their influence on the implementation process. Even though some of the triggers and tensions have already been widely discussed within the field of change management, only a few have been touched upon in the field of BMI. This brings new contributions in multiple ways.

First, by examining these tensions specifically in the context of BMI, this study expands our understanding of how intra-organizational tensions manifest and impact the implementation process within the realm of business model transitions. While some triggers and tensions have been extensively discussed in change management literature, their application and implications

within the field of BMI have been relatively understudied. Therefore, this study bridges the gap and provides novel insights into the unique challenges and dynamics faced by middle managers during BM transitions.

Second, the study highlights the interconnectedness between change management and BMI. By comparing and contrasting the findings with both change management and BMI literature, this study underscores the importance of considering and integrating insights from both domains. It showcases how triggers such as lack of vision and top-down commitment, and traditional financial systems, commonly discussed in change management literature, can also significantly influence the outcomes of BM transitions. This cross-pollination of ideas contributes to a more holistic understanding of the factors affecting successful implementation of new BMs. Moreover, by highlighting the importance of considering the organizational context and the role of middle managers in managing these tensions, the study enhances our understanding of the complexities involved in successful BM transitions.

From a practical perspective, the study's findings can inform managers and practitioners about the specific intra-organizational tensions that may arise during a BM transition. By recognizing these tensions and their potential impact, organizations can develop strategies and interventions to address them effectively. This proactive approach will increase the chances of a successful BM transition.

In summary, this study provides insights into the dynamics of intra-organizational tensions in the context of BM transitions. It emphasizes the need for middle managers to navigate these tensions strategically and highlights the importance of organizational support and intervention to holistically address them. By considering these findings, organizations can optimize their BM transitions, ultimately, leading to improved outcomes and sustainable competitive advantage.

6.3 Limitations & Future research

As with any research study, there are some limitations that should be acknowledged. First, as this study was conducted in a specific organization the study may not be generalizable to other contexts or industries. Moreover, as the study focused on a single large incumbent firm, it is possible that organization may have different intra-organizational tensions and outcomes during a BM transition.

Second, the study relied on data by the middle managers and it is possible that other stakeholders, such as senior executives or front-line employees may have different perspectives and experiences that are not captured in this study. Thereby, future research could benefit from exploring these different perspectives to gain a deeper understanding about perspective to gain a more comprehensive understanding of the intra-organizational tensions and outcomes of business model transitions.

Finally, as the study was conducted at a single point in time it is possible that the intra-organizational tensions and outcomes may change over time with different contextual factors, especially in environments that are embossed by a lot of change. Hence, a longitudinal study of comparative study could provide a more in depth understanding of the intra-organizational tensions.

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Appendix

Appendix 1 - Interview Protocol

Background & context

- Can you tell us a bit about yourself and your background at the company?
- What is your current role and what are your responsibilities?

Product oriented operating model

- Can you briefly tell us about your BU's strategy to engage in this product oriented operating model?
- How does this model change the way that your BU or team creates and realizes value?
- How have the operating model changes been communicated?
- How do you think it has been working?
- What has been working well with the implementation?
- What has been challenging with the implementation?
 - What management strategies did you employ to tackle these challenges?
- What has been challenging for you individually in the implementation?
- How has the implementation impacted your team?
- Do you feel that there is a common understanding of the product oriented operating model across BUs?

Leadership/Management

- What type of leadership do you believe is needed to drive the implementation of the product oriented operating model?
- How involved have you been in the shaping of the product oriented operating model strategy?
- How does the product oriented operating model impact your role when it comes to responsibility?

Organizational culture

- How do you believe that the company's organizational culture has impacted the implementation of the product oriented operating model?
- What do you believe is needed to create a culture that embraces change?
- Do you believe there is something in the organizational culture that potentially acts as a barrier/enabler in the implementation of the product oriented operating model?
 - If so, what?

Collaboration

- How has the operating model impacted collaboration?
- What do you think is an enabler for collaboration?
- What do you believe is needed to improve collaboration?

Business Models

- What do you believe are the consequences of having two business models?
 - How do you believe that this impacts the implementation of the product oriented operating model?
 - How do you believe this impacts collaboration?

End question:

- What do you think that we should have asked you about that we haven't?

- Is there anyone else you think that we should talk to?
- Can we contact you again if we have follow-up questions?

Appendix 2 - Interviewee Participants

#	Participant	Duration	Role
1	Interviewee A	75 min	Chapter Head
2	Interviewee B	50 min	Product Area Manager
3	Interviewee C	57 min	Chapter Head
4	Interviewee D	49 min	Chapter Head
5	Interviewee E	43 min	Chapter Head
6	Interview F	57 min	Chapter Head
7	Interview G	47 min	Product Area Manager
8	Interview H	52 min	Chapter Head
9	Interview I	48 min	Product Area Manager
10	Interview J	41 min	Product Area Manager
11	Interview K	52 min	Product Area Manager
12	Interview L	57 min	Chapter Head
13	Interview M	56 min	Chapter Head
14	Interview N	64 min	Chapter Head
15	Interview O	41 min	Product Area Manager
16	Interview P	64 min	Chapter Head
17	Interview Q	62 min	Product Area Manager
18	Interview R	90 min	Chapter Head
19	Interview S	49 min	Digital Product Owner
20	Interview T	55 min	Digital Product Owner
21	Interview U	52 min	Digital Product Owner
22	Interview V	55 min	Chapter Head
23	Interview W	56 min	BU Head

24	Interview X	48 min	BU Head
25	Interview Y	63 min	BU Head
26	Interview Z	59 min	BU Head
27	Interview Å	54 min	BU Head
28	Interview Ä	51 min	BU Head

Appendix 3 - Additional quotes from empirical findings

5.1.1 Flexibility in the Implementation	<i>“The technological environments look different and that’s why you also need to organize differently between these environments, and that’s why there is not a one size fits all.” - Interviewee B</i>
	<i>“But if you're an agile company, you know, doing different things. Agile driven then you need that creativity, you need that flexibility. You need that space for everyone to, you know, to create and through this you also have the chance of creating something new, ,..., That's the reason why we're moving so slow sometimes, but we are creative. So we are fast in some areas, we're slow in some areas but, but this is our character, this is the good part of the [company].” - Interviewee Å</i>
	<i>“Because it was [CIO] who wanted to have it like an evolution version of it, which could be totally right if you look into the agile model where you adopt to what you need, right. So I'm not complaining on that. I think that you need to put it in perspective. So some things are different because they have to be.” - Interviewee O</i>
5.1.2 Lack of Vision & Top-down Commitment	<i>“We need a vision and clear targets with what we want to achieve so everybody can put their brain on that frequency. And then together we can make it happen, but we need to clean the gaps on the understanding, we clear the miss-message so everybody knows where the train is going. That would help a lot [but is not present right now].” - Interviewee I</i>
	<i>“Right now there are a lot of parallel teams trying to figure it out on their own; How should we do this? And then we come up with our own solutions so we build our own local frameworks. Everyone starts from the bottom up and starts identifying; What do we need to do? But you also need to create a framework from top to bottom, so some rules of procedure and some guidelines, because otherwise we</i>

	<p><i>build too many different toolboxes.”</i> - Interviewee B</p>
5.1.3 Two Conflicting Structures	<p><i>“That's pretty unique for [the company], for any large company, to believe that you can transform ways of working, operating model, without having an organizational structure that is designed to support it, I think is also part of the problem.”</i> - Interviewee M</p>
	<p><i>“The role of product manager becomes a big question mark. Who is going to play the role of a product manager? Who is going to play the role of a product owner? There is always confusion, right? So that I guess is not detailed out or not laid out properly in the new model.”</i> - Interviewee D</p>
	<p><i>“We haven't continued the work with designing the new roles, implementing the new roles, or having people to actually apply for product owner roles. It's not like you can take an old role and say, ‘you're now a product owner, continue to do what you do’. It's not just a name change, because it is a different skill and a different way of working.”</i> - Interviewee M</p>
	<p><i>“But it has been tough from a reporting perspective. We started certain governance structures, you will hear about later, that we started to, you know, report on a product operating structure and then at the same time we took decisions in the previous model and that didn't work out. So we stopped the new and I think the way to do it will probably be more what we do now. Let's keep the old governance or model from, I don't know, I don't know really what is best. I couldn't, I couldn't say so. But I think what we do now is we have changed to this and we can cope with the legacy setup of steering from [names], so to say, whoever. But it is tough and complex of course it is.</i> - Interviewee G</p>
	<p><i>“But at the same time, we haven't removed anything. We haven't changed enough things, and I'm now talking about IT, ,..., We still have the same reporting structure, it's still called the internal steering group, we still have a lot of these layers in place. People feel like they have to live a little bit in both worlds and that kind of upward reporting”</i> - Interviewee M</p>
5.1.4 Traditional Financial System	<p><i>“I think there are a lot of budget constraints at this stage as you know. ,..., how timely we kind of keep this information flowing [about budget] to the related members so that</i></p>

	<p><i>people can kind of restructure, realign or put it in more prioritized areas. That information flow I would like to see is moving faster in terms of the budget part of information.” - Interviewee F</i></p>
	<p><i>“So the slowness of a big system is actually our biggest sort of challenge. You have a lot of people wanting to do good things, but then being put into a large system.” - Interviewee N</i></p>
5.2.1 High employee utilization	<p><i>“There is still a little bit of built in slowness I would say because of people like myself who have a full time job and then trying to do this as a secondary assignment versus having people assigned and working on it full time, because of course you'll get more speed into it if you have that.” - Interviewee M</i></p>
	<p><i>“So we have to do two processes running in parallel. So for example in a product oriented way of working, budget approvals, people approvals were to be taken in a forum [name of the new forum]. And in the old ways of working there were a lot of approvals taken in a similar forum called [name of the old forum]. But because we did not move fully, the entire organization did not move, we both have the new and we've got the old forum. So we've got both running in parallel which is not very productive.” - Interviewee S</i></p>
	<p><i>“But also the people are 100% committed to one product and not spread the same over four projects or something. I think that was the major first step we did that made a real difference and also protected the teams that they could work with. Instead of a lot of people just pulling them left, right and center.” - Interviewee J</i></p>
	<p><i>“We are here to support where [specific competence] is needed, right? And right now and for the last few years, it has been needed everywhere. Then the question for me is OK, where? Because I cannot magically produce a skilled [role] that knows the whole of the company and can work in any kind of domain. But the thing with prioritization is that ideally I shouldn't sit and say 'hmm maybe this product is now being a bit, they're doing more the same, and it was not that much of our competence needed'.” - Interviewee A</i></p>
	<p><i>“You also cannot have only a data scientist [specific competence] in a team. You need developers, you need to have architects. So that was something that really</i></p>

	<i>shocked me and it ended up that the data scientist doing the software development work and architecture work, which I don't think is fair.” - Interviewee V</i>
5.2.2 Internal Competition	<i>“I have to make sure that everybody is business funded because if not by the end of the year, I might have to fire one more person. So we are in that kind of situation now. It is not a time for peace. This is a time of war for us.” - Interviewee P</i>
	<i>“Maybe it's natural to take at the end you do want other stuff first. You do the easy stuff first. But then you come into the really tricky thing where people must also agree and they must agree across the organization boundaries. And that's when it gets tricky.” - Interviewee A</i>
5.2.4 Strong BU Identity	<i>“Since I've been here for such a long time and my perception now is that the organizations are even more silo-based for the part time being, and having less interconnection.” - Interviewee J</i>
5.2.5 Fear of loss of power and control	<i>“The middle level managers will have to accept that they will have to surrender some of their mandate.” - Interviewee Q</i>
	<i>“Then of course this is every leadership part, being able to have the vision and the direction, but enabling a lot of empowerment in that. So seeing all of these upside down pyramids to see how can we actually support the people that have the knowledge about things and make sure that decisions are taken as close to the business of the need as there is, but have the transparency and information on what to do right.” - Interviewee J</i>
5.3.1 Lack of Understanding of the New Model	<i>“From leaders, it's an acceptance. We are going to implement an operating product oriented model in the way that we have agreed on and when we have agreed on that then you are committed and you do it the way we have. And also as a leader, be aware this is not about implementing new technology, it's about implementing a mindset, ways of new ways of working, probably new processes, probably new business models. I think that's something we've really needed to think through and accept.” - Interviewee W</i>
	<i>“Of course if bigger, let's say revelations, I don't usually work in bigger revelations. I try to do small steps, just changing everything over time, it might be good for some. And, if the case from the analysis can prove that, that is the best way of working, let's say flip the rug, we start over from blank, fair enough. But that sort of halts to work quite abruptly and then it takes time to set back into the new ways of working. And usually people haven't understood</i>

	<p><i>why they're working in the new ways, so they fall back and they fall back into to old comfortable methods basically.” - Interviewee N</i></p>
5.3.2 Sub-optimal Resource Allocation	<p><i>So then you're talking about product oriented, the product ownership comes to the primary part and capabilities or people can be mobilized based on the need. And for which you have created or ideally is supposed to be creating the chapters across the organization. So yeah. So next logical question for the organization - so we have created chapters. Those chapters are in various places. How do we kind of optimize these chapters across the organization in terms of original structure? - Interviewee F</i></p>
5.3.3 Illusory change	<p><i>“This is a bit of a gray zone. Because I'm in both minds, I think on slide or theoretically what the leader is trying to do is a good thing. So I'm on board with the concept and we understand the purpose. But sometimes it is also true that sometimes I think that maybe there is an element of putting old wine in a new bottle.” - Interviewee P</i></p>
	<p><i>“I mean people can easily understand that you can call it whatever the model that is, but then we are kind of completely driven by business. Should I even prioritize this, because it is not going to make much difference, right. Anyway, it's only as always. We are working. Anyway, I'm already doing it. I'll put an agile coach, what is the big difference, right.” - Interviewee E</i></p>