Dual Business Models: Going beyond Spatial Separation

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Abstract

Despite substantial literature on managing two conflicting business models within one company, little has been done regarding qualitative studies investigating the organizational context and the installed integration and separation mechanisms between these two. Based on organizational context factors and business model elements, using the organizational ambidexterity as theoretical lens, this research paper presents a longitudinal case study conducted at a magazine publisher that intends to advance the comprehension of the interplay between traditional and online business models. Our analysis suggests that integration and separation mechanisms occur along all elements of a business model. The organizational context factors moderate the integration and separation mechanisms between the traditional and the online business model and uncover details regarding the conflict inherent in those dual business models.

Keywords
Business Models, Publishing Industry, Organizational Ambidexterity.

Introduction

A business model (BM) represents the “rationale of how an organization creates, delivers, and captures value” (Osterwalder and Pigneur 2010, p. 14), is composed of different elements (Zott 2011) and reflects the realized strategy (Casadesus-Masanell and Ricart 2010; Richardson 2008). Existing BM research has shown that the impact of new Internet technologies on traditional ‘bricks and mortar’ companies has led to a wide range of changes in the companies’ structures. The Internet may represent an additional channel to the customer or serve as a catalyst for radically different business environments, threatening or even replacing traditional BMs (Deleersnyder et al. 2002; Gulafi and Garino 2000; Wikström and Ellonen 2012). In many industries, online BMs emerged and are run in parallel to the traditional BMs (e.g., Gebauer and Ginsburg 2010; Stuckenberg et al. 2011). An online BM thereby represents the blueprint of a company’s business on the Internet (Osterwalder et al. 2005). Companies, which run two conflicting strategies or BMs in parallel are acknowledged to pursue dual (e.g., Markides and Charitou 2004) or complex (e.g., Smith et al. 2010) BMs. The underlying challenge to manage them simultaneously and successfully is acknowledged as “ambiextrous challenge” (Markides 2013, p. 313). Nevertheless, existing BM literature using this theoretical lens is often limited to the spatial separation approach and broadly neglects a systematic analysis of integration and separation mechanisms and the role of the firm-specific organizational context (Markides 2013). To address this research gap, the publishing industry seems to be a particularly suitable environment to study on conflicting (dual) BMs. First, the publishing industry has gone through “far-reaching structural challenges like in almost no other traditional sector of the economy” (Hass 2011, p. 48). Next to the impact of new technologies, the drift of advertising revenues to the Internet (Krüger et al. 2004; Wellbrock and Schnittka 2014), changes in readers’ behavior, and the demographic change (Bakker and Sádaba 2008; Liu 2005; Sumner 2010) have led to an ongoing consolidation of the market (Ala-Fossi et al. 2008). Second, a publisher’s dual BM continues to coexist as it is not likely that the online BM substitutes the print or e-magazine respectively (Ala-Fossi et al. 2008; Ellonen et al. 2008; Sumner 2010). Therefore, we expect the search for a synergetic interplay between the online and the offline BM to be continued. Third, recent developments in publishing houses show that
they are still facing conflicts between the traditional (print) and online BM (e.g., AFP 2014; Moses 2014; Schellhammer 2009). Furthermore, online BMs are often still not profitable (Hass 2011; Silva 2011) and consequently compete on financial, human and leadership resources (Smith et al. 2010). To contribute to a deeper understanding on the ambidextrous challenge in dual BMs, we research on BM integration and separation mechanisms against the backdrop of organizational context factors (OCFs), namely, leadership, strategy, values, and incentives. Specifically, we target to answer the following research questions by conducting a longitudinal case study at a magazine publisher: (1) How are an online and a traditional BM integrated or separated? (2) How do OCFs influence integration and separation mechanisms?

The remainder of this paper is structured as follows: First, we briefly introduce the concept of organizational ambidexterity and related BM research. Second, we elaborate on the data collection and analysis process and introduce the case study context. Third, the results regarding the integration and separation mechanisms and the impact of organizational context are presented. Fourth, a summary and discussion of the results follow, before fifth, main conclusions are outlined.

Theoretical Background

Organizational Ambidexterity

In the context of organizations, ambidexterity is a “capacity to address two organizationally incompatible objectives equally well” (Birkinshaw and Gupta 2013, p. 291), and research has proposed “ambidexterity […] as a dynamic capability” (Tushman and O’Reilly 1996, p. 24). Incompatible objectives or conflicting strategies are often identified in the context of simultaneous exploration and exploitation activities (O’Reilly and Tushman 2013).

Literature distinguishes three approaches to manage the ambidextrous challenge. First, structural ambidexterity refers to an exploration and exploitation by separating related activities into distinct organizational units, which enables the coexistence of different competencies, systems, incentives, and processes. This approach targets to allow “cross-fertilization among units while preventing cross-contamination” (O’Reilly and Tushman 2004, p. 76). When the criticism arose that synergies between the two organizational units need to be exploited, research “revised the argument in favor of separation to one that proposes creating separate units that are linked by several integrating mechanisms” (Markides 2013, p. 314). Examples for integrating mechanisms are a common general manager, the transfer of people, and ambidextrous employees (Markides 2013). Second, contextual ambidexterity addresses the tension of exploration and exploitation on an individual level (O’Reilly and Tushman 2013). It is achieved by a supportive organizational context that enables employees to take their own decisions how to divide their time between conflicting objectives (Birkinshaw and Gupta 2013; Gibson and Birkinshaw 2004). Markides (2013) defines the “organizational context as the firm’s culture, values, structure, processes, and incentives” (p. 317), O’Reilly and Tushman (2011) name vision, strategic intent, values, incentives, and leadership. Whereas structural and contextual ambidexterity refers to a simultaneous undertaking of exploration and exploitation, the third form, sequential ambidexterity, is achieved by realigning an organization’s structure over time (O’Reilly and Tushman 2013).

Related Research on Business Models

Literature on ambidexterity is proposed “as natural anchor for academic researchers exploring the phenomenon of business model innovation” (Markides 2013, p. 315). Although organizational ambidexterity is not a new concept (O’Reilly and Tushman 2013), its application in the context of BM research is still limited. It focuses on the spatial separation of the emerging BM from its traditional counterpart, including the separation of e.g., brand name, activities, and culture (Bower and Christensen 1995; Christensen and Overdorf 2000; Porter 1996). For example, Markides and Charitou (2004) show that the advantageousness of separation or temporal separation strategies in dual BMs depends on the severity of the conflict between the traditional and online BM and the similarity between the targeted markets. Khanagha et al. (2013) and Khanagha et al. (2014) investigate the organizational adaptations of an established telecommunication provider in response to the emerging technological opportunities of cloud computing. They conclude that the advantageousness of structural separation depends on the strategic intent and the impact of the new technology on the traditional BM, which both vary over time.
Smith et al. (2010) emphasize the role of senior leaders when complex BMs (exploitation vs. exploration) have to be managed. The success of complex BMs depends e.g., on the senior management’s ability to commit to an overarching vision as well as business specific agendas and an active learning on both BMs and their interdependencys. Regarding the specific context of publishers, Hass (2011) portrays a regional newspaper, which started with spatially separated online news site and re-integrated it to its core business over time. Sakse and Hollifield (2002) show that a missing involvement of the print editorial office in new online ventures leads to a low level of resource commitment. Thorén et al. (2014, p. 799) emphasize that the tension between the traditional and the online BM of a newspaper publisher is characterized by a gatekeeping behavior seeing the printing press as a “machine that segregates professionals from amateurs”. In contrast, other research shows that particularly special interest magazines started to take advantage from the Internet (Ala-Fossi et al. 2008; Ellonen et al. 2008, Kuivalainen et al. 2009). For example, Kuivalainen et al. (2009) emphasize that a non-editorial online offering (e.g., discussion forums) helps the magazine to get access to users’ personal interests.

Research Methodology

Markides (2013) proposes that the decision regarding the “appropriate degree of separation and [...] of integration varies by company” and motivates BM researchers to explore “what kinds of integrating mechanisms work for what kinds of firms” (p. 319). Therefore, an in-depth investigation of a real-life context based on the single-case study approach (Flyvbjerg 2006; Yin 2014) seems to be appropriate to study company-specific OCFs as well as dual BM-related integration and separation mechanisms. According to the classification of Yin (2014), we performed a longitudinal case study (April 2010 to September 2014) at a German magazine publisher, BIZ (synonym).

Case Selection and Context

The opportunity for this study stems from a larger research project on the development and the interplay of traditional and online BMs. Our case company BIZ is a subsidiary of a large German publishing house and was founded in the mid-1970s. We selected BIZ “on the basis of expectations about [its] information content” (Flyvbjerg 2006, p. 230). As BIZ is a typical magazine publisher of the business press in terms of its print and online offering, we argue that it is a critical case allowing to “achieve information that permits logical deductions” as if the gathered information “is (not) valid for this case, then it applies to all (no) cases” (Flyvbjerg 2006, p. 230). When taking into account the competitive environment, BIZ is additionally a successful case. The German business press sector, to which BIZ belongs, was characterized by a major shakeout of print titles during the last 10 years. More than a half of the magazine titles disappeared between 2003 and 2013 (IVW 2014). In this environment, BIZ managed to outperform several competitors in terms of stable circulation numbers and print advertising revenues, high copy prices and a constantly growing online advertising revenue stream. Additionally, as we refer to longitudinal case data, we know that BIZ’s dual BM underwent a row of changes also affecting the integration between the online and offline BM. These changes led to a higher online reach we refer to as an increased performance of the online BM. These facts suggest that BIZ must have done ‘something right’ in the past, which qualifies them as a promising research object of an ambidextrous organization.

Data Collection and Analysis

We collected data on BIZ’s dual BM (unit of analysis) and OCFs for the timeframe from April 2010 to September 2014. The primary data gathering was based on semi-structured interviews conducted over an extended period of time and was supplemented by various internal and external qualitative and quantitative data collected from beginning of 2010 to September 2014 (Blaikie 1991; Eisenhardt 1989). The interviews lasted between 30 minutes and two hours and focused on the characteristics of the online BM and its relationship to the traditional BM (e.g., how are the editorial offices working together?). In total, we conducted ten in-depth interviews until we reached saturation (Glaser and Strauss 1967). Table 1 lists the interview partners. For the information requirements of our study, the access to the management was of particular importance. To address the concern of “retrospective sensemaking” by the management, we included “actors from different hierarchical” levels (Eisenhardt 1989, p. 28), internal reporting documents, and a wide range of externally available data. For example, to support the interviews and to get further perspectives on statements, we used external quantitative data from two German institutes.
IVW (German Audit Bureau of Circulations) and AGOF (Working Group for Online Media Research), both responsible for recording and auditing media performance data, as well as industry insider blogs and press releases.

| Interviewees                  | Quantity | Timeline  
|-------------------------------|----------|-----------
| Management Team               | 7        | July-Sept 14 
| Online Editor in Chief (EIC)  | 1        | Aug 14 
| Online Editor                 | 1        | Sept 14 
| IT Manager                    | 1        | Aug 14 

Table 1. Conducted interviews

The transcribed interviews, all notes and drawings prepared during the interviews as well as all external and internal supplementary materials were imported to the QSR nVivo 9 software, where a mix of concept-driven and data-driven coding was applied (Gibbs 2010). Firstly, we coded the material to extract the rational of BIZ’s traditional and online BM during the investigated timeframe. For this purpose, we applied the elements of the BM concept of Osterwalder et al. (2005) as overarching categories, namely value proposition, customer relationships, channels, customer segments, revenue streams, key activities, key resources, key partners, and cost structure. The chronology of the coded BM elements was documented by adding a time stamp (e.g. new online editor, Q4-2013). Second, a matching of the coded categories of the traditional and online BM as well as several re-readings of the material allowed to code BM-related integration and separation mechanisms (e.g., key resources: new shared EIC for the traditional and online BM in Q4 2013). During a third coding cycle, OCFs including leadership, strategy, values, and incentives were identified. The coding and analysis was performed by the author. The results were discussed intensively with other team members of the research project, who know the case very well (Eisenhardt 1989).

Results

Before we present our results, the main characteristics of the dual BM as of September 2014 are outlined in the following.

**BIZ’s traditional business model**: BIZ sells a monthly business magazine with a circulation of about 110,000 copies. The over 40-person strong, editorial office pursues a high-quality investigative journalism with focus on company reports and person-centered stories. BIZ has a strong brand, benefits from a unique informant network and is able to realize premium copy and ad prices. Target group on the reader market are wealthy business professionals and consequently, on the advertising market, BIZ addresses companies providing luxury goods or professional services. Reader relationships are mainly anonymous and an externally contracted marketer maintains the relationship to the advertisers. All core activities related researching and preparing articles as well as the production of graphical material are kept in-house.

**BIZ’s online business model**: BIZ provides a free daily website with business-related news and additional services, like real estate, career, and stock services. BIZ additionally promotes its content via social media e.g., Facebook as well as via a newsletter. BIZ complements its editorial offering, created by a 17-person strong online editorial office, by opinion articles form external experts. BIZ also procures external content (content syndication) or compiles articles from foreign articles (content curation). The relationship to its online users is personal and interactive and BIZ uses website control systems to analyze user behavior and article reach. BIZ has also a strong reputation in the online world. For its service offerings, BIZ cooperates with external partners. Sales and marketing functions are sourced from external service providers.

**BM Integration and Separation Mechanisms**

As of September 2014, we observed the following BM integration and separation mechanisms:
Value proposition and customer segments: BIZ distinguishes its online from its print editorial offering by addressing different information needs of similar print and online target groups. The daily updated website comprises more lightweight and entertaining news and articles with short-dated trends, whereas the magazine offers deeply researched and highly reliable monthly background stories. As both editorial offerings focus on business and business-related topics, they reference each other when appropriate. The print editorial office benefits from data BIZ generates online from its supplementary services (e.g. real estate data) or by detecting new trends – a main theme of the online editorial offering. In return, the online editorial office is allowed to reuse print content with a certain time-delay. On the advertising market, BIZ offers the same value proposition to its advertising customers as the target groups on the readers’ market overlap.

Customer relationships: BIZ maintains a one-way communication of the print editorial office to its readership. In contrast, the online editorial staff regularly interact with its users via social media, moderates discussions and takes into account the received feedback. Additionally, BIZ online editorial staff benefit from the transparency of user behavior tracked by real-time statistical and website control systems.

Channels: It is BIZ’s online editorial staff who regularly promote the magazine via the website and social media platforms. Additionally, online users can directly subscribe for the magazine on BIZ’s website, which has become the most important response channel as more than 50% of the print subscribers place their order on the website.

Revenue streams: BIZ offers cross-media packages for print and online advertising space. The offering of paid content is reserved to the print editorial office.

Key resources: BIZ maintains an independent online editorial office headed by a shared commercial management team and a shared EIC. To foster the exchange, the online EIC works as print editor for approximately one fifth of his time and assures the up-to-datedness of his online team regarding current print stories and opinions. In addition, BIZ leverages its strong print brand in the online world to achieve premium prices for advertising space. Nevertheless, the online editorial office rely on a supplementary interpretation of the brand in the online world. They see themselves as trend-scouting net-reporters also producing more lightweight and entertaining content. The online editorial offering bases on a differing set of skills as needed for print articles (e.g., IT skills to use website control systems and to make use of the Google algorithm, new content creation, and marketing skills). Furthermore, BIZ offers career opportunities by promoting online editors to print editors.

Key activities: The print and online editorial offices basically work independently from each other. Whereas the print editorial staff rely on proprietarily created stories, the online staff additionally curate and syndicate articles to maximize their daily output. When an online article is likely to have touch points to the current work of a print editor, BIZ’s online editors are requested to synchronize their content and opinions with the respective print colleague to avoid contractionary print and online statements.

Key partners: BIZ markets its print and online advertising space with help of the same external provider. The same applies to support function like human resources and IT. On the readers’ market, BIZ leverages the capabilities of its external provider for print sales also for the marketing of the online newsletter.

Cost structure: Both BMs are clearly separated from a cost accounting perspective. Costs for shared resources, e.g. the share EIC, are split between the online and the traditional BM. Although BIZ has gained ground regarding the profitability of its online BM, it still needs financial support from the traditional BM.

The Influence of the Organizational Context

Between the end of 2013 and September 2014, BIZ organizational context regarding leadership, strategy, values, and incentives was newly shaped. In the following, we describe the latest changes of the organizational context and link them to the observed integration and separation mechanisms as described in the previous section. Table 2 provides an overview of the overarching and BM-specific OCFs as of September 2014.
### Table 2. OCFs as of September 2014

<table>
<thead>
<tr>
<th>Leaders (LS)</th>
<th>Traditional BM</th>
<th>Online BM</th>
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<tbody>
<tr>
<td>Shared EIC and shared commercial management (LS-general)</td>
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<td></td>
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<tr>
<td>Print EIC (LS-traditional)</td>
<td></td>
<td></td>
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<tr>
<td>Online EIC (LS-online)</td>
<td></td>
<td></td>
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<tr>
<td>Strategy (ST)</td>
<td>Complementary print and online editorial offering (ST-general)</td>
<td></td>
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<tr>
<td>Cost effectiveness (ST-general)</td>
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<tr>
<td>Exploitation of premium brand (ST-traditional)</td>
<td>Increase of reach of the website (ST-online)</td>
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<tr>
<td>Values (VA)</td>
<td>High journalistic standards (VA-general)</td>
<td></td>
</tr>
<tr>
<td>Investigative business journalism (VA-traditional)</td>
<td></td>
<td>Net-reporters and trend-scouts (VA-online)</td>
</tr>
<tr>
<td>Incentives (IC)</td>
<td>Reputation and recognition from peers (IC-traditional)</td>
<td>Reach of content (IC-online)</td>
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</table>

**Leadership:** Until the end of 2013, BIZ had a shared commercial management team for its traditional and online operations, but a separated editorial management team. Driven by a conflict between the former print EIC and the commercial management team on the further development of both BMs, BIZ decided on a new editorial management structure, which foresaw a shared EIC and two second EICs for the print and online editorial office. This facilitates the following BM integration mechanisms. The shared EIC represents a BM integration mechanism himself and the online EIC was additionally installed as a senior editor for the magazine. Additionally, the new editorial management decided on the possibility to promote online to print editors.

**Strategy:** Based on the new management structure, BIZ started to coordinate the strategic developments of the traditional and online BM. Besides an overarching strategy of complementary print and online editorial offerings, print and online-specific strategies were enabled. By keeping its elitist target groups, BIZ aims to exploit its premium brand in the print world by e.g., regularly providing special issues, promoting its exclusivity more intensively, and by keeping high copy prices. Since the first quarter of 2014, BIZ's online strategy is to maximize online reach and the online editors are constantly exploring new opportunities (e.g., social media feature, longer updating hours) to make the website attractive for new users and to motivate existing users to use it more regularly. Online paid content had been regularly on the agenda of the management, but skipped for the new online strategy. Due to the aggravated financial situation, BIZ focus on operational costs, but does not pursue any severe cost cutting initiatives. The strategy of differing, complementary editorial offerings leads to a separation in terms of addressing different information needs of the reader in the magazine and on the website. The target of exploiting the premium brand on the print market leads to the decision of restricting paid content to the traditional BM. The online focus on reach of the website required the development of new online editorial skills, which significantly separates from the traditional skills. For financial reasons, BIZ exploits existing key partners of the traditional BM to market the online newsletter.

**Values:** With the new EIC joint in the end of 2013, BIZ's editorial and commercial management agreed to develop a new set of complementary online editorial values, which gave the online editorial staff an independent identity of net-reporters looking for emergent national and international trends. Until that, the online editors had emulated the print editors by focusing on print-like company reports and person-centered stories, which turned out to be not rewarded by sufficient clicks to cover the related operational expenses. The new online values facilitate the integration of online data and content to print stories in the case that the online editorial staff detect new trend, which turned out to be important and long-lasting. Nevertheless, the reputation of high-quality investigative business journalism remains the core of BIZ's brand in the print world and BIZ continues to set high journalistic standards as overarching value. To assure this high quality, the online editors are requested to synchronize with their print colleagues when working on critical topics that might lead to different opinions in the print and online medium.

**Incentives:** Incentives for the BIZ's print and online editorial offices are set differently. BIZ online editors are assessed according to the reach of their articles, which directly correlates to the achieved advertising.
revenues. For the print editors, any objective performance indicator does not exist. Their motivation is to have a good reputation and positive recognition from their peers. Furthermore, they enjoy a greater degree of journalistic freedom and higher salaries. Those differences in incentives lead to an exclusive online use of social media as marketing platform as it supports a wider reach. The same applies for the direct user interaction, which is only performed by the online editorial staff. Print editors have no benefit from user involvement and social media.

Summary and Discussion

We conducted a longitudinal case study with a major German magazine publisher (BIZ) to contribute to a deeper understanding of how dual BM are integrated or separated and how OCFs impact the integration and separation mechanisms. It is important to note that we described the BM integration and separation mechanisms independently from their date of origin, whereas the analyzed OCFs refers to their latest form as emerged between the end of 2013 and September 2014. Consequently, some of the observed integration and separation mechanisms were not assigned to the OCFs as of September 2013 as they stem from previous leadership approaches, strategies, values, or incentives. As a summary, Table 3 shows all integration and separation mechanisms. Those that relate to the OCFs as of September 2014 are written in italic letters. All mechanisms written in normal letters stem from previous forms of BIZ’s OCFs.

<table>
<thead>
<tr>
<th>BM element</th>
<th>Mechanisms</th>
<th>Type</th>
<th>Dominant context factor (codes from table 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value proposition/customer segments</td>
<td>Addressing complementary reader demands</td>
<td>Separation</td>
<td>ST-general</td>
</tr>
<tr>
<td></td>
<td>Exploitation of online data for the magazine</td>
<td>Integration</td>
<td>VA-online</td>
</tr>
<tr>
<td></td>
<td>Time-delayed online use of print content</td>
<td>Integration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cross-referencing</td>
<td>Integration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Addressing same (advertising)/ similar (readers) target groups</td>
<td>Integration</td>
<td></td>
</tr>
<tr>
<td>Customer relationships</td>
<td>Restriction of direct user interaction and feedback to the online BM</td>
<td>Separation</td>
<td>IC-online IC-traditional</td>
</tr>
<tr>
<td>Channels</td>
<td>Restriction of social media use to the online BM</td>
<td>Separation</td>
<td>IC-online IC-traditional</td>
</tr>
<tr>
<td></td>
<td>Online promotion of magazine</td>
<td>Integration</td>
<td></td>
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<td></td>
<td>Website as channel for magazine subscribers</td>
<td>Integration</td>
<td></td>
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<tr>
<td>Revenue streams</td>
<td>Restriction of paid content to the traditional BM</td>
<td>Separation</td>
<td>ST-traditional</td>
</tr>
<tr>
<td></td>
<td>Cross-media advertising packages</td>
<td>Integration</td>
<td></td>
</tr>
<tr>
<td>Key resources</td>
<td>Shared EIC</td>
<td>Integration</td>
<td>LS-general LS-online</td>
</tr>
<tr>
<td></td>
<td>Online EIC as print editor</td>
<td>Integration</td>
<td>LS-general LS-online</td>
</tr>
<tr>
<td></td>
<td>Career opportunities</td>
<td>Integration</td>
<td>LS-general</td>
</tr>
<tr>
<td></td>
<td>Trend-scouring image of online BM</td>
<td>Separation</td>
<td>VA-online</td>
</tr>
<tr>
<td></td>
<td>Specific online editorial skills</td>
<td>Separation</td>
<td>ST-online</td>
</tr>
<tr>
<td></td>
<td>Shared commercial management</td>
<td>Integration</td>
<td></td>
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<tr>
<td></td>
<td>Shared brand</td>
<td>Integration</td>
<td></td>
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<tr>
<td></td>
<td>Separated editorial offices</td>
<td>Separation</td>
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</table>
Regarding our first research question, our results show that a focus on spatial separation is falling short of comprehensively explaining BIZ's comparatively successful presence in the print and online world. The "ambidextrous challenge" (Markides 2013, p. 313) to exploit synergies and to prevent mutual obstruction (O’Reilly and Tushman 2004, p. 76) is addressed by multilayered integration and separation mechanisms between all BM elements (see Table 3). In contrast to the proposition that the brand name should be separated (Christensen and Overdorf 2000; Porter 1996), our case provides a more differentiated view. On the one hand, the strong brand enables premium online advertising prices. On the other hand, a broader interpretation of the brand in the online world has the potential to support the print BM (e.g., print editors process online data in their articles).

Regarding our second research question, our analysis reveals that the BM integration and separation mechanisms are strongly related to the OCFs (see also Table 3). Not surprisingly, the overarching OCFs (suffix general in last column of Table 3) primarily lead to integration mechanisms between the traditional and the online BM. This goes in hand with existing literature. For example, shared leadership and common overarching values are acknowledged to facilitate synergies between two conflicting BMs (O’Reilly and Tushman 2004; Smith et al. 2010) and are known integration mechanisms from the ambidexterity literature (Markides 2013). Besides that, we identified two integration mechanisms related to BM-specific values. The ‘exploitation of online BM for traditional product’ shows that a specific online value has the potential to enrich the traditional BM. The ‘alignment of online content’ shows that the traditional BM still plays a dominant role. This goes in hand with a gatekeeping behavior of the traditional BM (Thorén et al. 2014). Saksena and Hollifield (2002) additionally show that the involvement of the print editorial staff in online ventures is crucial for resource commitment. In contrast to overarching OCFs, BM-specific context factors primarily lead to separation mechanisms (suffix traditional and online in last column of Table 3). Specific online OCFs mainly refer to the key resources element and support existing research on the need for structural separation of new ventures (e.g., Christensen and Overdorf 2000; Markides and Charitou 2004). Regarding OCFs, which are specific to the traditional BM, we could not identify a focus of separation mechanisms on a certain BM element. We identified one separation mechanism (‘addressing complementary reader demands’), which stems from an integrated (general) strategy. This shows that an integrated strategy implies by no means an integration of BMs, but has the potential to prevent mutually substituting editorial offerings by clearly avoiding cannibalization risks (Velu and Stiles 2013).

Besides that, our research demonstrates that an analysis of the OCFs uncovers details on the conflict to be managed as "ambidextrous challenge" (Markides 2013, p. 313). In the special case of BIZ, the conflict between the traditional and the online BM is rooted in different values and incentives of the traditional and online BM. The online focus on reach of the website gives rise to specific content formats and the active involvement of readers. Both phenomena are of minor value from a print editor's perspective and are perceived as a threat for the strong reputation of the magazine. Therefore, the online editors are requested to align critical content with their print colleagues.

The approach used within this case study can guide future in-depth investigations to find "what kinds of integration mechanisms work for what kind of firms" (Markides 2013, p. 319). Our analysis emphasizes the important role of OCFs in BM research when looking at BM-related integration and separation.

### Table 3. BM Integration and Separation Mechanisms and OCFs

<table>
<thead>
<tr>
<th>Key activities</th>
<th>Alignment of online content</th>
<th>Integration</th>
<th>VA-general VA-traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separated editorial activities and organizational routines (e.g. meetings)</td>
<td></td>
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<tr>
<td>Key partners</td>
<td>Joint external providers for marketing online (newsletter) and print content</td>
<td>Integration</td>
<td>ST-general</td>
</tr>
<tr>
<td></td>
<td>Joint external providers for marketing ad space and support functions</td>
<td></td>
<td>Integration</td>
</tr>
<tr>
<td>Cost structure</td>
<td>Cross-financing of online BM</td>
<td>Integration</td>
<td></td>
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<tr>
<td></td>
<td>Separated cost accounting</td>
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<td>Separation</td>
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mechanisms. Future studies with equal research design could further deepen our understanding of how traditional and online BM are integrated. Additionally, BM research can produce further valuable insights regarding performance implications of differently set-up dual BMs. For publishers, the results show that organizational factors enables or restricts potential synergies and that conflicts might not be visible on the first sight, but rooted in conflicting values and incentives. Several cautions are necessary to interpret the findings of this case study. It seems important to inquire whether the integration and separation mechanisms are driven mainly by OCFs as applied in this study. Furthermore, it should be noted that we did not target to achieve statistical generalizability (Yin 2014), but to contribute to an in-depth understanding of the dual BM phenomenon in the specific realm of the publishing industry.

Conclusion

Based on a longitudinal case study, we demonstrate the decisive role of the OCFs namely, leadership, strategy, values, and incentives in the context of integration and separation mechanisms between a company's traditional and online BM. By applying a BM concept, we demonstrate a multilayered integration and separation of the traditional and online BM along all BM elements. Integration and separation mechanisms are facilitated by the OCFs, whereby overarching as well as BM-specific OCFs lead to integration as well as separation mechanisms. Furthermore, the OCFs provide details on the ambidextrous challenge in dual BMs, which can be traced back to BM-specific OCFs. With our research, we contribute to the scarce and one-sidedly BM literature on dual BMs and identify OCFs as helpful explanation approach of BM integration and separation mechanisms.

REFERENCES


