

When the parent imitates the child: Strategic renewal through separation and reintegration of subsidiaries

Martin Friesl

Lancaster University Management School
m.friesl@lancaster.ac.uk

Lionel Garreau

PSL* Université Paris-Dauphine
lionel.garreau@dauphine.fr

Loizos Heracleous

Warwick Business School
loizos.heracleous@wbs.ac.uk

Abstract

This paper shows how the separation and subsequent reintegration of a subsidiary becomes a source of strategic renewal for the parent company. We develop a process model that reveals how structural ambidexterity can generate ‘proximate isomorphism’ that gives rise to parent level exploration and the parent’s gradual convergence with the subsidiary. This creates the conditions for reintegration, and ultimately, strategic renewal. We identify the triggers for proximate isomorphism as well as the mechanisms through which it unfolds. We draw on the longitudinal analysis of strategic renewal of Immochan between 2006 and 2018. Our findings contribute to extant research by developing the link between structural ambidexterity and strategic renewal and, particularly, by showing that proximate isomorphism acts an integrating mechanism between the parent and the explorative unit.

Keywords: structural ambidexterity, integrating mechanisms, strategic renewal, corporate parent, isomorphism

Introduction

The simultaneous exploitation of an existing strategy while exploring new capabilities is one of the core challenges for organizations (Andriopoulos and Lewis, 2009; Birkinshaw and Gupta, 2013; O'Reilly III and Tushman, 2008). For that to happen, explorative units are often temporarily structurally separated in order to nurture their innovative potential, tap into alternative revenue streams (Gilbert, 2005; Raisch, 2008; Raisch et al., 2009; Raisch and Tushman, 2016) and avoid tensions between innovative endeavors and existing strategies (Duncan, 1976; Markides, 2008; O'Reilly III and Tushman, 2008; O'Reilly III and Tushman, 2013; Nosella et al., 2012). Importantly, apart from balancing different objectives (Birkinshaw and Gupta, 2013), prior research also argues that structural separation has the potential for strategic renewal of the firm as a whole (Khanagha et al., 2014). Indeed, for O'Reilly and Tushman (2013: 333) the need to implement ambidextrous solutions “is about survival.”

Raisch (2008) suggests that structural separation might actually lead to, what he calls, ‘reverse nurturing’; knowledge flows from the explorative unit that result in capability development in other units of the organization. Also, Siggelkow and Levinthal (2003) point out that the potential for renewal is only unleashed by reintegrating the separated unit. These examples point to two broader questions. On the one hand, it highlights the importance of integrating mechanisms that coordinate resources and knowledge flows (Gilbert, 2006; Kauppila, 2010; Jansen et al., 2009; Raisch and Birkinshaw, 2008). On the other, these examples suggest that strategic renewal via structural ambidexterity is a process (Simsek, 2009) that involves both the separation as well as the reintegration phases over time. Yet, we do not have an in-depth understanding of the integrating mechanisms through which separated units influence the corporate parent, nor do we fully understand the processual aspects of structural ambidexterity that result in separation and reintegration. Based on these gaps, we address the

following research question: *What are the mechanisms through which structural ambidexterity leads to strategic renewal of the focal firm over time?*

In order to address this question we analyze the transformation of Immochan*¹, the real estate division of Auchan Group* between 2006 and 2018. From 2008 to 2014, Immochan adopted a structurally ambidextrous form by separating the exploitation of its core retail portfolio from the exploration of a new trend called ‘New Urbanism’. In 2008, Immochan spun out Citania as a standalone unit fully devoted to developing New Urbanism yet reintegrated it in 2014. We explore the process by which Immochan separated and eventually reintegrated Citania and trace the transformation of Immochan over time. This enables us to shed light on how the dynamic relationship between explorative and exploitative units over time may result in strategic renewal of the parent company. Based on these findings this paper makes three theoretical contributions.

First, this paper reveals the implications of structural ambidexterity for parent level strategic renewal. We enhance Raisch (2008) by confirming the role of separated units in breaking parent level path dependency and by spelling out the process through which this happens. Second, our findings show that structurally separated units may be integrated via, what we call, “proximate isomorphism”. We use this notion to describe parent level activities involved in imitating the separated unit which, spatially and culturally, is located at short distance. The concept of proximate isomorphism extends one of the core debates in research on structural ambidexterity: research on the integration mechanisms that link separated units to other parts of the organization (Kauppila, 2010; Gilbert, 2006; Bennett and Robson, 1999). We explain the mechanisms through which proximate isomorphism unfolds and theorize the conditions under which it is likely to occur. Third, this paper also contribute to the emerging ‘dynamic view’ of organizational ambidexterity that acknowledges that the solutions to the

¹ * indicates definition of concepts in the glossary in Appendix 2

ambidexterity challenge may shift over time (Simsek, 2009; Markides, 2013). We highlight two mechanisms that underpin this transformation, governance changes and the depersonalization of legitimacy.

Ambidexterity and strategic renewal: Review of prior research

Strategic renewal describes the process, content and outcome of changes in the organization that affect the long-term viability of the firm (Agarwal and Helfat, 2009). Strategic renewal requires firms to deploy their capabilities in a new way (Danneels, 2010) or develop a set of new capabilities that would allow them to successfully compete in future (McNamara and Baden-Fuller, 1999; Volberda et al., 2001; Baden-Fuller and Volberda, 1997). Renewal is often triggered by external ‘shocks’ such as technological innovations and increasing competition that force firms to react (Chandler Jr, 1962; Ahuja and Katila, 2004) or can be the result of autonomous, bottom up initiatives (Regnér, 2003; Pandza, 2011; Mirabeau and Maguire, 2014).

While change in the light of external pressures is difficult enough, renewal is even more difficult in situations of ‘fit’; when firms are well aligned to the market and there is no immediate reason for change (Siggelkow, 2001). Challenges for strategic renewal are manifold. Strategies are often deeply embedded in shared and taken for granted assumptions about customers, competition as well as the resources and capabilities at the disposal of a firm, which make it difficult for managers to envisage alternative strategies (Johnson, 1988; Barr et al., 1992; Leonard-Barton, 1992; Danneels, 2010). Renewal might be inhibited by the organizational context in terms of routines for strategic planning and budgeting for example, which might drive out autonomous, bottom up initiatives that have the potential to shape the strategy for the firm (Burgelman, 1983; Burgelman, 2002). Put differently, to ensure strategic renewal, firms need to find ways to exploit existing capabilities; yet renewal also requires explorative and path breaking activities that are able to overcome the commitment to an

existing strategy (March, 1991; Sydow et al., 2009; Burgelman, 2002; O'Reilly III et al., 2009; Raisch et al., 2009; Raisch and Birkinshaw, 2008).

Prior research suggests that a solution to these challenges is organizational ambidexterity (Agarwal and Helfat, 2009; O'Reilly III and Tushman, 2013). The term ambidexterity describes “an organization’s capacity to address two organizationally incompatible objectives equally well” (Birkinshaw and Gupta, 2013: 291) which requires firms to “reconcile internal tensions and conflicting demands in their task environments” (Raisch and Birkinshaw, 2008: 375). Such conflicting demands may arise from the simultaneous pursuit of both explorative and exploitative strategies (Floyd and Lane, 2000; Turner et al., 2013) and, linked to that, the need to balancing autonomous initiatives and induced forms of strategy making (Burgelman, 2002; Raisch and Birkinshaw, 2008; Regnér, 2003). Thus, ambidexterity is about “the multitude of ways that organizations sought to manage the tensions involved in doing two different things at the same time” (Birkinshaw and Gupta, 2013: , p. 288). If implemented appropriately, ambidextrous solutions allow firms to avoid competency traps (Levinthal and March, 1993) and potentially achieve radical transformation (Agarwal and Helfat, 2009).

As exploitative and explorative strategies are based on different structural prerequisites (March, 1991), the joint pursuit of exploitation and exploitation may be achieved through complex organizational designs (Raisch, 2008) but also inter-organizational solutions such as alliances or acquisitions (Mom et al., 2009; Stettner and Lavie, 2014; Kauppila, 2010). Prior research emphasized that firms may simultaneously pursue exploitative and explorative strategies (Raisch, 2008) via structurally separating explorative and exploitative units (Duncan, 1976). Such a solution is considered to be particularly beneficial if severe conflicts between new, innovative initiatives and the existing business due to fundamental differences in values and capabilities can be anticipated and managed (Markides, 2013). Structural separation allows the existing unit to retain its strategy while the new unit can adopt structures and capabilities

that are adequate in this particular context (Siggelkow and Levinthal, 2003). For instance, Immelt et al. (2009) show how GE separated units pursuing frugal innovations in India from the main R&D organization in order to protect the fledgling business from the established administrative structures at GE. Over the years, a plethora of empirical studies has found a positive relationship between firm performance and such structural separation (e.g. Jansen et al., 2009; He and Wong, 2004; Lubatkin et al., 2006).

Yet, this does not imply that explorative and exploitative units remain isolated. These units are connected at the corporate level (Benner and Tushman, 2003) and firms need to put mechanisms in place that integrate explorative and exploitative activities (Gilbert, 2006; Kauppila, 2010; Jansen et al., 2009; Raisch and Birkinshaw, 2008). Here the term ‘integrate’ refers to coordination and knowledge flows between the various units. Prior research suggests that these integrating mechanisms could take structural forms or may be socially embedded. Structural integrating mechanisms may involve the synergistic combination of practices (Kim and Rhee, 2009) or the formation of cross-functional teams and processes (Jansen et al., 2009). Behavioral forms of integration may involve the adoption of paradoxical mindsets that allows the management team to manage seemingly conflicting objectives (Andriopoulos and Lewis, 2009; Smith and Tushman, 2005) and top management team approaches to decision making that draw on contradictory knowledge requirements (Lubatkin et al., 2006). These integrating mechanisms are crucial to align explorative units with the existing organization but are also a source of knowledge flows (Kauppila, 2010; Raisch, 2008).

Importantly, recent research increasingly takes a dynamic perspective, which suggests that the relationship between separated units evolves over time (Simsek, 2009). Indeed, Raisch and Tushman (2016) explore how the interplay between units and the corporate center changes as explorative businesses mature. Moreover, the need for separation might not endure. For instance, prior research assumes that the full potential of structural separation for the entire

organization might only be realized if the business is ultimately absorbed into the organization (Siggelkow and Levinthal, 2003). Apart from this work, the activities and conditions that shape reintegration have not received in-depth empirical research attention (O'Reilly III and Tushman, 2013).

Finally, the mechanisms through which structural ambidexterity results in renewal at the level of the corporate parent are not well understood (Turner *et al.*, 2013). Raisch (2008) does make the case that the separation of units may have path breaking consequences in other units of the same firm. Others, like Khanagha *et al.* (2014) and Siggelkow and Levinthal (2003) argue that reintegration plays an important part in renewal. Yet, the question remains how the tensions that required separation in the first place are managed (Markides, 2008). Thus, if reintegration plays an important role for strategic renewal through structural ambidexterity, we need a more in-depth understanding of the process through which such reintegration occurs and how it might lead to strategic renewal. The objective of this paper, therefore, is to extend existing ambidexterity theory by addressing the following research question: *What are the mechanisms through which structural ambidexterity lead to strategic renewal of the focal firm over time?*

Methodology

This paper is based on a longitudinal inductive case study design, (Easterby-Smith *et al.*, 2008) that is particularly warranted when addressing the “when and “how” questions in management research and aiming to develop new theory (Yin, 2009; Siggelkow, 2007). Given the emerging state of knowledge regarding the processes through which an organization could accomplish strategic renewal through structural ambidexterity, such a research design can facilitate new insights into the implications of structural ambidexterity.

Research context

In this study, we investigate the transformation of Immochan, the real estate development division of the Auchan Group, one of the leading retail chains in France, Europe and Asia. IN From 2008 - 2014 Immochan adopted a structurally ambidextrous design by separating the exploitation of its core business from a new, explorative initiative. The first real estate company in French history to be part of a retail chain, Immochan's mission was to "promote, commercialize, exploit and manage the properties of the shopping areas developed on Auchan* sites" (Immochan website, 2006). Immochan's strategy was to develop and exploit the existing property portfolio of the Auchan Group.

Thus for most of the firm's history, Immochan's mandate has been to acquire land around the group's hypermarkets* and renting out commercial retail spaces to third parties. Immochan had been a leader in the commercial real estate sector in the 1970s and 1980s and the benefits to the Auchan Group were high; Immochan was considered the cash cow of the group for international expansion. During the 1990s competitors not only started to imitate Immochan's approach to property development, but also became successful in more innovative forms of development, particularly with regard to commercial, architectural and urban aspects of shopping centers. Nevertheless, despite changes in the environment, Immochan continued to follow its strategic mandate.

In 2008, Immochan created Citania, a new subsidiary dedicated to developing new urban projects that combined housing, office and retail space. We consider the creation of Citania as a significant explorative initiative that diverged from Immochan's core activities. The creation of Citania was driven by Pierre, a senior manager at Immochan who openly criticized Immochan's overly narrow market focus and propagated a more innovative approach to property development. Pierre served as the CEO of Citania for 6 years (2008–2014). During this period, Citania began to spearhead a new trend in urban design and to develop a set of

capabilities that were quite different from Immochan's traditional approach to property development.

In 2014, Immochan decided to fully reintegrate Citania. Indeed, by 2014 Immochan's mission statement, strategic position and capabilities mirrored those of Citania, eliminating the need to maintain two separate units. One of the main indicators of Immochan's strategic renewal was the development of a huge urban project comprised of a leisure park, offices, a conference center, hotels and a variety of retail spaces. Moreover, Immochan engaged in urban development thus fully adopting the mission initially set by Citania. Figure 1 provides an overview of the main events.

----- INSERT FIGURE 1 HERE -----

Table 1 provides information on the revenue generated by the main units of the company: the Auchan Group, (both worldwide and in France), Immochan (both worldwide and in France), and Citania, the new subsidiary of Immochan. Table 1 shows that Immochan's revenue increased after Citania was spun out. Thus, the creation of Citania was not linked to any short-term need to change Immochan's business model. Also, Citania's revenue represented less than 0.5% of Immochan's turnover. The difference in scale is due the scope of activities and to the fact that Citania and Immochan had different revenue models. Citania operated on a partnership model and charged fees for project coordination. Unlike Immochan, Citania did not own land or buildings, nor did it operate as a landlord. Citania was set up as a possible avenue for future business without financial expectations. The actual revenues were considered as non-expected financial success.

----- INSERT TABLE 1 HERE -----

Data collection

Our paper traces the activities that preceded and superseded the creation of Citania in 2008 and its reintegration in 2014. We draw on observational data, interviews, internal documents and media coverage.

Observational data. Between 2006 and 2008, one of the authors spent 27 months at Immochan as a non-participant observer. During this period, he attended 17 meetings (16 of which were audio recorded and transcribed, one of which was documented through detailed notes) in which opportunities for the development of future shopping centers were discussed, sometimes with external parties. These meetings provided deep insights into how Immochan's managers framed opportunities and how they intended to shape the future of the firm. Thus, strategy formulation and implementation were highly intertwined (Dietrich and Lehtonen, 2005; Unger et al., 2012). These observational data provided us with a detailed account of Immochan's approach to property development before the creation of Citania and enabled us to understand the tensions Immochan staff experienced and how they dealt with them. These observational data were supplemented by informal conversations with project managers, regional directors, architects, urban planners, marketing directors and partners before or after meetings (e.g., after a very important meeting with a potential competitor). These informal conversations were crucial to building trust with informants and better understanding the context of the company, as well as the relationships between actors.

Interviews. We began our data collection efforts by conducting three preliminary interviews with senior and middle managers, followed by 38 semi-structured interviews with 11 informants, including project managers, the head of sales, regional managers, the head of marketing, developers and sales partners. These interviews were crucial to helping us better understand Immochan's strategy, how people dealt with Immochan's constraints and the creation of Citania. Most informants were interviewed at least twice in order to understand the

unfolding of events over time. During the interviews, we asked informants to describe the projects they were working on at that time, their main contributions, and successes and challenges they had encountered during project development. Interviews lasted between 45 minutes and 2.75 hours. Moreover, we conducted 23 informal interviews with Pierre, a senior manager at Immochan with extensive networks within the organization and robust relationships with members of the corporate senior leadership team, who became the CEO of Citania. We consider Pierre to be a key informant (Ryan, 2008) through which the relationship between Citania and Immochan can be depicted. We conducted the interviews outside of the company context, which enabled Pierre to reflect freely on the events within Immochan and Citania. We also interviewed the Immochan's General Manager (2006-2015) and now President (2015-2018). This interview helped us to better understand the process from Immochan's top management's perspective.

Documents. We collected 25 documents from Immochan and Citania. These documents include presentations of Citania mission and activities (7 versions from 2008 to 2013), consulting reports as well as training documentation. These documents helped us to better understand the way Citania developed as well as the relationship between Citania and Immochan. These sources appear as an important source of triangulation with the interview data.

Media coverage. We also draw on media coverage of Immochan and Citania for the period 2006 to 2018. The property development and retail sectors have their own professional journals that reported on the situation at Immochan and Citania. We triangulated these data with the interviews and the internal documents. The triangulation process revealed that in many cases, macro-level information had been released to the professional press, but micro-level information had not. The micro perspective provided by our key informant and the interview with Immochan's President created a much richer, nuanced narrative that enabled us to

understand the backstage dynamics surrounding key events. Table 2 summarizes the data we collected and the way we used it in the analysis.

----- INSERT TABLE 2 HERE -----

Data analysis

We engaged in an intertwined data collection and analysis process in order to align our data collection efforts with emerging interpretations. For our process analysis, we combined grounded theory and temporal bracketing approaches to data analysis (Langley, 1999). This resulted in a coding procedure that enabled us to develop a process theory of strategic renewal based on structural ambidexterity in which three temporal periods have been identified. While the analysis process was far from linear, we describe the sequential logic of our analysis.

In first step of data analysis, we organized our data chronologically. While some data sources were clearly nested in time, others (like retrospective interviews) had to be allocated to particular time periods. This allowed provided the basis for subsequent coding.

Second, we engaged in descriptive coding (Miles et al., 2014). Initial descriptive coding enabled us to trace important topics and activities that were addressed in the various data sources. These activities refer to Immochan's strategy and the change of the organization over time. These codes referred to Interview data was triangulated with documents, and observational data. The analysis of strategic renewal is based on the triangulation of internal data sources and external media coverage. We then performed axial coding by aggregating descriptive codes into more abstract conceptual themes (Strauss and Corbin, 1998). Tables 3-5 provide the trail of evidence for the main concepts used our theoretical model. As for processual studies, these categories should not be considered as causal conditions but rather as necessary elements (Langley and Tsoukas, 2010) that happened for strategic renewal to take place through structural ambidexterity.

Third, we explored the relationships between categories throughout the 12-year process in order to understand strategic renewal at Immochan. In our analysis, the relationships between concepts not only set concepts “in motion” (Gioia et al. 2013: p. 8); they are key components of the analysis. Consequently, each period has its own rationale, representing a set of coherent mechanisms linking categories. This step results in three key time periods that are articulated through three main elements of structural ambidexterity. Period 1 is characterized by organizational tensions and leads up to the creation of Citania as an explorative subsidiary; time period 2 describes the evolution of Citania and Immochan’s reaction to Citania’s operations that result in the emergence of new tensions. Finally, period 3 starts with the decision to reintegrate Citania into Immochan and ends with the final implementation of reintegration. In doing so, we provide an analysis of the mechanisms through which the process moves from one period to another. Our findings section is based on a narrative that presents these periods through the order themes and their relations.

Immochan’s renewal through structural separation and re-integration

After a long period of stability, Immochan substantially transformed over a relatively short period of time through a process occasioned by structural ambidexterity. While the separation of an explorative initiative initially allowed the parent company to maintain its exploitative strategy, we show that the increasing legitimacy of key individuals as well as of the explorative unit as a whole, triggered, what we call, ‘proximate isomorphism’: activities on the level of the parent company aimed at imitating the capabilities of the both spatially and culturally ‘proximate’ explorative unit. We show that proximate isomorphism was underpinned by vicarious learning about the explorative unit changes in parent level governance, in particular the composition of the management team. Proximate isomorphism gave rise to substantial explorative activities at the parent level. This set in motion the strategic convergence of the parent and the explorative unit, and thus allowed the reintegration of the explorative unit. This

was necessary for the parent to appropriate the market legitimacy already established by the explorative unit and ‘depersonalize’ its association with key individuals involved with the initial initiative. These findings are represented as a process model in Figure 2. Below we provide in-depth empirical evidence for these findings.

----- INSERT FIGURE 2 HERE -----

Period 1: Mitigating tensions through structural separation

In this section, we unpack the exploitative logic of Immochan’s strategy and the growing tensions between Immochan’s dominant logic (Prahalad and Bettis, 1986) and individuals that suggested an alternative approach to property development. In order to resolve these tensions Immochan decided to separate this alternative approach in a new subsidiary, called Citania (see Table 3).

----- INSERT TABLE 3 HERE -----

Exploitative strategy at Immochan. Traditionally, Immochan’s business model had been based on designing and building shopping centers adjacent to the hypermarkets owned by the Auchan Group. Indeed, the company had been the leader in commercial real estate in France since the 1970s. The exploitative strategy of Immochan was predominantly fueled by existing organizational structures and processes as well as the deeply engrained mindset of commercial real estate development among Immochan’s top managers.

At this period of time, Immochan mainly existed as a kind of service that would buy property and commercialize shopping galleries. It was rather Auchan that was sourcing and developing new sites (Immochan President, Interview-2018).

Immochan’s structures and processes shaped strategy implementation. Its embeddedness within the Auchan Group and its mandate to support Auchan’s strategy, constrained the types of projects the company could pursue. For instance, the key consideration for any new project was how it affected the respective hypermarket of the target site; any new development activities had to support the success of the corresponding hypermarket. Auchan’s hypermarket

directors would have a right to veto newf projects. Moreover, in order to ensure that Immochan supported Auchan's strategy, management positions were staffed by Auchan executives. This close alignment between Immochan's activities and the hypermarkets is illustrated in the following quote from one of Immochan's regional directors. He described how obtaining support from hypermarket directors was absolutely crucial to advancing any new development project.

Even if they [project managers] can imagine something great, it can only be realized if the hypermarket director agrees. (Integrated Mall Regional Director, Interview-2007)

Immochan could not therefore diverge from its exploitative strategy, even if it would be beneficial for other aspects of its business. This rigidity was further maintained by strict return on investment (ROI) thresholds tied to hypermarket profitability for any new project. The retail spaces developed by Immochan were twice as profitable as office real estate and four times more profitable compared to the development of housing.

Apart from Immochan's embeddedness in the Auchan Group, the exploitative strategy was also based on deeply ingrained habits and beliefs about what constitutes commercial real estate development. For example, the relationship between the size of the parking lot and the size of the hypermarket was based on a specific ratio that could not be altered: during the peak shopping periods (e.g. weekends in December) all customers should be able to find a parking slot. Thus, parking lot sizes were based on the expected number of customers during these weekends, even if they were severely underutilized throughout most of the year:

[..] what is very important on all sites, it's the parking spots. We have a proverb that says: no parking, no business! That is to say that the more parking, the more people come! (Project Manager, Interview-2006)

The assumption was that all customers would drive to the hypermarkets, park, shop, pay and drive back home. Connecting hypermarkets to public transportation was not part of Immochan's approach to developing retail spaces.

The stability of Immochan's business resulted in an overall lack of ambition in terms of company operations and the projects they chose to pursue. The hypermarket was metaphorically defined as the locomotive of the site and the shopping centers were viewed as a way to increase the profitability of the already existing property. Managers viewed other approaches as "*too ambitious*" and misaligned with Immochan's framework. This was particularly evident during meetings in which new development opportunities were discussed. Ambitious projects were frequently ridiculed and the people who proposed these initiatives were laughed at. Project managers were increasingly frustrated by this lack of ambition:

On this site, I'm not satisfied with the hypermarket, the gallery* or the surrounding area. I'm not satisfied with the site ambition statement... In my view, this is not ambitious enough! (Project Manager, Immochan, Meeting-2008)

Explorative initiative leading to individual level legitimacy. Despite its financial success, Immochan faced internal pressure to change. All of this pressure came from the same source: Pierre, the urban manager, who began to campaign for an alternative model of commercial property development that combines commercial real estate with housing and office space. Pierre was a top manager at Immochan France. After being a civil servant with entrepreneurial ambitions, he joined the firm in the late 1980s as a member of the property department. In 2000, he became the head of the new urbanism and land organization department, thereby establishing his legitimacy in Immochan. However, his views of Immochan's traditional mode of commercial property development were highly contested. Indeed, until 2006, internal discussions on this issue failed to leave any imprint on Immochan's strategy. Immochan's President acknowledged that he liked Pierre's view but that the dependence on Auchan's retail activities prevented Immochan from implementing them.

In 2006, Pierre modified his approach and began to lead initiatives that challenged Immochan in three main domains: the mission of the company, the positioning of the firm and Immochan's property development practices. Pierre actively challenged Immochan's mission,

which was based on a purely quantitative view of the world, both in terms of the size of new commercial spaces and financial results. For example, a poster published by Immochan headquarters stated: “ONE objective: 1,000,000 m² of projects completed over the next 10 years.” Pierre argued that rather than specifying operational targets, Immochan’s mission should reflect its role in society. He proposed that Immochan could play a role in new urban development and be a primary force in the evolution of consumption and living habits in France. Demonstrating his full personal commitment to this idea, he even agreed to provide funding for a book entitled “The Franchised City”, an analysis of urban development by a French internationally renowned architect. By making his views public, Pierre began to gain legitimacy in the field of retail property development and created a network of people who were interested in contemporary views of commercial property development. Pierre used his external legitimacy in order to campaign for an alternative strategy at Immochan.

Pierre also exerted pressure on Immochan’s market positioning. Pierre believed Immochan would benefit from being a global real estate operator in markets such as retail, housing and office space, and that the company should significantly diversify:

My view is that the positioning of Immochan is outdated. [...] People in society or politicians, what do they want? They don’t want us as Auchan anymore. They [politicians] want new areas in which people can live and enjoy their lives, work, be happy and vote for them again. So, when we address politicians, we should not sell them hypermarkets or shops, we should sell them an area in which we can provide a mix of activities like housing, offices and shops. (Pierre, Immochan, Interview-2007)

In addition to attempting to influence Immochan’s market positioning, Pierre also began to implement alternative operational practices. Specifically, he hired a new project manager, Marc, who shared his vision of the future. Marc joined Immochan from Property X, one of Immochan’s main rivals, and had already built a strong reputation in the commercial real estate field.

He is the kind of guy that we need if we want to have things changed at Immochan. I think you will see many interesting things if you follow him for some time. (Pierre, Immochan, Interview-2006)

Pierre knew that Marc had led innovative projects and shared Pierre's views on the mission and positioning of Immochan:

If [the hypermarket] is now in the periphery, maybe in 30 years it's going to be part of the city. So it should not harm the city. You should always have the vision that we have to be visionary. We definitely talk about urban development here! (Marc, Immochan, Meeting-2006)

One of the practices challenged by Pierre and Marc was Immochan's stance on alliances. Immochan had always been very reluctant to develop partnerships because it wanted to maintain full control. Partnerships were accepted only in cases in which the firm lacked specific technical capabilities. In 2006, Marc proposed a radically new "integrated mall" concept that stood in stark contrast to Immochan's traditional "gallery" model. Delivering the project would require partnering with Bosch*, a competitor located next to one of Auchan's hypermarkets, in order to develop a common mall that would totally reshape the existing facilities.

We want our customers to come to the hypermarket and also visit the shops that make them stay as long as possible...So, considering Bosch, we will work on the complementarity of offers and competences. They develop a retail park. We develop a hypermarket and a gallery. We have to consider the site through a global Bosch/Immochan/Auchan view. (Marc, Project Manager, Immochan, Interview-2006)

Yet, the fact that the project did not follow Immochan's "gallery" model and the prospect of partnering with Bosch created serious tensions, particularly among the Auchan hypermarket director, Auchan regional directors and the Immochan regional manager. Immochan managers argued that it was impossible to work with people from Bosch. Regional managers refused to cooperate with the company and the top management team argued that the required financial commitment for the project was too high. Marc's management practices were severely criticized as a result.

In the end, Pierre became legitimate in the eyes of external proponents of urbanism and in the eyes of Immochan top managers as a supporter of an alternative strategy. However people at Auchan and middle managers at Immochan considered him a nuisance and as a hindrance in the pursuit of their operational targets.

Structural separation of explorative initiative. In May 2008, Immochan's General Manager allowed Pierre to create his own subsidiary called Citania. The General Manager gave Pierre a chance to pursue his new urban development model, but made it clear that it could not happen within Immochan's structure at the time.

It was necessary to create Citania because even if we proposed new, ambitious plans for the existing sites, Auchan would have had a majority ownership of the project. So in the end, the decision makers would have been Auchan. (Immochan President, Interview-2018)

By creating Citania, Immochan's General Manager gave Pierre the opportunity and autonomy to develop projects that would fit his urban planning vision. Pierre positioned Citania as a developer that would help cities realize a renewed model of urbanism that would combine shops, offices and housing:

Yes, it's what Mangin says in his book,² the one we funded. In France, we have regions where there are shopping areas, others with individual housing, others with collective housing, others with offices, and city centers where shops don't work and people don't want to live any more. We have to re-create areas where people live, which means they can have a range of activities. (Pierre, Immochan, Interview-2008)

However, Pierre was given few resources to pursue his vision. Pierre had to create a team from scratch and was only given a small budget for promotion purposes. Moreover, whereas Pierre argued for being fully autonomous (he wanted to pick the relevant opportunity), Immochan still required him to work on existing sites. Considering these constraints, Pierre feared failure:

Yes, of course I'm glad they gave me the opportunity to develop what I believe should be done. But on the other side, I don't have a lot of resources and I have to build everything by myself. So in the end it hasn't been won yet, definitely not! (Pierre, Citania GM, Interview-2008)

Moreover, they asked me to develop mainly on existing sites, which I did not want because I know that is not what Immochan people could accept. So in the end, this was hard for me! (Pierre, former Citania GM, Interview-2017)

² Mangin P. 2004. *La ville franchisée* (The franchised city). Editions de la Villette: Paris.

Yet these constraints also required him to engage in a partnership model that had always been contested within Immochan. From the very beginning, Citania began to partner with architects and co-developers. Consequently, Citania's entire project portfolio was built on a partnership model. Partners provided financial investments and construction services, and Citania led projects, defined the urban model and solicited support from local politicians. In the end, Pierre was forced to lead the implementation of the idea he had championed for such a long time.

There were three main axes for Citania: 1) being able to develop projects on declassified fields on which Immochan had failed developing something, 2) renew existing sites on which Immochan and Auchan already operated, and 3) develop new sites out of the already existing ones, with a rule of mixing activities. (Immochan President, Interview-2018).

Structural separation maintains parent level exploitation: Since the pressure to change was now isolated within Citania, Immochan was in a position to maintain its exploitative strategy. Consequently, Immochan development projects once again became more coherent and closely aligned with the company's traditional views. A number of development projects that were supposed to transform the way Immochan operated were either abandoned or managed in the traditional way. As a result, a number of project managers who shared Pierre's views, including Marc, resigned. These vacancies were largely filled with Auchan staff or managers with long tenure at Immochan. Reinforcing Immochan's traditional strategy after the separation of Citania, this new group of project managers justified Immochan's mission and supported the hypermarket model:

Anyway, we cannot go against the hypermarket. We exist thanks to hypermarkets. They attract the customers. We just use their attractiveness power in order to make more money. The hypermarket is the center of everything in our business. (Head of Sales, in the role of Project Manager, Immochan, Interview-2008)

Consequently, more ambitious projects that required a partnership model were realigned, which meant avoiding partnerships and ensuring subordination to the Auchan retailing division. When asked to describe his current project role, one project manager said:

Well, the main difficulty is that the rules explicitly say that when we enlarge the hypermarket and the shopping area, it is an Auchan developer who takes charge of the project. So, I am no longer a project manager. (Project Manager, Immochan, Interview-2008)

Period 2: Proximate isomorphism leading to parent level exploration

While the separation of Citania allowed Immochan to maintain its exploitative strategy, our analysis reveals that Citania's increasing success gradually influenced Immochan top managers to copy Citania. We call this phenomenon *proximate isomorphism*. Below, we describe the role of proximate isomorphism in morphing Immochan's exploitative strategy which ultimately resulted in the convergence of Immochan's and Citania's strategies (see Table 4).

----- INSERT TABLE 4 HERE -----

Explorative initiative success and legitimacy. While Citania's financial success remained limited, its project portfolio demonstrated that an alternative model of real estate activity was feasible and viable. Citania, thanks to its approach of new urbanism, developed projects in areas where Immochan had always failed. By 2010, Citania was becoming increasingly able to demonstrate that this new vision of real estate was economically viable. As Citania gained momentum, the owners of Auchan Group became more and more interested in what Citania was doing as described by Immochan's President:

If I make an assessment of Citania, I would say that mission 1 [developing activities on declassified sites that Immochan owned] was a success, mission 3 [developing mixed activities on new sites] was a success. But on mission 2 [renewing the existing sites] it's a complete failure because of a conflict of interest. (Immochan President, Interview-2018).

At that stage, both Pierre as the driver of the initiative and Citania as the structural vehicle reached a high level of legitimacy. As Immochan's President highlighted:

There were proofs of success [...] in areas where Immochan had failed at developing [...] [the Mulliez Family] got convinced and seduced by the vision and the know-how of Citania. (Immochan President, Interview-2018)

Proximate isomorphism. As described previously, Citania successfully engaged in a new form of property development that challenged Immochan's strategy. Immochan gradually considered Citania as a new model for development. We call 'proximate isomorphism' the mechanism through which the parent company gradually imitated the subsidiary. Proximate isomorphism involved two sub-mechanisms: vicarious learning and governance changes.

We use the notion of vicarious learning to describe Immochan's attempts to learn about Citania's activities and put them into practice. These activities remained vicarious as they were not based on formal reporting from Citania to Immochan nor based on mutual meetings, but on observing at a distance Citania's approach to urban development. Our data suggests that these activities also referred to projects in which Immochan had previously tried but failed. For instance, Citania started to develop headquarters of companies and entire city quarters; projects that Immochan had never been able to do.

I bother them because...I show them that there is another way of doing things, a way they had not seen or that they did not want to see, I think, because it's not their core business. (Pierre, Citania GM, 2010)

Citania was now a legitimate alternative with a distinct vision, new products and new practices that were considered an example that the company should follow:

Little by little, Citania, through its vision, its proofs of success – proofs! – by its knowing how to work in a different way with local authorities, to work with partners and not against partners, he demonstrated that it was the way for the future. (Immochan President, Interview-2018).

Immochan's vicarious learning did not only refer to Citania's activities, but also encompassed the traction of new urbanism in the wider context. For instance, Marc, the former Immochan project manager hired by Pierre, developed a new iconic shopping center in Paris. The development involved transforming the Saint-Lazare train station into a shopping mall. Immochan's management team realized that competitors were successfully developing inner city shopping malls and that projects such as the one at Saint-Lazare held enormous potential.

And the business is good! One year after the opening of this new consumption temple, turnover reached €14.500 per square meter according to the promoter. And it can rise to up to €45.000 for some shops. This makes Saint-Lazare the most profitable mall in France, says Laurent Morel, CEO of Klépierre*. (Mobilicities.com, 2013)

Examples such as this prompted Immochan's top and middle managers to realize that Citania's approach would also work for shopping malls, which were at the heart of their activities. Thus, through vicarious learning, managers at Immochan acquired information about Citania's activities yet also engaged with external, sectoral trends would reinforce the relevance of the Citania model.

Moreover, proximate isomorphism involved substantial changes in organizational governance on Immochan level. On the governance side, we have identified two main moves. First, Citania's board was reinforced with outside members that supported Citania's strategy. One of them was a member of Auchan who supported the idea of new urbanism. The aim was to increase Citania's legitimacy inside of Immochan and inside of the Auchan group. Two years later, this same person became General Manager of Immochan, and the former General Manager became President. Thus, by that point in time, Immochan's top management was completely comprised of Citania supporters, both at a political and at the executive level.

Tentative parent level exploration. While reflecting on Citania's activities, Immochan's own strategy raised serious questions. In an interview with the press, Immochan's CEO highlighted Citania's achievements rather than Immochan's other activities, creating the impression that the whole company had moved from the traditional model to the new one:

Since 2000 [...] Auchan's subsidiary [Immochan] has chosen to surf on the urban mixture wave: places for shopping, integrated in their environment, become real living places. Consequently, in 2008 Immochan created Citania, a subsidiary dedicated to mixed urban development projects. "While we used to be a typical developer of commercial property, we became 'territory' developers, with real estate programs that combine shops, housing and offices, and even hotels and leisure" (*Les Echos*, Newspaper, 2010-12-23)

Immochan substantially transformed its way of operating by adopting Citania's new urban development model. Immochan's General Manager even mandated Immochan staff to attend

training courses on new urbanism and real estate development, competencies that Citania stood for.

Immochan's mission statement evolved accordingly. By 2014 it was expressed as: "*Creating living, retail and experience centers for citizens, customers, brands, partners and local authorities*" [Website]. Immochan evolved from the cash cow of the Auchan Group to a company dedicated to creating what they now called "*living centers*". The logo also was redesigned to reflect this change (See Figure 3).

----- INSERT FIGURE 3 HERE -----

The new mission statement opened new possibilities for pursuing real estate projects. Projects were no longer restricted to commercial real estate, but could include other types of projects such as housing, office space or recreational facilities. This change in mission and strategic positioning was also evident in the transformation of Immochan's operational practices. Immochan implemented operational changes such as ad hoc contracting procedures with retailers and developers, and lowering ROI expectations for some highly strategic projects. Moreover, as Immochan began to imitate Citania's capabilities, new options for development emerged. Exemplary for Immochan's new ambition was a new flagship project, the gigantic Project Europa City, which combined a leisure park, offices, a conference center, hotels and shops, and fully reflected Pierre's vision for new and avant-garde urban areas. Figure 4 provides visual evidence of this shift by juxtaposing pictures of Immochan's traditional projects against those of new initiatives presented in 2014.

Europa City is a concrete example of the evolution of our company: urbanism, architecture, Urban farming, smart city, construction with inhabitants and the local authorities. (Immochan President, e-mail, 2018-02-08)

----- INSERT FIGURE 4 HERE -----

The development of integrated urban areas like Project Europa City was based on partnerships with architects and other developers. Moreover, linking the project to existing urban areas through public transportation also corresponded to the new urban development model that Pierre considered essential for the future. The mission, market positioning and practices of Immochan converged with those championed by Pierre and Citania that had been viewed as threatening to the strategy of the company in 2008.

By 2014, Immochan was directly competing with Citania for a number of projects. Pierre considered this situation to be extremely problematic:

On some projects, they want to compete with me. Yes, they do! [...] This is not funny anymore! We don't want to shoot each other in the foot, right? (Pierre, Citania GM, Interview-2011)

Thus, due to the convergence of Citania's and Immochan's strategies middle managers at Immochan increasingly viewed Citania as a competitor; in terms of both products and capabilities. They ultimately realized that Citania could potentially threaten Immochan's position within the Auchan Group:

they [people from Immochan] don't like what we do because what we do threatens them! It shows them that they do not have the competencies to do what we do, so it disturbs them! (Pierre, Citania GM Interview-2010)

Whereas Pierre focused on competition between Immochan and Citania, the General Manager viewed the situation differently. He considered Citania a success but thought that people at Immochan were struggling to work the Citania way:

It was mainly operational people that were blocking the evolution of Immochan. In the end, it's power struggles (Immochan President, Interview-2018)

Moreover, the fact that Citania was run as an explorative initiative outside of Immochan increasingly created tensions that had to be resolved. In 2018 Immochan's President reflected on these circumstances

The fact that on the one side I did not require that Citania makes money, yet on the other side people at Immochan had to deliver financial results created jealousy. [...] It created

a feeling of injustice, and I realized that this could not go on like this. (Immochan President, Interview-2018)

Period 3: Formalizing new strategy via reintegration

In period 3, Immochan ultimately achieved strategic renewal. This was made by three main moves: reintegrating Citania in the daily activities of Immochan, ‘depersonalizing’ Citania and formally changing the company’s strategy (see Table 5).

----- INSERT TABLE 5 HERE -----

Structural reintegration. As the strategies of Immochan and Citania increasingly converged due to proximate isomorphism, Immochan’s new CEO decided to reintegrate Citania:

Ultimately, we considered that Citania had proven its worth. More than a diversification, it was the whole Immochan that should become Citania, in the frame of a new project and a new vision for the company (Immochan President, Interview-2018)

Moreover, while top management was convinced about the Citania project, some middle managers were still reluctant to work with Citania. Immochan’s General Manager and President considered that integrating Citania into Immochan would break this resistance would allow operational staff to fully engage in “the Citania way”. This was pointed out by Immochan’s President:

Charles [a regional director] is the stereotypical example. He did not want to work with Citania. It could not stay like this, we were heading for disaster. Society has moved on, Citania is great, we had to make Immochan evolve. It was not about forcing the diversification to succeed; the real success was about transforming Immochan! (Immochan President, Interview-2018)

All of Citania’s employees were given positions at Immochan. As the team was still fairly small, it became Immochan’s urban renovation department. Whereas Pierre was skeptical about his team’s willingness to work for Immochan, people stayed on and they continued to use Citania’s work practices:

They are keeping the service the way I built it, but I'm not sure that the people I worked with will enjoy working for a bigger team like Immochan...but he [the CEO] promised that we would keep the functioning of the team. (Pierre, Citania GM, Interview-2014)

Depersonalization and the appropriation of Citania's legitimacy by Immochan. As Citania did not exist anymore, Pierre was asked to take charge of all housing activities within the group. However, when Pierre presented his housing strategy, Immochan's top management was not convinced. They realized that for Immochan to become a major player in new urbanism, they needed to appropriate Citania's legitimacy in this space. Some felt that this could not be done with Pierre still in the company. His name was too closely linked to Citania's past. In the end, Pierre left the company. When confronted with the question whether Immochan had to depersonalize new urbanism the President of Immochan responded:

“Yes you're totally right. Richard [the General Manager] was convinced that it was a problem of people, so he dissolved Citania in order for Citania to infuse all departments and activities of Immochan. He killed the problem this way. Pierre took it badly, of course; I regret his leaving, but it was inevitable. (Immochan President, Interview-2018)

Development of the new strategy. Although the subsidiary was reintegrated, the name Citania was retained as a brand. All of Immochan's new urban development projects were branded as Citania projects. Indeed, an internet search shows that 51 Citania-branded projects were developed between July 2014 and April 2016. By then, the partnership model was considered absolutely vital in ambitious projects like Project Europa City. For instance, in order to provide more financial backing to its projects, Immochan held extensive discussions with China's Wanda group, which led to the establishment of a partnership in 2016:

On February 26, 2016, Wanda Group and French company Auchan Group signed an agreement in Paris. Under the agreement, both parties will co-invest in a large integrated cultural, tourism and commercial project in Paris. François Hollande, the President of France, met with Chairman Wang Jianlin, congratulating Wanda Group on its major project investment in Paris. (Wanda group website, 2016-02)

In 2015, the Auchan group decided to spin-off Immochan (see Appendix 1 for a comparison of historic and new organizational charts). Since its creation in the 1970s,

Immochan had always been considered a servant to the retail side of the Auchan Group rather a stand-alone business. The company is owned by the Mulliez family, which also owns the Auchan Group.

The Auchan Group becomes Auchan Holdings and is organized as three entities (Immochan, Accord Bank and Auchan Retail) which will from now on act as independent companies. (LSA.com, 2015)

As an independent entity, Immochan was now free to develop its own strategy independent of the demands of the Auchan Group's retail activities.

We have worked with Immochan international General Manager for the last two years to develop a new vision for Immochan, which actually fulfills all promises of Citania. (Immochan President, Interview-2018)

Theoretical Implications

Transforming in situations where the existing strategy is still generating acceptable profits is one of the most difficult challenges firms encounter (Burgelman, 2002; Tushman et al., 2015). At the same time, understanding how a firm can accomplish transformation and renewal via structural ambidexterity has been a persistent puzzle. This challenge is at the heart of this paper. Drawing on the longitudinal case of Immochan, we provide a process perspective of how structural ambidexterity may result in strategic renewal of the focal firm. Our findings contribute to the extant body of literature on organizational ambidexterity as well as strategic renewal. In the sections that follow, we discuss each of our theoretical contributions in greater detail.

The implications of structural ambidexterity for parent level strategic renewal

This paper shows that structural ambidexterity does not only involve the nurturing of an explorative unit but may also result in the transformation of the parent company. In extant research, scholars have predominantly considered structural separation as a deliberate corporate intervention aimed at nurturing and growing new and innovative ideas in 'explorative units' (Raisch, 2008; Raisch and Tushman, 2016). Consistent with prior research, we show that

structural separation is a way for firms to mitigate tensions between explorative initiatives and the exploitative strategy of the parent company (Baden-Fuller and Volberda, 1997; O'Reilly III and Tushman, 2013). Separation allows the explorative unit to increase fit with the respective market and develop new capabilities that are potentially complementary with the parent (Raisch and Tushman, 2016). However, our findings also suggest that beyond developing new capabilities and market offerings, structural separation potentially has substantial transformative implications for the corporate parent. We argue that such transformation may go beyond the inclusion of additional, complementary capabilities but may actually affect a shift in strategy and the very purpose of the firm. Indeed, in the case of Immochan, separation was necessary as the parent wanted to pursue its path dependent (Burgelman, 2010), exploitative strategy based on hypermarkets. Thus, an important condition for parent level renewal was breaking path dependency. Raisch (2008) already made the tentative observation that exploration in one area of an organization may break path dependency in another. We add to this argument by showing that path breaking on parent level may be the result of proximate isomorphism which also triggers parent level explorative activities resulting in strategic renewal on the corporate level (Baden-Fuller and Volberda, 1997; Mudambi and Swift, 2011; O'Reilly III and Tushman, 2013). Indeed, Immochan did not only copy Citania, they also started to invest in explorative activities regarding alternative approaches to property development resulting in a substantial change in the strategy and mission of the firm.

The integration of structurally separated units via proximate isomorphism

The notion of proximate isomorphism extends one of the core debates in research on structural ambidexterity; research on the integration mechanisms that link separated units to other parts of the organization. Our findings suggest that even in the absence of deliberate integrating mechanisms that would ensure knowledge flows between the explorative unit and the parent, integration might emerge through proximate isomorphism. We assume that integration via

proximate isomorphism is more likely if the tensions that resulted in separation were not only manifest on a ‘strategic’ level, but very much permeated the organization, including individual relationships, as it was the case at Immochan. Such widespread tensions would reduce the likelihood that learning by design or socialization could occur as argued by Kim and Rhee (2009). Rather, such tensions imply an increased possibility for vicarious learning, provided that the subsidiary accomplishes outcomes that are seen legitimate. Indeed, a number of scholars maintain that separation is not sufficient in order to achieve ambidexterity. Rather, it requires delicate integration of the explorative and exploitative units to allow appropriate use of resources and capabilities (Kauppila, 2010; Gilbert, 2006; Bennett and Robson, 1999). Raisch and Birkinshaw (2008) even highlight integration as the main challenge of separation. Prior research has already identified a number of such integrating mechanisms such as cross-functional teams (Jansen et al., 2009) or the synergistic use of practices (Kim and Rhee, 2009). Isomorphic activities on parent level are triggered by the combined and aligned legitimacy of key individuals driving exploration (‘they can do it’) as well as the organizational legitimacy of the explorative unit (‘it is working’). We argue that that it is this combined legitimacy that gives rise to two key isomorphic activities: On the one hand, the parent company started activities of vicarious learning (Huber, 1991) (through which the parent aims to copy how the explorative unit operates). On the other hand, isomorphism also included changes in governance; the replacement of senior managers with people subscribing to the vision of the explorative unit. These findings tie back to recent research which shows that intra-organizational vicarious learning is triggered if units start to perceive other units as role models (Bresman, 2013). Also, these findings add more nuance to Raisch’s (2008) notion of reverse nurturing. In the case of integration via proximate isomorphism, knowledge does not intentionally flow from the unit to the parent but is created vicariously, at a distance, on the parent level.

Towards a dynamic view of ambidexterity: The transition of balancing mechanisms over time

Our findings also contribute to the emerging ‘dynamic view’ of organizational ambidexterity that acknowledges that the solutions to the ambidexterity challenge (balancing mechanisms) may shift over time (Simsek, 2009; Markides, 2013). While the organizational tensions underlying ambidextrous solutions might endure over long periods (Gilbert, 2006; Raisch, 2008; Farjoun, 2007), the relationship between parent and units evolves as explorative units gain legitimacy, scale up and grow (Raisch and Tushman, 2016). Indeed, Westerman et al. (2006) already argue that balancing mechanisms such as structural separation might be followed by more integrated forms of managing the ambidexterity challenge (Lubatkin et al., 2006; Gibson and Birkinshaw, 2004). We specify the mechanisms that underpin this transformation. Prior research has particularly emphasized the role of the top management team (Smith and Tushman, 2005) and the relationship between managers on different levels of the organization (Raisch and Tushman, 2016) for balancing conflicting demands. Our paper contributes to this debate by describing two mechanisms that support the transition of balancing mechanisms: governance changes and the depersonalization of legitimacy. Governance changes via changes in management create ‘readiness’ for integration on parent level. In the case of Immochan, the new management was able to appreciate the future complementarity of the Citania’s capability despite operational frictions. Second, for the integrated management of explorative and exploitative activities in the market, the parent organization needs to have legitimacy for both activities. Yet, our findings suggest that the legitimacy of explorative activities often lies with key individuals that use their legitimacy to influence and create autonomy (Raisch and Tushman, 2016). By depersonalizing legitimacy, firms transfer legitimacy from the individual to the organization level which further reduces organizational tensions. This transfer of legitimacy may require changes in key staff or even the removal key individuals involved in strategic initiatives (as shown in this case) in order to allow smooth

reintegration. Our findings are consistent with prior research, which shows that legitimacy of a unit may be transferred to other units of the same organization or even the center (Kostova and Zaheer, 1999; Dobrev et al., 2006).

Conclusions: Boundary conditions and future research

Our findings are subject to a number of boundary conditions. It is reasonable to assume that Pierre was a driving force in terms of pushing for a new urban development model, and demonstrating that it is viable. Also, as highlighted in previous research (Zimmermann et al., 2015) initiatives may be defined top down, or indeed autonomously (Burgelman, 1983) as has been the case at Immochan. Further, reintegration was not down to Pierre but was based on proximate isomorphism, unleashed by Citania's legitimacy. Lastly, the new urbanism promoted by Citania was consistent with broader industry and societal shifts. The following boundary conditions therefore apply to our case: such a separation and reintegration process can be observed in cases where (1) autonomous strategic initiatives exist (2) these initiatives are successful enough to build legitimacy (3) this legitimacy is consistent with broader societal and industry shifts.

These three factors may trigger proximate isomorphism that leads to reintegration and potentially strategic renewal. Whether strategic renewal of the parent occurs, would depend on whether the capabilities and business model of the explorative subsidiary are judged by the senior team of the parent as being fundamental to the strategic future of the corporation, as was the case at Immochan. Otherwise, reintegration could simply lead to the addition of a particular capability to the parent's portfolio of capabilities. Top management's evaluation of the strategic importance of the subsidiary's capabilities is thus a boundary condition for whether reintegration leads to strategic renewal of the parent, or simply capability enhancement.

Our findings also have implications for future research. The strategic benefit of structural separation is contingent on the dynamic relationship between parent- and unit-level capabilities

over time. While Raisch and Tushman (2016) have already started to map out complex interaction patterns between explorative and exploitative units, future research on structural ambidexterity could consider proximate isomorphism as a particular interaction pattern in structurally ambidextrous firms. While this paper highlights legitimacy as a salient trigger of isomorphism in the case of Immochan, and both vicarious and contextual learning as enabling factors, future ambidexterity research could further investigate the organizational conditions that give rise to isomorphic integration. Moreover, we also encourage further research on the appropriation of legitimacy through reintegration. For instance, what are the factors that enable such appropriation to occur and how do external stakeholders such as customers, regulators or analysts react to such moves and to what effect? Overall, this paper emphasizes that structural ambidexterity is not a singular strategic move; in contrast, it is part of a sequential game of separation and reintegration that can fundamentally reshape a firm's future.

References

- Agarwal R and Helfat CE. (2009) Strategic Renewal of Organizations. *Organization Science* 20: 281-293.
- Ahuja G and Katila R. (2004) Where do resources come from? The role of idiosyncratic situations. *Strategic Management Journal* 25: 887-907.
- Andriopoulos C and Lewis MW. (2009) Exploitation-Exploration Tensions and Organizational Ambidexterity: Managing Paradoxes of Innovation. *Organization Science* 20: 696-717.
- Baden-Fuller C and Volberda HW. (1997) Strategic Renewal - How large complex organizations prepare for the future. *International Studies of Management & Organization* 27: 95-120.
- Barr PS, Stimpert JL and Huff AS. (1992) Cognitive change, strategic action, and organizational renewal. *Strategic Management Journal* 13: 15-36.
- Benner MJ and Tushman ML. (2003) Exploitation, Exploration, And Process Management: The Productivity Dilemma Revisited. *Academy of Management Review* 28: 238-256.
- Bennett RJ and Robson PJA. (1999) The use of external business advice by SMEs in Britain. *Entrepreneurship & Regional Development* 11: 155-180.
- Birkinshaw J and Gupta K. (2013) Clarifying the distinctive contribution of ambidexterity to the field of organization studies. *Academy of Management Perspectives* 27: 287-298.
- Bresman H. (2013) Changing routines: A process model of vicarious group learning in pharmaceutical R&D. *Academy of Management Journal* 56: 35-61.
- Burgelman RA. (1983) A Model of the Interaction of Strategic Behavior, Corporate Context, and the Concept of Strategy. *Academy of Management Review* 8: 61-70.
- Burgelman RA. (2002) Strategy as vector and the inertia of coevolutionary lock-in. *Administrative Science Quarterly* 47: 325-358.
- Burgelman RA. (2010) Strategic Consequences of Co-evolutionary Lock-in: Insights from a Longitudinal Process Study. In: Sydow J and Schreyögg G (eds) *The Hidden Dynamics of Path Dependence*. Basingstoke: Palgrave Macmillan, 233-248.
- Chandler Jr AD. (1962) *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*, Cambridge, Mass.; London: The MIT Press.

- Danneels E. (2010) Trying To Become a Different Type of Company: Dynamic Capability at Smith Corona. *Strategic Management Journal* 32: 1-31.
- Dietrich P and Lehtonen P. (2005) Successful management of strategic intentions through multiple projects - Reflections from an empirical study. *International Journal of Project Management* 23: 386-391.
- Dobrev SD, Ozdemir SZ and Teo AC. (2006) The Ecological Interdependence of Emergent and Established Organizational Populations: Legitimacy Transfer, Violation by Comparison, and Unstable Identities. *Organization Science* 17: 577-597.
- Duncan RB. (1976) The ambidextrous organization: Designing dual structures for innovation. In: Kilman RH, Pondy LR and Slevin DP (eds) *The management of organization design* New York: North-Holland, 167-188.
- Easterby-Smith M, Thorpe R and Jackson P. (2008) *Management research*, London: SAGE.
- Farjoun M. (2007) The end of strategy? *Strategic Organization* 5: 197-210.
- Floyd SW and Lane PJ. (2000) Strategizing throughout the organization: Management role conflict in strategic renewal. *Academy of Management Review* 25: 154-177.
- Gibson CB and Birkinshaw J. (2004) The Antecedents, Consequences, And Mediating Role of Organizational Ambidexterity. *Academy of Management Journal* 47: 209-226.
- Gilbert CG. (2005) Unbundling the structure of inertia: Resource vs. routine rigidity. *Academy of Management Journal* 48: 741-763.
- Gilbert CG. (2006) Change in the Presence of Residual Fit: Can Competing Frames Coexist? *Organization Science* 17: 150-167.
- He ZL and Wong PK. (2004) Exploration vs. exploitation: An empirical test of the ambidexterity hypothesis. *Organization Science* 15: 481-494.
- Huber GP. (1991) Organizational learning: The contributing processes and the literatures. *Organization Science* 2: 88-115.
- Immelt JR, Govindarajan V and Trimble C. (2009) How GE Is Disrupting Itself. *Harvard Business Review* 87: 56-65.
- Jansen JJP, Tempelaar MP, van den Bosch FAJ, et al. (2009) Structural Differentiation and Ambidexterity: The Mediating Role of Integration Mechanisms. *Organization Science* 20: 797-811.
- Johnson G. (1988) Rethinking Incrementalism. *Strategic Management Journal* 9: 75-91.
- Kauppila O-P. (2010) Creating ambidexterity by integrating and balancing structurally separate interorganizational partnerships. *Strategic Organization* 8: 283-312.
- Khanagha S, Volberda H and Oshri I. (2014) Business model renewal and ambidexterity: structural alteration and strategy formation process during transition to a Cloud business model. *R&D Management* 44: 322-340.
- Kim T and Rhee M. (2009) Exploration and Exploitation: Internal variety and environmental dynamism. *Strategic Organization* 7: 11-41.
- Kostova T and Zaheer S. (1999) Organizational legitimacy under conditions of complexity: The case of the multinational enterprise. *Academy of Management Review* 24: 64-81.
- Langley A. (1999) Strategies for theorizing from process data. *Academy of Management Review* 24: 691-710.
- Langley A and Tsoukas H. (2010) Introducing perspectives on process organization studies. In: Hernes T and Matlis S (eds) *Process, sensemaking, and organizing*. Oxford: Oxford University Press, 1-26.
- Leonard-Barton D. (1992) Core capabilities and core rigidity: A paradox in managing new product development. *Strategic Management Journal* 13: 111-126.
- Levinthal D and March JG. (1993) The myopia of learning. *Strategic Management Journal* 14: 95-112.
- Lubatkin MH, Simsek Z, Yan L, et al. (2006) Ambidexterity and Performance in Small- to Medium-Sized Firms: The Pivotal Role of Top Management Team Behavioral Integration. *Journal of Management* 32: 646-672.
- March JG. (1991) Exploration and exploitation in organizational learning. *Organization Science* 2: 71-87.
- Markides CC. (2008) *Game-Changing Strategies - How to create market space in established industries by breaking the rules*, San Francisco: Jossey-Bass.
- Markides CC. (2013) Business Model Innovation: Can the Ambidexterity Literature Teach Us? *Academy of Management Perspectives* 27: 313-323.
- McNamara P and Baden-Fuller C. (1999) Lesson from the Celltech Case: Balancing knowledge exploration and exploitation in organizational renewal. *British Journal of Management* 10: 291-307.
- Miles MB, Huberman AM and Saldaña J. (2014) *Qualitative Data Analysis. A Methods Sourcebook*, Thousand Oaks, London, New Delhi: Sage.
- Mirabeau L and Maguire S. (2014) From autonomous strategic behavior to emergent strategy. *Strategic Management Journal* 35: 1202-1229.
- Mom TJM, van den Bosch FAJ and Volberda HW. (2009) Understanding variation in managers' ambidexterity: Investigating direct and interaction effects of formal structural and personal coordination mechanisms. *Organization Science* 20: 812-828.

- Mudambi R and Swift T. (2011) Proactive R&D management and firm growth: A punctuated equilibrium model. *Research Policy* 40: 429-440.
- Nosella A, Cantarello S and Filippini R. (2012) The intellectual structure of organizational ambidexterity: A bibliographic investigation into the state of the art. 450-465.
- O'Reilly III C, Harreld JB and Tushman ML. (2009) Organizational Ambidexterity: IBM and Emerging Business Opportunities. *California Management Review* 51: 75-99.
- O'Reilly III C and Tushman M. (2008) Ambidexterity as a dynamic capability: Resolving the innovator's dilemma. *Research in Organizational Behaviour* 28: 185-206.
- O'Reilly III C and Tushman ML. (2013) Organizational Ambidexterity: Past, Present, and Future. *Academy of Management Perspectives* 27: 324-338.
- Pandza K. (2011) Why and How Will a Group Act Autonomously to Make an Impact on the Development of Organizational Capabilities? *Journal of Management Studies* 48: 1015-1043.
- Prahalad CK and Bettis RA. (1986) The Dominant Logic: A New Linkage between Diversity and Performance. *Strategic Management Journal* 7: 485-501.
- Raisch S. (2008) Balancing Structures: Designing Organizations for Profitable Growth. *Long Range Planning* 41: 483-508.
- Raisch S and Birkinshaw J. (2008) Organizational Ambidexterity: Antecedents, Outcomes, and Moderators. *Journal of Management* 34: 375-409.
- Raisch S, Birkinshaw J, Probst G, et al. (2009) Organizational Ambidexterity: Balancing Exploitation and Exploration for Sustained Performance. *Organization Science* 20: 685-695.
- Raisch S and Tushman ML. (2016) Growing new corporate businesses: From initiation to graduation. *Organization Science* Published in Advance.
- Regnér P. (2003) Strategy Creation in the Periphery: Inductive versus Deductive Strategy Making. *Journal of Management Studies* 40: 57-82.
- Ryan A. (2008) Wading the field with my key informant: Exploring field relations. *Qualitative Sociology Review* 4: 84-104.
- Siggelkow N. (2001) Change in the presence of fit: The rise, the fall, and the renaissance of Liz Claiborne. *Academy of Management Journal* 44: 838-857.
- Siggelkow N. (2007) Persuasion with case studies. *Academy of Management Journal* 50: 20-24.
- Siggelkow N and Levinthal DA. (2003) Temporarily divide to conquer: Centralized, decentralized, and reintegrated organizational approaches to exploration and adaptation. *Organization Science* 14: 650-669.
- Simsek Z. (2009) Organizational Ambidexterity: Towards a Multilevel Understanding. *Journal of Management Studies* 46: 597-624.
- Smith WK and Tushman ML. (2005) Managing Strategic Contradictions: A Top Management Model for Managing InnovationStreams. *Organization Science* 16: 522-536.
- Stettner U and Lavie D. (2014) Ambidexterity under scrutiny: Exploration and exploitation via internal organization, alliances, and acquisitions. *Strategic Management Journal* 35: 1903-1929.
- Strauss AL and Corbin JM. (1998) *Basics of qualitative research: Grounded theory procedures and techniques*, Thousand Oaks, CA: Sage.
- Sydow J, Schreyögg G and Koch J. (2009) Organizational path dependence: Opening the black box. *Academy of Management Review* 34: 689-709.
- Turner N, Swart J and Maylor H. (2013) Mechanisms for Managing Ambidexterity: A Review and Research Agenda. *International Journal of Management Reviews* 15: 317-332.
- Tushman M, O'Reilly III C and Harreld B. (2015) Leading Proactive Punctuated Change. In: Henderson R, Gulati R and Tushman M (eds) *Leading Sustainable Change - An Organizational Perspective*. Oxford University Press, 250-270.
- Unger BN, Gemünden HG and Aubry M. (2012) The three roles of a project portfolio management office: Their impact on portfolio management execution and success. *International Journal of Project Management* 30: 608-620.
- Volberda HW, Baden-Fuller C and van den Bosch FAJ. (2001) Mastering strategic renewal - Mobilising renewal journeys in multi-unit firms. *Long Range Planning* 34: 159-178.
- Westerman G, McFarlan FW and Iansiti M. (2006) Organization design and effectiveness over the innovation life cycle. *Organization Science* 17: 230-238.
- Yin RK. (2009) *Case study research: Design and methods*, Los Angeles: Sage Publications.
- Zimmermann A, Raisch S and Birkinshaw J. (2015) How Is Ambidexterity Initiated? The Emergent Charter Definition Process. *Organization Science* 26: 119-1139.

Figures

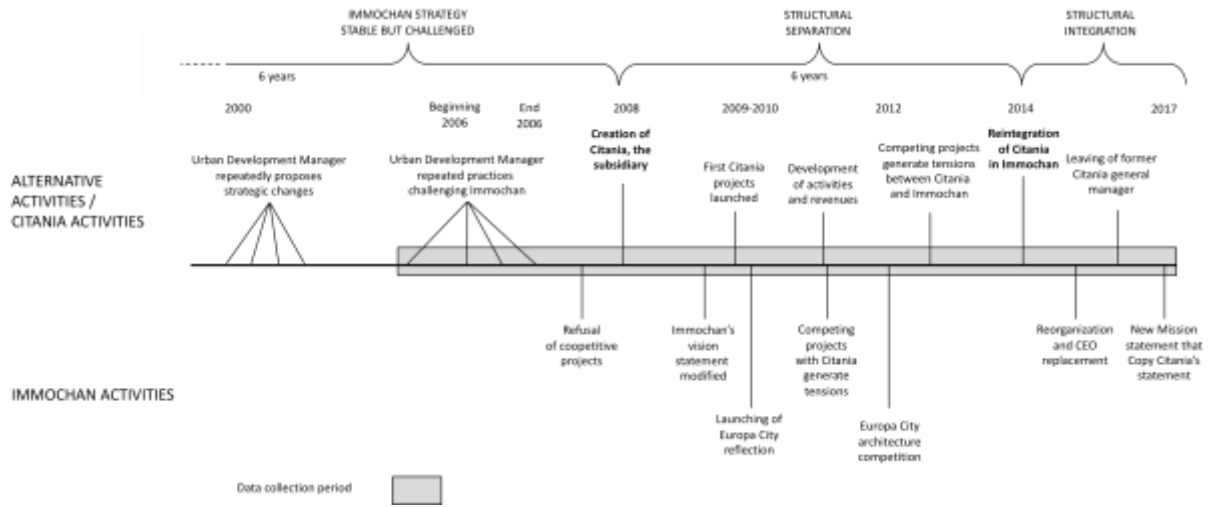


Figure 1. Timeline of events.

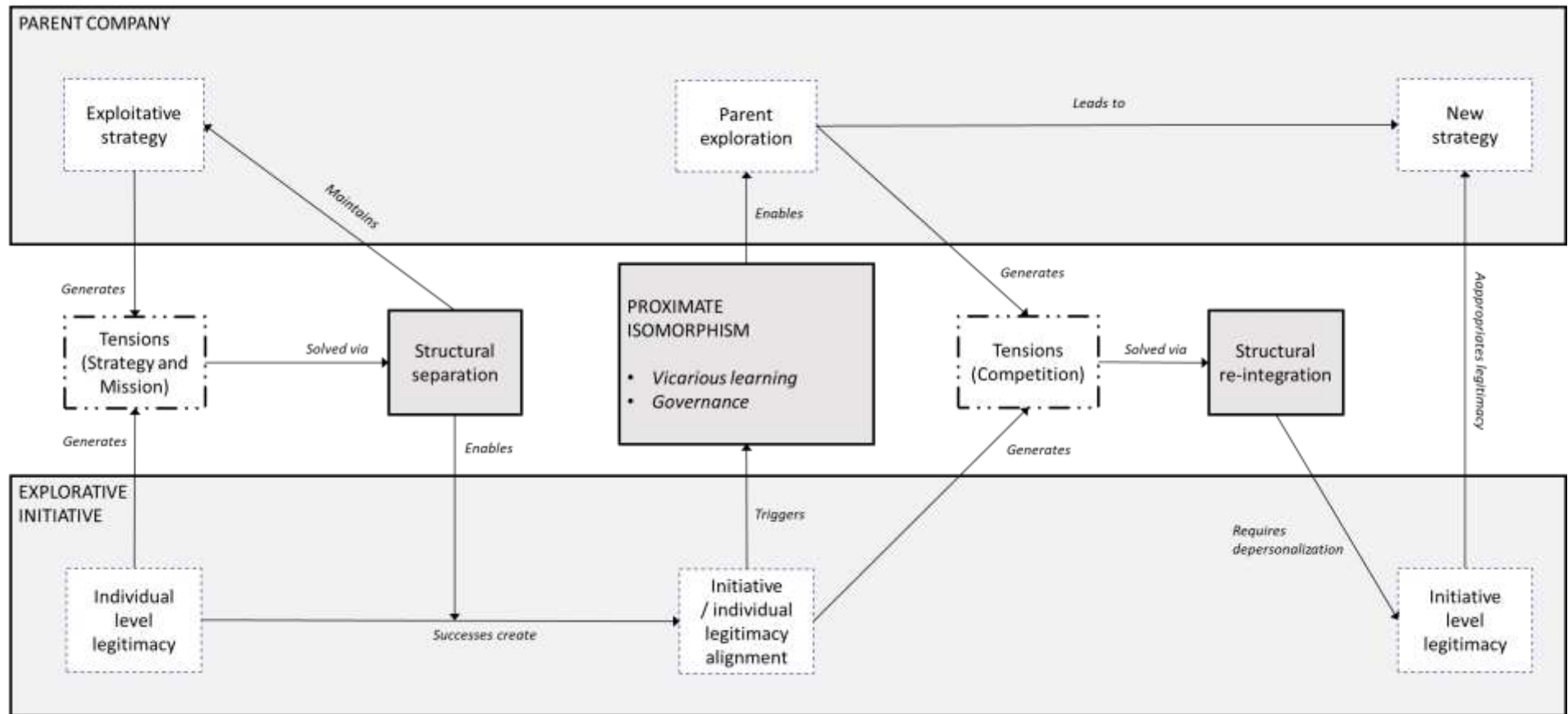


Figure 2. Strategic renewal through structural separation and reintegration



Figure 3. Evolution of Immochan Logo in 2012



Figure 4. Comparison of Immochan's previous development model and new development model.

Tables

Table 1. Overview of financial results, in M€

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Auchan World	33,000	34,200	36,150	38,800	40,000	41,800	43,600	46,900	48,100	53,500	NA
Auchan France	18,000	18,200	18,700	19,300	18,600	19,100	19,600	20,300	20,100	19,700	NA
Immochan World	305	328	375	434	466	496	515	615	637	594	581
Immochan France	161	175	205	230	250	257	268	280	281	273	265
Citania				-	-	0.2	0.7	1.4	1.4	0.7	-

Forthcoming in Strategic Organization

Table 2. Data sources and use

Data source	Type of data	Use in the analysis
Observations (559 double-spaced pages)	<i>Extensive transcripts of project development meetings (17):</i> transcripts of conversations; observed relationships among the various entities of the group. <i>Informal conversations:</i> informal discussions with project managers, regional directors, urbanists, marketing directors, partners which ranged from brief exchanges to long talks before and after meetings.	Identify tensions in the practice of strategy and how tensions are addressed. Gain trust of informants, familiarize with the context, debrief about social interactions during meetings.
Interviews (672 double-spaced pages)	<i>Preliminary interviews (3):</i> with senior and middle managers to enter the field and understand the context. <i>Focused interviews (38):</i> with project managers, head of sales, regional managers, head of marketing, developers and sales partners. Most people were interviewed twice in order to grasp the evolution of situation. <i>Informal interviews (23):</i> with the initiator of the tensions and director of the focal subsidiary, used as a key informant. <i>Retrospective interview (1):</i> with the president of the company after the whole story took place	Familiarize with the context. Improve our understanding of the situation, as well as the evolution of tensions and understandings. Understand the sources of internal tensions, investigate the relationship between the subsidiary and the parent company, understand the practice rationale implemented by the subsidiary. Understand the parent company top managers' view and triangulate with the key informant Get information about late parent company transformation
Internal documents (25 / 123 pages)	<i>Citania Presentations (7):</i> pre-creation presentations working documents and various presentations of the Citania activities <i>Consulting report (1):</i> indicating organization issues that Immochan and Citania faced <i>Training session description (1):</i> Indicating the type of competences aimed at by Immochan people	Understand the negotiation about Citania positioning Understand Citania activities in the way it is presented to Immochan Triangulate with interviews about issues faced by the company Triangulate with interview about the type competences developed at Immochan
Media	<i>Parent company-related news:</i> news about the projects, market positioning, and the evolution of strategy and structures <i>Subsidiary related news:</i> news about the creation, the projects, the practices	Analyze the strategy of the parent company and its evolution over time. Investigate the practices of the subsidiary, obtain inputs for informal interviews, triangulate with formal interviews.

Table 3. Supporting data for period 1: Mitigating tensions through structural separation

Themes	Representative quotes
Exploitative strategy at parent company	
Managers' understanding of Immochan's strategy	<p>"Well, when we develop a project we don't really think about the future. We rather think about constraints, about internal regulation, stuff like that!" (Leisure Park Project Manager, Immochan partner, Interview-2006)</p> <p>"-Bosch Project Manager: Yes, but you are here today! It means that mentalities change</p> <p>-Marc (Immochan): No, if we are here, it's because we [two project managers] have worked together before! I don't agree; mentalities have not changed at all!" (Meeting, 2007)</p> <p>"I told him [Bosch manager]! I saw him last week at the MIPIM [International Fair of Real Estate], I told him, 'You know that there is an important issue to be resolved. I've seen the sketches. They are very ambitious.' It's true they are very interesting. But if there is an underground parking lot which takes 1 year to build, the real question is: How will the hypermarket run during this time?...So if we do not have an answer to this, nothing will happen!" (Regional Director, Immochan, Interview-2007)</p>
Organizational constraints	<p>"We have more constraints... We have a strong constraint; it's to have a high ROI. Build as cheaply as possible, avoid damage and create a symbiosis with Auchan. Bosch is solo. They have a lower ROI than us, they can be audacious. I have to confess that we do not have the same budgets." (Concept Manager, Interview-2007)</p> <p>"It's true that Auchan's interests are not always the same as ours [Immochan], but anyway we have to find a consensus. We have no choice!" (Integrated Mall Regional Director, Immochan, Interview-2007)</p> <p>There have always been power struggles between Immochan since it was created in 1976 and Auchan. There has always been a king of conflict in order to know who would take the leadership of development. Is it the real estate that [...] was the locomotive? (Immochan President, Interview-2018)</p>
Lack of ambition	<p>"-Regional Director (Immochan): "I want to make sure that everybody is in line with the last work of Marc and Bosch... I'm not certain about it because the last time I got a report of the meeting between Bosch and Marc, [ironic tone] it was a wonderful sketch, very ambitious..."</p> <p>-Hypermarket Director: (Auchan) "Yes, I've seen it as well... [ironic tone] It's wonderful!</p> <p>- Regional Director: [ironic tone] Yes, it is wonderful, very ambitious. But, I thank Bosch for planning so many projects in our area... I thank them! I wanted to avoid them being here this afternoon to tell us what we have to do. [ironic tone] They will improve your hypermarket, you know! (Laughs)" (Meeting, 2007)</p> <p>"-Planning Manager (Immochan): So, on the existing elements, we create parking here, we lift the building in order to place it at the same level as the mall and the second level, and we propose a shopping street here.</p> <p>-Technical Manager (Immochan/Auchan): Wait, what are you drawing here?</p> <p>- Concept Manager (Immochan): Bosch and Marc's project.</p> <p>- Regional Director (Immochan): [Mocking the concept manager]It's fucking good, isn't it? It's very well done!</p> <p>- Concept Manager (Immochan): Yes, it's a very good idea!</p> <p>- Development Manager (Auchan): Very good idea, indeed!</p> <p>- Regional Director (Immochan): Yes, [ironic tone] they have good ideas at Bosch. You should have some training there sometimes!" (Meeting, 2007-05-10)</p> <p>"We could have the same ideas, not a problem. But the costs are not acceptable here. Here, they want the butter, the money of the butter, the dairymaid and the cow altogether! So it constrains our options! ...But hey, Bosch is much more avant-garde than we are. They work in many countries, they work with famous architects, they have high performing teams. We have to confess that they are better than we are!" (Planning Manager, Immochan, Interview-2007)</p>

Forthcoming in Strategic Organization

Table 3. continued

Themes	Representative quotes
Change pressures due to explorative initiative	
Pressure on mission	<p>“From now on, we will no longer be satisfied with hypermarket galleries...we will exploit urban center galleries, with or without food venues. Moreover, we will answer public authorities’ appeals, even if it is a project at the ground level of a housing estate.” (Pierre, Immochan, Interview-2006)</p> <p>“Honestly, when I talk about politics, about life of the city, I strongly believe in it. We participate in the development of cities. In the end what is a commercial center? It’s the former agora of the Greeks, the former marketplace, where people meet and discuss.” (Marc, Immochan, Interview-2007)</p>
Pressure on positioning	<p>“Immochan wants to develop housing and offices...Immochan aims at ‘accompanying the evolution of lifestyles, in being a global actor of development, which includes mixed developed including shops, offices and housing.’” (<i>Les Echos</i> website, 2006)</p> <p>“I think that it’s a question of positioning. A positioning...that promotes a different view. Mainly not to see the project through a retailing lens. Not only through a commercial lens. But rather to get what we call mixed urban projects. That is to say to treat projects like territories where we make housing, offices and shopping.” (Pierre, Interview-2007)</p> <p>“What we [Immochan] could provide to the hypermarket, to the population and to politicians would be a new concept of territory developer...that would be identified as a quality concept...and the difference we could provide is to propose a very ambitious concept to prove our role of territory developer.” (Project Manager, Immochan, Interview-2007)</p>
Pressure on practices	<p>“This is why we really have to become partners. Today, we compete. But we need to move beyond this point so that we become partners. Today, nobody is willing to concede anything. To me, it indicates that neither they nor we have understood the history of facts!” (Project Manager, Immochan, Interview-2006)</p> <p>“Well, we had a very constructive meeting with Bosch in the way that we more or less met their expectations. So, we showed them a plan without constraints, with an exchange of documents. They gave us various studies, the plans they had, and a project that they have for recreating the site.” (Project Manager, Immochan, Meeting-2006)</p> <p>“Bosch Project Manager: Yes, you’re right. We have to go to the maximum of our possibilities. With your option, we can create a lot of square meters. And more, profitable square meters! Marc (Immochan): “Yes, right, but here we kind of dream! We are no longer into a conservative plan, right? It’s the big things here!</p> <p>Bosch Project Manager: Yes, but the objective is to make profitable projects. If we want it to be profitable for Immochan and for Bosch, the site has to reinforce its potential for both companies. Otherwise it’s not worth doing something in common. Marc (Immochan): “Sincerely, I love this project!” (Meeting, 2007)</p>
Structural separation	
Creating a subsidiary	<p>“‘We developed real know-how within Immochan as urban developers around our hypermarkets,’ explains Pierre...With 300 shopping centers and 9,000 commercial leases Immochan is well armed...” (<i>Le Moniteur website</i>, 2008)</p> <p>“Consequently, in 2008 Immochan created Citania, a subsidiary dedicated to mixed urban development projects. ‘From traditional commercial property developers, we developed into territory developers, with real estate programs that combine shops, housing and offices, and even hotels and leisure, all this integrated with the city,’ explained Hervé Motte, CEO of Immochan France. ‘Actually, we became a territory designer who designs programs with representatives.’” (<i>Les Echos Newspaper</i>, 2010)</p>
Implementing alternative mission, positioning and practices	<p>“We have quite few resources! I don’t have project managers, marketing directors, developers, etc. What I have is a team of urban planners that tries to understand what should be done in order to develop land in a relevant way.” (Pierre, Citania GM, interview-2008)</p> <p>“And the whole model is different. On the Banquix headquarters building, I proposed something conceptual. I work with partners who implement my idea and I rely on them. I don’t own the land. I work in partnerships. Anyways, I don’t have the resources to do it another way!” (Pierre, Citania GM, Interview-2008)</p> <p>“Citania, the Immochan subsidiary, specialized in mixed urban program development, BNP Paribas Immobilier and the city of d’Ivry-sur-Seine joined recently to set the first stone of Ivry Grand Place project.” (<i>affiches-parisiennes.com</i>, 2013)</p>
Enabling parent to maintain its exploitative strategy	<p>“I get paid to say, ‘Well, in 10 years, what will this site look like?’ My vision is to say that we need to check whether the guy that we will hire for the program fits with the philosophy of the program. We should not forget that we are here to develop Auchan sites...this is our philosophy!” (Immochan Head of Sales, Interview-2008)</p> <p>“It is the ambiguity of our organization. On the one hand, we hear that we may develop alternative concepts, but we keep on working for Auchan and the ultimate goal is to improve the hypermarket attractiveness.” (Project Manager, Immochan, Interview-2008)</p> <p>“Indeed, project managers, and especially the one who came from outside, tell us that the relationship between Auchan and Immochan is complicated and that it requires a lot of effort to manage it.” (Head of Project Organization, Immochan, Interview-2009)</p>

Table 4. Supporting data for period 2: Proximate isomorphism leading to parent level exploration

Themes	Representative quotes
Explorative initiative success and legitimacy	
Projects in areas where parent company failed	<p>“We have fields around our headquarters at Croix. I use it in order to build the new headquarters of the bank Accor. This is something Immochan would never do. They don’t have the competencies!” (Pierre, Citania GM, Interview-2014)</p> <p>“Immochan and Auchan had failed creating anything on these areas, and Citania created value on them with new programs” (Immochan President, Interview-2018).</p> <p>“Immochan could never have done what Citania sourced and could developed. Because it was more with small shop format, with local stores, we did housing, offices, etc. That, really, is a success.” (Immochan President, Interview-2018).</p>
Development of alternative practices	<p>“Citania is not here to sell shops. Citania aims at developing new ways to develop cities. So he act like partners. We don’t go to meet people when we need them. We integrate into everyday life. You know, I go very often to public event, when mayors and other local representative are present. I just talk with them, I ask them if they are ok, sometime I connect them with other people. I don’t sell them anything. I just act as a piece of the puzzle in the city. Which is hard because there are many sites that are options for us. But if you don’t do that, people know that you are just here to sell them something. They don’t consider you the same way.” (Pierre, Citania GM, Interview-2013)</p> <p>“We associated with local partners, with co-developers, etc.” (Immochan President, Interview-2018).</p> <p>“Citania, with its name and its way of operating, was not associated with Auchan. Auchan has quite a bad Image. An image of people who have destroyed the cities entries. And Immochan is closely associated with Auchan. Citania is perceived a totally different way.” (Immochan President, Interview-2018).</p>
Favorable perception by majority shareholder	<p>“I met Gerard [Auchan group founder, 4th fortune in France] at a funeral and he believes in what we do. He supports Citania. That’s good for us!” (Pierre, Citania GM, Interview-2012)</p> <p>“The owners liked the vision, they had understood that this was the avenue for the future” (Immochan President, Interview-2018)</p> <p>“Citania built the headquarters of the group bank with a 100% BREEAM building. And it’s just next to our headquarters, which helped a lot.” (Immochan President, Interview-2018).</p>
Proximate isomorphism	
Vicarious learning	<p>“Well, at the moment, it appears as if we are in competition. Actually, they see that I attracted very good guys on my team and they see that this produces the effect of being much more innovative than they are. So they wonder how they can compete with that because they don’t like that our small structure challenges them!” (Pierre, Citania GM, Interview-2012)</p> <p>“Citania suffered from jealousy... but also for the best because it made things move, also!” (Immochan President, Interview-2018)</p> <p>“We also worked with partners with which we did not used to work with [...] So, it was the beginning of partnership that Citania launched, and we, as Immochan, could partners with them, because we have the retail competencies and they bring in housing and offices development competencies. Partnering with housing and office developers at 50/50 was a great success.” (Immochan President, Interview-2018)</p> <p>“A new kind of mall...The new Saint-Lazare mall in Paris was inaugurated on March 1. On 10,000 square meters, 80 shops will open in 15 days. Each level caters to a different type of customer. Services (pharmacy, medical center, banking and food) face the alcoves for travelers waiting for their trains. Facing the metro access and the street are mass distribution shops (Carrefour City, Daily Monop’, Esprit) intended for inhabitants of the quarter as well as for the 450,000 travelers who visit the station daily. The objective: catch the consumers who have less time to shop and go online at any time...” (<i>Le Monde Newspaper</i>, 2012)</p>
Governance alignment	<p>“We faced internal problem as the people from Auchan and some people from Immochan did not want to work with us. So we decided with my boss to reinforce the board in order to have more power. This is when Richard arrived as a board member. He was at Auchan, and he supported the project. The irony is that he is the one that fired me a few years later” (Pierre, Former Citania GM, Interview-2017)</p> <p>“In the board that I built, at least that I validated, because Pierre had huge autonomy, but the advisory board was made more infused with the Citania vision [...]. So we integrated people from Immochan and people from Auchan. And the role of this committee was to oversee the vision and to oversee the implementation of the vision.” (Immochan President, Interview-2018)</p>

Table 4. continued

Themes	Representative quotes
Tentative explorative parent company strategy	
Change of mission in line with Citania	<p>“‘Improving daily life.’ This is our strategic positioning. It defines and guides everything we do to create living centers that are integrated into the local area, creating interaction between different segments of society and between different generations, forging social links, while protecting the environment. It aspires to give more soul and more direction to each center, while interacting with its ecosystem.” (Immochan website, 2014)</p> <p>“Project Europa City is the manifestation that the ideas and concepts I proposed during the last decade can be done and are certainly the future of Immochan.” (Pierre, Citania GM, Interview-2013)</p> <p>“The project, of which promoters explain that it is ‘not only commercial,’ explain that it will be developed in the 300 hectares of the Gonesse triangle.” (<i>Les Echos Newspaper</i>, 2011)</p>
Development of new practices and competences	<p>“The Auchan group does not shoulder the €1.7bn investment on its own. The group should call for sovereign funds.” (<i>Les Echos Newspaper</i>, 2011)</p> <p>“And [the Immochan Regional Director] detailed his method. Here, he would assign plots for the construction of offices or reserve space for the realization of a transportation hub. Here, he would cooperate with a developer for housing programs. “ (LSA.com, 2014)</p> <p>“And I got to know that they had developed a training session about development. I really wanted to know what this was about, they had never done that before and now they propose this! I asked my assistant to get to know more about it” (Pierre, Former Citania GM, Interview-2017)</p>
Reluctance of middle managers to change	<p>“The top management was convinced, the owners were convinced, but the operational people by Immochan were reluctant. It was not their culture! So this was hard to make them move (Immochan President, Interview-2018)</p> <p>“I do not have any pieces to give you one that point. You know, power struggle don’t go through formal media. There’s always been reluctance by operational people but they would not write anything down about it. Sorry” (Pierre, Former Citania GM, Interview-2017)</p> <p>“On a site like Fontenay, it was obvious that we had to thin another way than purely retail. But it was a failure; It’s companies life: there are people conflicts, there are conflicts of interest, there are silos, there are people who don’t want to work together” (Immochan President, Interview-2018)</p>

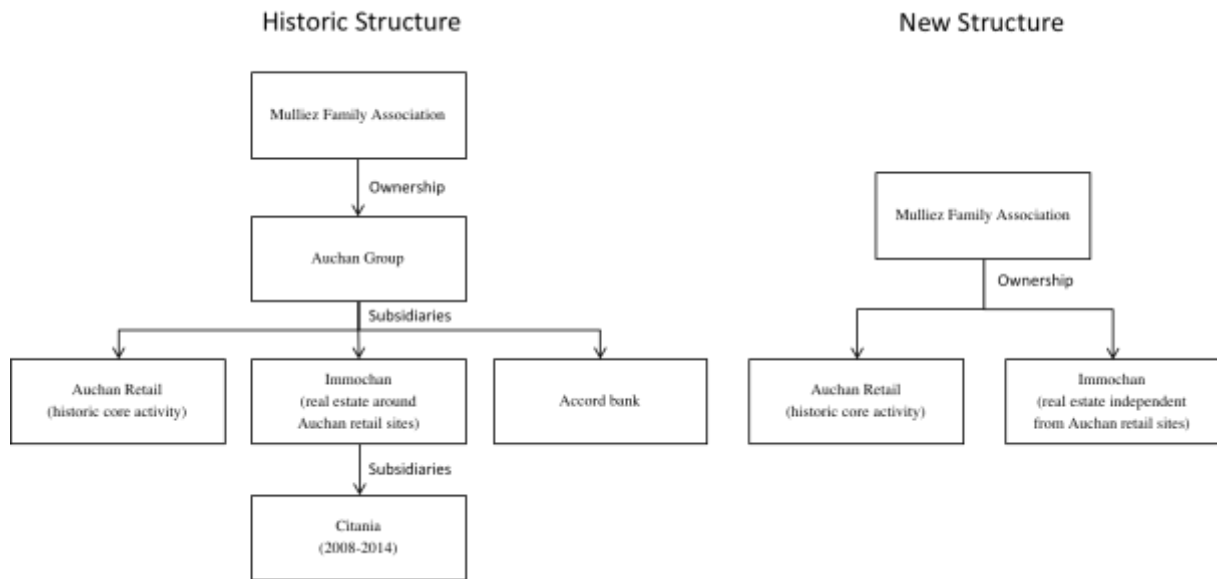
Table 5. Supporting data for period 3: Formalizing new strategy via reintegration

Themes	Representative quotes
Structural reintegration	
Dissolution of Citania	<p>“It seems that the new team [and new General Manager] do not have the same view as I have. They think that we should be reintegrated into Immochan. I think this would be a shame because it took 5 years to develop our identity, our competencies and to be able to be recognized as a relevant actor in urbanism.” (Pierre, Citania GM, Interview-2014)</p> <p>“So, yes, it’s done. They are reintegrating Citania into Immochan; the subsidiary will not exist anymore. We will bring all of our people into Immochan and we hope we can develop the same kind of activities inside Immochan.” (Pierre, Citania GM, Interview-2014)</p> <p>“It’s hard for me because I’ve put so much effort into this company and now they are taking everything I’ve done and I won’t be a general director anymore.” (Pierre, Citania GM, Interview-2014)</p>
Retention of Citania brand	<p>“(Re) qualifying existing territories. The speakers will be...Pierre (Director Citania/Immochan)...” (<i>Up</i> magazine website, 2015)</p> <p>“Citania survives as they kept the brand for all projects where there is a mix of activities. It has become a symbol of urban renewal so they don’t want to let it die.” (Pierre, Former Citania GM, Interview-2015)</p> <p>“Citania/Immochan. In the Auchan Group, I created the brand Citania in order to implement mixed urban projects, with or without commercial component...Pierre, Head of Urban Strategies & Environment.” (wikibuilding.paris, partners book website, 2016-02-02)</p>
Depersonalization and legitimacy appropriation	
Legitimacy transfer from Citania to parent	<p>“I thought, it’s not possible! People like Charles... I will make Citania fail whereas it’s something extraordinary! So we did it another way. We make the whole company evolve on the Citania model and now it’s a great success” (Immochan President, Interview-2018)</p> <p>“I preferred to reintegrate Citania so that Immochan integrates the legitimacy and the professionalism of Citania.” (Immochan President, Interview-2018)</p>
Need to avoid power issues with the former Head of Citania	<p>“Researcher: In my view, it appears as if they need to move you out otherwise, as the company takes the strategy that you developed over the last years, they would need you at the head of the company; Pierre: yes. You know, I just met [Richard] last week. He is on the board of Immochan [and holds a very political position]. You know what he told me? He told me that [the new General Manager] was afraid of me. I don’t understand this. I even proposed to train a successor to secure my legacy. But even without me, I don’t mind. I understood that I, as myself, could be a problem. That’s why I proposed this. But no, he didn’t want this.” (Pierre, Former Citania GM, Interview-2017)</p> <p>“You know, the General Manager thought that it was like having a state in the state. Politically, it is not an easy position” (Immochan President, Interview-2018)</p>

Table 5. continued

Themes	Representative quotes
Development of the new strategy	
Auchan spins out Immochan	<p>“Auchan Holding bears the name of its historic business, the retail business, launched in 1961 by Gérard Mulliez. Since November 2015, it has been structured as 3 independent companies, each dedicated to its specific business to better meet their customers’ expectations.” (https://www.auchan-holding.com, 2018)</p> <p>“We are no more dependent of Auchan. Of course, we still work a lot with them but we are no more dependent of Auchan. Before, we were dependent. So we move from dependence to autonomy. And a recognized autonomy, with a new vision” (Immochan President, Interview-2018)</p> <p>“Wilhelm Hubner, chairman of the management board of Auchan Holding, commented on the 2016 results, “The year that has just finished was a year of major changes for the three Auchan Holding companies. As a result of the new structure that was put in place at the end of 2015, Auchan Retail, Immochan and [financial institution] Oney have become more independent, more successful and more focused on their core businesses” (https://www.esmmagazine.com, 2017)</p>
New Immochan strategy based on Citania	<p>“Vision 2030: we link people by creating sustainable, smart & lively places to brighten up everyday life. Meeting people’s and communities’ needs. Acting as a global urban player. Animating places and communities. #co #committed #care #innovative” (New Mission Statement Flyer, email from Immochan President-2018)</p> <p>“it took us one year to write this new vision, with all countries. My main message is that we used Citania’s mission in order to re-write our mission. That’s my key message” (Immochan President, Interview-2018)</p> <p>“So, it took us about one year to rewrite it, based on Citania’s one, but also based on the examples of Citania, and on the Europa City project, which is currently our flagship project, and which has nothing to do with what we used to do with Auchan and Immochan” (Immochan President, Interview-2018)</p>
Development of mixed activity projects	<p>“The funny thing is that they just acquired a housing developer for 300 million euros! I proposed them two years ago to acquire one for 70 million. They considered it was not the good solution. It seems they changed their mind!” (Pierre, Former Citania GM, Interview-2017)</p> <p>“Immochan launches it’s first beyond retail challenge. The Beyond Retail challenge is an international competition that aims at transforming shopping centers in daily life areas.” (ladn.eu website, 2018)</p>
Rebranding	<p>“I just got to know that they want to change the name. I heard that Citania is one option but I don’t know if they will take it.” (Pierre, Former Citania GM, Interview-2017)</p> <p>“We will even change the name. I cannot tell you what name it is going to be but Immochan is no more in line with what we want to do. We have evolved. The name needs to evolve as well” (Immochan President, Interview-2018)</p> <p>“we could have used Citania as a name, but internationally, this was not possible. For legal reasons and as well for linguistic understanding in some countries” (Immochan President, Interview-2018)</p>

Appendix



Appendix 1. Historic and new structures

Organizations

Auchan Group: Company owned by the Mulliez Family (has three branches; retail, real estate, bank until 2015)

Auchan: the retail branch of the Auchan Group (until 2015, then directly owned by the Mulliez Family)

Bosch (disguised name): competitor of Immochan in the commercial real estate area

Citania: Subsidiary of Immochan (2008-2015) dedicated to developing new urban projects

Klepierre: competitor of Immochan in the commercial real estate area

Immochan: Real Estate branch of the Auchan Group (until 2015, then directly owned by the Mulliez Family)

Retail formats

Gallery: integrated street in front of a supermarket or hypermarket with shops (hairdresser, shoe seller, banks, travel agency, spirits shop, beauty shops, etc.)

Hypermarket: (equivalent to big box store or superstore) shopping area that sells food, cosmetics, high-tech, cultural goods, clothes, etc., shop floor space over 2.500m²

Supermarket: shopping area that sells primarily food and cosmetics with a shop floor space under 2.500m²

Appendix 2. Glossary

Author Biographies:

Martin Friesl is Professor of Strategic Management at Lancaster University Management School and Associate Editor of the *International Journal of Management Reviews*. His work focuses on strategic change, autonomous initiatives as well as capability development. Martin's work has received awards for its implications for management practice and is published in *Organization Studies*, *Strategic Organization*, *Long Range Planning*, *British Journal of Management*, *European Management Review*, *Journal of Applied Behavioral Science* and *Industrial Marketing Management*.

Lionel Garreau is Associate Professor at Université Paris-Dauphine, Paris Sciences et Lettres. His work deals with strategy practices and processes, as well as organizational sensemaking. His research also aims at improving qualitative methods for organization studies. His work has been published in international journals like *British Journal of Management* and *Information & Organization*, and French speaking journals like *Management International*, *Revue Française de Gestion* or *Finance, Contrôle, Stratégie*. He is associate Editor of *European Management Review*. He is the head of the Executive Doctorate in Business Administration program in Université Paris-Dauphine.

Loizos Heracleous is Professor of Strategy and Organization at Warwick Business School. He earned his PhD from the University of Cambridge, and received a Higher Doctorate (DSc) from the University of Warwick. He conducts research on strategic management, organizational discourse, and organization change and development. His research has been published in 9 books and over 70 research papers, in journals that include the *Academy of Management Journal*, *Academy of Management Review*, *Strategic Management Journal*, *MIS Quarterly*, and *Harvard Business Review*. His work has been honored by three Best Paper Awards from the US Academy of Management and by three awards from Emerald. He serves on the editorial boards of five journals. He has worked with the senior managers of several blue chip corporations and is regularly quoted in leading media. More information about Loizos' work can be found at www.heracleous.org and at his Twitter feed [@Strategizing](https://twitter.com/Strategizing).