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## Journal of Retailing

journal homepage: [www.elsevier.com/locate/retail](http://www.elsevier.com/locate/retail)

# Resolving paradoxical tensions during business model innovation for sustainability in retailing: The role of the ecosystem

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## ARTICLE INFO

Editor: Dr Katrijn Gielens

### Keywords:

Retailing  
Sustainability  
Business model  
Ecosystem  
Paradoxical tensions  
Longitudinal  
Multiple case study

## ABSTRACT

The vast and pressing environmental and societal challenges, as well as the difficulty of the path to sustainability, are substantially challenging retailers' business models (BM hereafter). Researchers have yet to answer how retailers cope with different kinds of tensions in their process of BM innovation for sustainability. Drawing on a longitudinal, seven-year, inductive, multiple case study of three European retailers that decided explicitly to move toward sustainability, this research highlights different tensions that confront retailers in this process and the decisions they take to resolve them. Three stages are identified as necessary to implement a BM for sustainability in retailing.

In a first stage, patching sustainability initiatives onto traditional BM creates tensions, only some of which can be resolved by middle managers in their day-to-day activities. Others persist and represent paradoxical tensions. In a second stage, formal engagement by owners and senior to change the core of traditional BM can resolve paradoxes, by allowing for strategic actions at the ecosystem level. In the third stage, ecosystem-level actions involve renewing relationships with traditional stakeholders and initiating new relationships with new ones to implement the BM for sustainability. Moreover, a specific feature of BM innovation for sustainability in retailing is that stores can take major roles in the ecosystem, functioning as local hubs for circularity.

## 1. Introduction

Sustainability constitutes a major strategic challenge for retailers (Deloitte, 2023). Indeed, the sector is facing various pressures and retailers have to embrace sustainability (Holtrop et al., 2025; Vadakkepatt et al., 2021) for environmental and societal reasons, but also for competitiveness. Moreover, retailers are expected implementing sustainability quickly (IPCC, 2023). For this purpose, retailers have already invested tremendously in transformation efforts (McKinsey & Company, 2022), designed to alter their traditional Business Models (BM hereafter) in ways that might reduce negative impacts on the environment (Grewal et al., 2021). To meet customer expectations of sustainability (Sandberg, 2021), anticipate or comply with regulations, attract capital for investment (Kang et al., 2016), and retain employees (Whelan & Fink, 2016), retailers begin to engage in far-reaching, complex processes to pursue this substantial transformation (Beulque et al., 2023). However, the central challenge is not *whether* to change their traditional BM but rather *how* to do so, and particularly, how to tackle the tensions that arise between sustainability and traditional BM (Best et al., 2021; Carmine & De

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<https://doi.org/10.1016/j.jretai.2025.06.001>

Available online 14 June 2025

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Marchi, 2023; Joseph et al., 2020). That is, they must find “a delicate balance between profit margins, consumer trust, and sustainability” (Gielens, 2023, p. 321).

A BM can enhance sustainability in various guises, such as a “circular business model”, focused on recycling and avoiding wasted resources (Fehrer & Wieland, 2021); a “sustainable business model” (Méndez-León et al., 2024); or a “business model for sustainability” (Long et al., 2018; Schaltegger et al., 2016). According to Schaltegger et al. (2016, p. 6), the latter version is promising, because

*“a business model for sustainability helps describing, analyzing, managing and communicating (i) a company’s sustainable value proposition to its customers, and all other stakeholders, (ii) how it creates and delivers this value, and (iii) how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries”.*

The “business model for sustainability” also emphasizes that sustainability is the central goal of the BM and reaching this goal is not a given. Rather, it may entail a long, difficult effort to move beyond the sole traditional economic logic (Laasch, 2018).

Recent research also supports that no single actor can drive institutional change in isolation, because any such transformation involves various levels of action, some of which are beyond the firm’s reach (Fehrer & Wieland, 2021). However, single actors, including retailers, might take instrumental roles in driving change (Fehrer & Wieland, 2021). Notably, the retail supply chain represents 25 % of global greenhouse gas emissions (World Economic Forum, 2022) so a shift toward a BM for sustainability from retailers is crucial for society. Its implementation induces multiple challenges (Best et al., 2021; Joseph et al., 2020), mainly because economic value remains the primary *leitmotiv*, before social or environmental value (Vernay et al., 2022). Furthermore, sustainability initiatives still represent limited contributions to the overall value creation and value capture processes of retailers (Beulque et al., 2023). Such considerations create conflicting objectives, within and among organizations, in the pursuit of BM for sustainability (Hahn et al., 2018).

These barriers are substantial, and there is a need for more research that addresses the actual implementation of BM innovation for sustainability in the retail industry (Beulque et al., 2023; Vadakkepatt et al., 2021). Such research may account for the technological change, government regulations, economic pressures, and environmental and societal concerns that also buffet the contemporary retail sector (Gielens, 2023; Kumar & Venkatesan, 2021; Vadakkepatt et al., 2021).

To gather fine-grained insights into how retailers proceed toward sustainability, we take inspiration from Gauri and Grewal’s (2021) recommendations to develop close, collaborative relationships with retailing practitioners. Collaborative research can be very useful for understanding strategic issues and processes in the making, particularly those that require a high degree of confidentiality and confidence between practitioners and researchers and a lengthy presence in the field, as is the case for BM innovation for sustainability. Such an approach also provides a novel way to gain data from unlisted retailers whose information is not publicly available. Accordingly, we conduct a longitudinal, inductive, multiple case study (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2003) with three large, established, European retailers operating in different sectors and different countries. All three of these traditional retail companies explicitly communicated their plans and strategic efforts to shift toward sustainability. Over the course of seven years, we collected primary data from interviews, meeting observations, and workshops, as well as secondary data from press articles, interviews in previous research, and internal documents. We analyzed these data following an inductive process (Gioia et al., 2013). Almost immediately, our empirical research efforts revealed that relevant actors regularly referred to the “tensions,” “inconsistencies,” and “paradoxes” that emerged in their efforts to achieve sustainability.

Therefore, we turned to prior research on paradoxes, which offers multiple useful concepts and theoretical frameworks designed to understand contradictory logics (Carmine & De Marchi, 2023; Smith & Lewis, 2011, 2022). On the basis of a recent systematic review and content analysis of empirical literature related to paradox, Carmine and De Marchi (2023) acknowledge the need to investigate the concrete actions that actors adopt to address paradoxical tensions in the pursuit of sustainability. As central research question, we thus ask: How do retailers cope with different kinds of tensions in their process of business model innovation for sustainability?

In addressing this question, we respond to recent calls to investigate both retailers’ sustainability (Gielens 2023; Vadakkepatt et al. 2021) and the management of paradoxical tensions when implementing sustainability (Carmine & De Marchi 2023). The findings provide new, detailed, empirical evidence of the processes that established retailers are following to address these tensions. Accordingly, we establish three main theoretical contributions for this research.

First, by investigating concrete implementations of BM innovation for sustainability in the making, we unpack the underlying process. Over the course of our lengthy immersion in the field (7 years), we identify three main stages: (1) patching of sustainability initiatives onto traditional BM, which enables retailers to address external and internal pressures; (2) decisions by owners and senior management in favor of BM for sustainability, as a means to address paradoxical tensions; and (3) restructuring the ecosystem to implement the BM for sustainability. We articulate the tensions, paradoxical tensions, and resultant actions and thereby provide empirical insights into how tensions can be resolved, namely, through engagement by owners and senior management, which facilitates decisions about action at the ecosystem level.

Second, we specify BM innovation for sustainability, relative to other types of BM innovations. This type of innovation cannot be implemented by a single company alone, because it requires restructuring the ecosystem. In turn, restructuring the ecosystem entails both renewing relationships with traditional stakeholders and initiating new relationships with new stakeholders.

Third, in a retailing context, we outline a critical role for stores in BM innovation for sustainability, due to their capacity to take novel positions within the local ecosystem and act locally with stakeholders, such as by becoming local hubs for circularity.

To establish these contributions, we start by reviewing theoretical insights from research into paradoxical tensions. We then detail the empirical context and the longitudinal, inductive, qualitative method that we used to investigate three retailers’ BM innovation for sustainability process. We present our findings and discuss their theoretical and managerial implications, including suggestions for continued research into sustainability in retailing.

## 2. Theoretical background

Although rich sustainability literature provides critical insights from a consumer perspective (Carter et al. 2021; Mai et al. 2021; Van Doorn et al. 2021), research from the retailer perspective is needed to clarify tangible options for embracing sustainability (Holtrop et al. 2025; Vadakkepatt et al. 2021). This embrace requires a far-reaching, complex transformation, involving an ecosystemic approach (Fehrer & Wieland 2021); i.e. the consideration and enrolment of various individual and organizations to ensure the transformation. As such, it necessitates BM innovation (Sorescu et al. 2011) that transforms a traditional BM based solely on a commercial logic (Laasch 2018) into a BM for sustainability (Long et al. 2018; Schaltegger et al. 2016). Such innovation creates tensions due to contradictory logics (Carmine & De Marchi 2023), so investigating how retailers manage and resolve these tensions, some of which can be paradoxical (Smith & Lewis 2011, 2022), is critical for understanding the concrete implementation of a BM for sustainability.

### 2.1. Tensions surrounding sustainability in retailing

Sustainability offers a competitive advantage across various market segments (Vadakkepatt et al. 2021), yet its implementation remains complex, due to the tensions that the shift to sustainability can create (Best et al. 2021; Carmine & De Marchi 2023; Joseph et al. 2020; Hahn et al. 2018). In research focused on the drivers of and barriers to sustainable consumption (Gleim et al. 2013; Robert Mai et al. 2021; Van Doorn et al. 2021), product price emerges as a key factor. Perhaps even more important is consumers' "expertise" in assessing the extent to which a product is environmentally friendly and why its price might be higher than that for traditional products (Gleim et al. 2013). Thus, clarity and transparency from retailers is crucial for encouraging purchases of sustainable products and services. However, communication might also open retailers up to accusations of greenwashing (Vadakkepatt et al. 2021). To communicate appropriately and consistently about their sustainability, retailers need to be able to understand "consumers' world" and how they interact with the company's offerings (Viciunaite 2022). Other studies also propose relevant influences of private brands for meeting customer expectations (Gielens et al. 2021), circularity (Fehrer & Wieland 2021), supply chains (Pachar et al. 2022; Vadakkepatt et al. 2021), and metrics and analytics (Kumar & Venkatesan 2021).

Regardless of the specific focus adopted though, because implementing sustainability creates tensions among economic, social, and environmental priorities (Joseph et al., 2020), firms need to both acknowledge the existence of tensions and adopt tension management strategies (Joseph et al. 2020). We argue that such considerations are particularly important for retailers, due to their unique position in the supply chain. They often get held responsible (accurately or not) for the environmental impacts created by the production processes for the manufactured goods they sell (Vadakkepatt et al. 2021).

From this position, retailers also have a unique capability for initiating change and influencing stakeholders. They can leverage their unique downstream position in the value chain to exert broad influences (Lai et al. 2010; Vaddakepatt et al. 2021), and they can leverage their private-label brands to exert meaningful impacts on both suppliers and consumers (Gielens et al. 2021). Beyond economic influences, retailers effectively influence and diffuse popular culture, from micro to macro levels. As Hirschman and Stampfl (1980) note, retailers can act simultaneously as change agents, gatekeepers, opinion leaders, and innovators. In their gatekeeping role for example, they engage continuously with consumers and suppliers, set product standards, and generate and disseminate information (Lai et al. 2010). In turn, with regard to sustainability, retailers can and should go beyond product or service innovation and engage in profound BM innovation, but they also need to integrate various stakeholders into this process (Long et al. 2018), because the sustainable efforts of a single firm are never enough to achieve sustainability success (Fehrer & Wieland 2021).

Innovating and transforming a BM implies new structural arrangements and new types of relationships with (potentially new) stakeholders, such that it should lead to a new ecosystem (Demil et al. 2018). The ecosystem, as part of the wider environment, reflects the choices, whether "deliberate, emergent or constrained," that an organization makes about its BM (Demil et al. 2018, p. 1220). In this view, a BM does not change successfully without the emergence of a new business ecosystem, notably in retailing (Dewitte et al. 2018).

### 2.2. Paradoxical tensions in business model innovation for sustainability in retailing

Although sustainability drives BM innovation and pushes companies to rethink their existing BM (Foss & Saebi 2017), prior research has not addressed the complex interrelationships among environmental, social, and economic value (Schneider & Clauß 2020), likely because new sustainability practices remain relatively rare and make limited contributions to overall value creation and capture in retailers' BMs (Beulque et al. 2023). In particular, we find few empirical investigations of BM innovation for sustainability (Klein et al., 2021), and those empirical contributions that are available emphasize the tensions inherent to such transformations (Best et al. 2021; Carmine & De Marchi 2023; Daglienè & Varaniūtė 2023; Joseph et al. 2020). Yet BM for sustainability differs fundamentally from traditional BM in mature industries (Vernay et al. 2022), through which companies might incorporate some sustainability initiatives, without really transforming the core BM. In turn, customers often cannot detect these initiatives (Viciunaite 2022); others may be cosmetic. Thus, a true BM innovation for sustainability must be transparent, so that stakeholders can perceive efforts towards sustainability (Freudenreich et al., 2019). Yet retailers moving toward sustainability often encounter tensions, such as among consumers' expectations of quality, convenience, and willingness to pay (Vadakkepatt et al. 2021), as well as in the organizational metrics used to assess success (Grewal et al. 2021), organizational efforts to manage short-term versus long-term performance, or resource allocations to attain sustainability objectives (Kim et al. 2022). These tensions need to be overcome to prevent them from becoming paradoxical and persistent (Smith & Lewis 2011).

Therefore, a paradox lens appears relevant for understanding sustainability as a complex phenomenon (Daglienè & Varaniūtė 2023;

Hahn et al. 2018). A “paradox displays significant potential for the concrete advancement of several organizational challenges” (De Keyser et al. 2019, p. 156), and a paradox lens supports explorations of how organizations might attend competing demands simultaneously (Smith & Lewis 2011). Smith and Lewis (2011, p. 389) define “paradoxical tensions” as “contradictory yet interrelated elements embedded in organizing processes that persist because of organizational complexity and adaptation.” In addition, Berti and Pina e Cunha, (2023) p. 12 introduce the concept of “undecidability” as an additional characteristic of paradoxical tension, defined as “the impossibility to split, or to assimilate an entity to either side of a dichotomy or opposition.”

Paradoxical tensions can manifest at the intra- or inter-firm level (Gernsheimer et al. 2024) and involve different levels of action, within and outside the company (Carmine & De Marchi 2023). Similarly, sustainability involves dealing with internal choices to revise the BM and external choices to undertake joint efforts to implement the new BM (Fehrer & Wieland 2021). The demand to consider both internal and external aspects also is especially salient for retailers, due to their unique position in the value chain Vadakkepatt et al. (2021).

Even when organizations identify paradoxes, they do not necessarily act to resolve the related contradictions (Hargrave & Van de Ven 2017); instead, they may suffer paralysis, or a sense of being trapped (Putnam et al. 2016). As a result, actors within the same organizations do not experience in the same way paradoxical tensions and some actors even purposefully avoid them (Smith & Lewis, 2022). Seeking more granular insights, Carmine and De Marchi (2023) instead identify three perspectives on paradoxes in sustainability settings. First, some scholars use a paradox lens to study sustainability in companies. Second, some practitioners similarly adopt a paradox lens to make sense of sustainability and the practices of their own companies. Third, a paradox can be a feature of the actions taken to manage sustainability or its implementation. In noting that most prior research focuses on the first two perspectives, Carmine and De Marchi (2023) call for more research dedicated to understanding how actors actively work to address tensions inherent to the implementation of sustainability. In response, we investigate the central research question cited previously: How do retailers cope with different kinds of tensions in their process of business model innovation for sustainability?

### 3. Method: A longitudinal 7-year inductive qualitative study

Following an “empirics-first” approach (Golder et al. 2023), we conducted a qualitative, multiple case study (Eisenhardt 1989; Eisenhardt & Graebner 2007; Yin 2003). Multiple case studies are particularly effective for theory development, because they produce more robust, parsimonious, and generalizable theory than a single case can (Eisenhardt & Graebner 2007). Furthermore, case studies are well suited to addressing processes and change (Lindgreen et al. 2020). In seeking to explore the concrete implementation of BM innovation for sustainability in the specific context of retailing, we also carry out inductive research, building on the Gioia method (Gioia et al. 2013). Thus, though we present the data collection and data analysis separately, we performed them nearly simultaneously.

#### 3.1. Empirical setting

To identify companies to include, we adopted a theoretical sampling approach (Eisenhardt & Graebner 2007). Specifically, our selection of three large, established, European retailers reflects our recognition that their senior managers already had declared, in the media or press releases, that they regarded transforming their BM for sustainability as critical for their company. This goal appeared on their corporate websites and in internal documents and videos. Furthermore, the author team had relationships with representatives of these retailers, established through prior research projects that relied on collaborative approaches (Gauri & Grewal 2021). Over time, this ongoing collaboration resulted in a dedicated research chair, created in 2019. Finally, including all three retailers provides more diverse insights, because they underwent different journeys toward BM innovation for sustainability (see Appendix 1).

All three companies faced pressures to transition toward sustainability, from both external (government, nongovernmental organizations [NGOs], consumers) and internal stakeholders (employees). In response, they began voluntarily experimenting with nontrivial alterations (Foss & Saebi 2017) toward more sustainability, though they began at different starting points and followed unique trajectories (see Appendix 1). Thus, a multiple case study involving all three of them promises to enhance and expand our knowledge of BM innovation for sustainability. Table 1 presents company features.

#### 3.2. Data collection

The data for this multiple case study result from a longitudinal, seven-year, qualitative study of the three selected retailers, which

**Table 1**  
Company features.

	Company A	Company B	Company C
<b>Products/sector</b>	DIY	Multimedia products and household appliances	Clothes and toys for children
<b>Date of creation</b>	1960–1965	1955–1960	1990–1995
<b>Turnover (in €million)</b>	25,000–35,000	4000–5000	800–1000
<b>International presence (number of countries)</b>	15–20	2–5	60–80
<b>Number of employees</b>	100,000–125,000	8000–10,000	5000–8000
<b>Number of stores</b>	700–1000	100–200	1000–1500

had either European (Company B) or global (Companies A and C) reach. We also gathered qualitative data (Table 2), including secondary data from press articles, internal documents, and interviews conducted for previous research projects (collected in early 2017), along with primary data collected for the current research project (in 2020–2023). Accordingly, we have long maintained ongoing (on average, bi-monthly), formal and informal interactions with the companies' senior and middle management.

Since 2017, one author attended various corporate events and meetings and had informal discussions with the companies' top management. These observations and discussions were recorded in research diaries, audio recordings, and some video recordings. Moreover, we conducted 49 semi-structured, individual interviews (2923 min, 892 pages of transcripts) between October 2020 and December 2023, either face-to-face or by Zoom; 45 of them include managers of one of the retailers (see Appendix 2). These interviewees varied in their seniority, hierarchical position (e.g., co-founders, shareholders, CEOs, senior managers, middle managers), and the scope of their mission with regard to developing and implementing the BM for sustainability. Furthermore, we conducted 4 interviews with experts in retailing and sustainability issues (see Appendix 2). We sought a general overview from these experts, as well as external data pertaining to the process involved in developing a BM for sustainability. The interview guides reflected themes related to descriptions of traditional BM and “why” and “how” questions about the shift toward sustainability. We addressed major changes already undergone, changes in progress, pathways toward change, difficulties in the transition from a traditional BM to a BM for sustainability, and efforts to manage those difficulties. Our goal was to generate informative discourses about concrete difficulties and solution attempts.

During six workshops conducted between 2020 and 2023, each with 8–25 participants (660 min, 75 pages of transcripts and research notes), we gained insights from key informants from all three companies (including some interviewees). The first workshop centered on themes similar to those we raised in the individual semi-structural interviews; in the subsequent workshops, we sought feedback from and among managers of the three companies regarding the initial research results. These workshops also helped reinforce the informants' confidence in participating, because they obtained clear evidence that we were using a fine-grained approach to analyze the data their firms had provided. By allowing for direct interactions among participants, workshops also can be invaluable for gathering detailed data about the different paths that the firms took along the BM innovation for sustainability process. The workshops for this study in particular were held under the aegis of a research chair, so the informants felt confident about speaking freely. Finally, the workshops enhanced the reliability and trustworthiness (Wallendorf & Belk 1989) of our data interpretations.

In our efforts to ensure we understood the retailers' strategy and achieve data triangulation, we gathered various secondary data. First, we used 19 interviews conducted previously, for a different research project, which also involved top and middle managers of the three retailers. Second, key respondents provided us with internal documents (783 pages, 5 videos) related to the transformation toward sustainability; some of these resources were confidential (e.g., policy, organization, goals, key performance indicators [KPIs], communications). Third, we regularly visited the physical stores and websites of the three companies, to observe how sustainability was being implemented in practice. Table 2 summarizes objectives and details about each data collection method employed for this study.

**Table 2**  
Data collection goals and details.

Data collection	Goals	Company A	Company B	Company C	Experts	Total
<b>Primary data</b>						
Semi-structured interviews	- Identify difficulties during BM innovation for sustainability - Identify solutions implemented to try to resolve difficulties	19	13	13	4	49 (2923 min of data collection, 892 pages of transcripts)
Workshops	- Compare three companies' paths toward sustainability - Discuss some results, through an iterative research process - Triangulation with interviews	1. 14 participants, November 2020 2. 18 participants, September 2021 3. 10 participants, February 2022 4. 14 participants, June 2022 5. 12 participants, March 2023 6. 15 participants, June 2023				6 (660 min, 75 pages of transcripts and research notes [for confidentiality])
Meetings and informal discussions	- Gain knowledge of the context - Update of information on BM innovation for sustainability - Triangulation with interviews and workshops	28	23	25	3	79 (86 h, 215 pages of research notes)
<b>Secondary data</b>						
Internal and external documents	- Consumer surveys, CSR reports, internal presentations of BM for sustainability, KPIs - Triangulation with interviews and workshops	133 pages + 2 videos of the CEO	109 pages + 1 video of the CEO	463 pages + 2 videos of the 2 co-founders	78 pages	783 pages + 5 videos
Interviews as secondary data	- Conducted for previous research - Knowledge of the context - Triangulation with interviews and workshops (companies' strategy and evolution of their BM)	9	7	3	/	19 (290 pages)

3.3. Data analysis

With an inductive approach, we performed the qualitative analysis, constantly going back and forth between data and theory to refine the coding process (Saldaña 2015). As is standard practice, we coded the data iteratively (Gebhardt et al. 2006), using source triangulation to ensure the trustworthiness of the analyses (Wallendorf & Belk 1989). Although the case study and Gioia method (inspired from grounded theory) are differ (Gehman et al. 2018); we followed the Gioia method (Gioia et al. 2013) to analyze the data in three steps and construct a data structure, because it ensures transparency in the coding process.

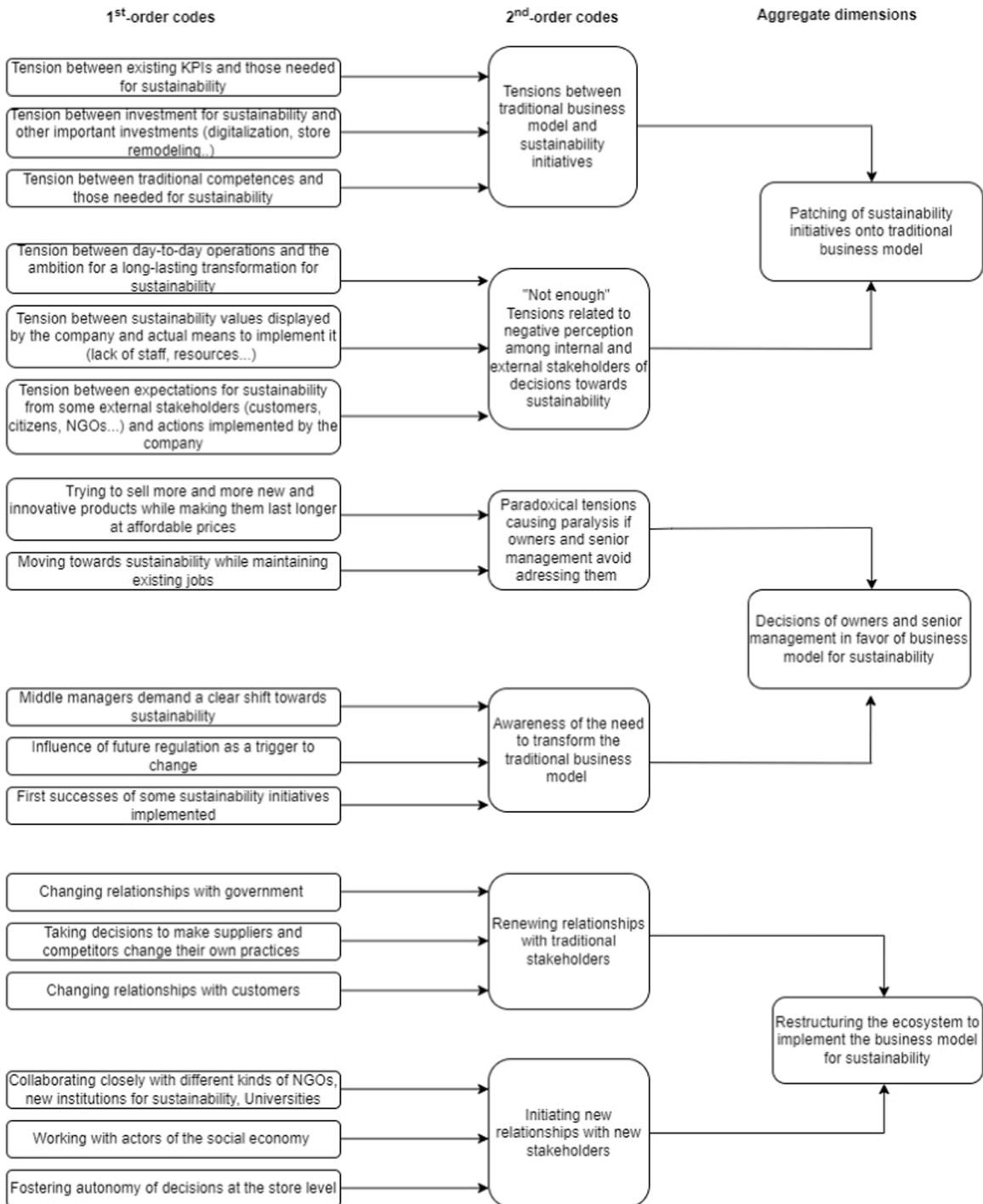


Fig. 1. Data structure.

3.3.1. Step 1: creating first-order codes and conducting within-case analyses

We undertook a detailed and immediate reading of the interview transcripts. The first round of data analysis involved creating first-order codes, similar to what Saldaña (2015) calls in vivo codes. They should match, as closely as possible, the terms used by the interviewees. After establishing the in vivo codes, we integrated them, with the goal of making sense of the data. In so doing, we gained understanding of how the retailers try to manage the implementation process of BM for sustainability. In particular, we identified codes related to the tensions between traditional competences and those needed for sustainability and between managing day-to-day operations and seeking a long-lasting transformation for sustainability, as well as some other tensions (as displayed in the data structure in Fig. 1).

3.3.2. Steps 2 and 3: integrating first-order codes into second-order codes; aggregating dimensions

In the second round of analysis, we combined the many first-order codes into fewer second-order codes, through a constant comparison across the coded segments. Through this process, we could make sense of the large volume of data and identify the nature of the tensions, as well as how retailers manage them, during BM innovation for sustainability. In the early stages of our data collection, we used terms such as “difficulties” or “problems” during interviews. In response, some managers noted that their companies face intractable choices. With an abductive reasoning approach, which allows for iteration between empirical observations and theoretical explanations (Sætre & Van de Ven 2021), we reviewed theory and identified the paradox framework (Smith & Lewis 2011) as a plausible explanation for the collected data.

To confirm the trustworthiness of the analyses (Wallendorf & Belk 1989; see also Dion & Arnould 2011; Gebhardt et al. 2006), we discussed our results and interpretations with managers and board members from all three retailers to obtain their feedback, particularly during the workshops. These discussions also offered some new, detailed insights.

3.4. Findings

To detail findings regarding how retailers experience and deal with tensions associated with the process of BM innovation for sustainability, we include verbatim comments from various key informants. We use “owners” to describe company representatives with a central shareholding position on the board of directors; “senior management” to refer to the actors who effectively manage the company; and “middle management” to indicate the managers who oversee and implement some part of the process toward BM for sustainability.

Notably, we observe that most of the identified tensions stem from a lack of awareness of the magnitude of change required for a transformation toward BM for sustainability. Ultimately, implementing a BM for sustainability demands a complete revision of the traditional BM, but in practice, it often took the form of patching initiatives for sustainability first, without any profound rethinking of the traditional BM. This step created tensions between the traditional BM and sustainability initiative. Over the seven years of data we collected, we also determined that some tensions could be resolved by middle managers in their day-to-day efforts, which led to some initial sustainability successes, but others became paradoxical. The initial successes encouraged owners and senior management to make more important decisions about transforming traditional BM, beyond patching. In so doing, they helped resolve the paradoxical tensions and allowed middle managers to exit a situation marked by undecidability. Finally, implementing the BM for sustainability

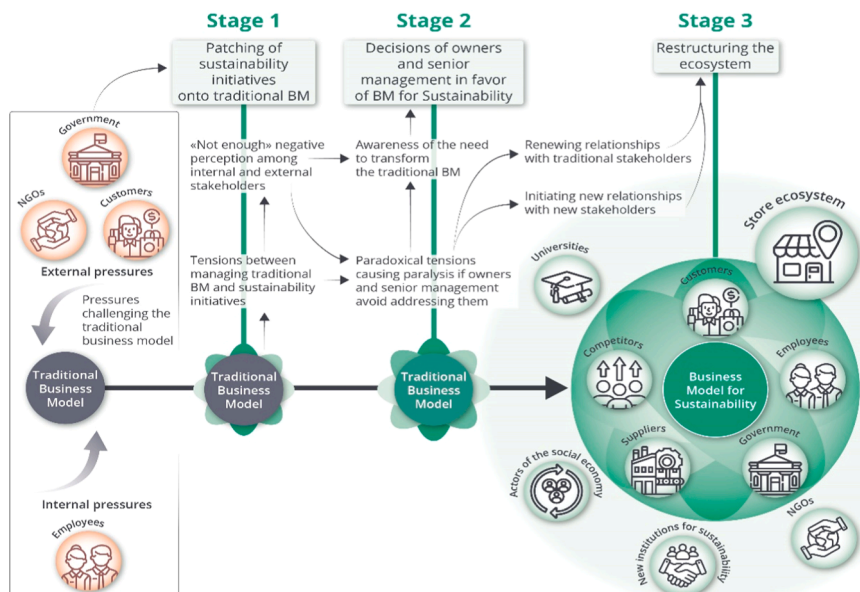


Fig. 2. The process of business model innovation for sustainability in retailing.

required decisions to restructure the ecosystem, which in a retailing context refers to both the company level and the store level. We summarize these findings in Fig. 2, which is elaborated on the basis of the data structure in Fig. 1. This model highlights how tensions get resolved during the BM innovation for sustainability process, through the three stages we observe in our empirical analysis. We address each of these three stages in detail next.

#### 3.4.1. Stage 1: patching of sustainability initiatives onto traditional business model

Retailers constantly manage innovation in their product and service assortments, retail formats, or communication channels. But in the case of BM innovation for sustainability, all the respondents confessed having underestimated the scope and depth of the transformation needed. Moreover, the managers noted the substantial difficulty that arose due to the lack of previous examples to follow, in contrast with previous BM innovations they might have tried. For example, when embracing omnichannel retailing, they could take inspiration from direct or indirect competitors, especially pure online players.

When they first began to shift toward sustainability, the retailers adopted several actions, often described as “sustainability initiatives” or “sustainability offers.” Such actions often involved the addition of new offers, such as second-hand products, renting, or repairing, which were available alongside traditional value propositions based on selling new products. Therefore, the initiatives provided “patches” laid over a traditional, business-as-usual BM. Such patching of sustainability initiatives prompted multiple tensions (Fig. 1), between the traditional BM and new offers and between the stated goal of sustainability and the perceived superficiality of the companies’ engagement.

**3.4.1.1. Tensions between traditional business model and sustainability initiatives.** Most managers recognize that their role in the transformation process involves emphasizing the crucial importance of sustainability for company survival. In all three companies, key sustainability initiatives first were launched as separate business units. Similar to their initial launches of online channel, their idea was to preserve the traditional BM but also develop some new processes:

*“New sustainability initiatives such as renting initially were created as a side service; now we are working on replacing entry-level products of our assortment by second-hand products or renting services, but we need to revise our processes, as it impacts products and financial teams as well as in-store staff.”* (Head of Offering Strategy, Company A).

The Head of Planet of company B underlines that *“as long as we promote a model in which salespeople get more money at the end of the month because they sold more new products (as these are more expensive), we won’t be able to transform the way we sell products in-store.”* (Head of Planet, Company B).

In addition to tensions between existing KPIs and the incentives needed to pursue sustainability, members of these organizations recognized the disconnect between the traditional BM and the new one, such that *“If we look back, everything that made our success is now a barrier to our objectives”* (Director of Sustainability, Company C).

Most managers also recognized that they needed to prioritize sustainability in resource allocation decisions, but traditional value propositions based on selling new products continued to attract most of the resources made available by senior management, who also maintained a profitability-oriented horizon:

*“We can do much more powerful things than that, except that I don’t have the human resources, I don’t have the brains and the manpower that would allow me to develop more.”* (Head of Second Life and After-Sales Service, Company A).

*“We often prioritize things that are immediately profitable and don’t concentrate on things that need several years to make profitable.”* (Director of Innovation, Company A).

Even as managers complained about the lack of resources available to implement the BM for sustainability, they recognized that budget decisions were evolving in a positive way—but also that the budgets could disappear if the economic situation deteriorates. As the Head of Second Life and After-Sales Service at Company A commented, *“as soon as things get a little tense, some of these initiatives may get restricted.”* Such a concern is pressing, because the retailers were facing turbulent environments, in which other far-reaching transformations, such as digitalization, also demanded a lot of resources. The BM innovations related to sustainability also largely appear to coincide with those for digital transformation.

With our longitudinal data, we can shed some light on the respective evolutionary paths of both these BM innovations. At the beginning of our data collection (2017), the digital transformation was the main priority; all three retailers sought to become omnichannel. The BM for sustainability gained importance over time. However, implementing this BM innovation offered more complex challenges than the digital transformation:

*“When it comes to digital, everyone has realized that it’s a kind of business, so we’ve spared no expense, this is still a financial historic accounting, however, when it comes to business model for sustainability, we need to apprehend simultaneously financial, social and environmental aspects, this is much more complex!”* (Head of Sustainability, Company C).

Noting this difficulty, company B appointed a board member to direct what it calls, internally, its “overall transformation” with sustainability at the core, to have a clearer view of which long-term investment it needs. Such a solid, comprehensive organizational decision is critical to address the tension between the historical value proposition and sustainability. Stores still pursue traditional KPIs based on turnover and growth, and because “sustainability revenues” generated by innovations like rentals, second-hand, or eco-products are new, store employees tended to maintain a “business-as-usual” mindset. The balance between second-hand and new products is evident in the recognition that *“we are still in a market in which product innovation is a strong driver.”* (Head of Second-life

Business Unit, Company B).

Company C reconsidered its procurement process, to invest in eco-design, while also investing to improve competences needed for sustainability, particularly among purchasers, yet its Head of Transformational Projects describes “*an in-between situation where the company integrates such investments but then continues to say that more turnover is needed.*” Similarly, some middle managers described an “engaging zone” that they reached before their colleagues or the company hierarchy, such that they felt like they had to convince others to accelerate the transformation and invest more in sustainability.

*“Not enough”, tensions related to negative perceptions among internal and external stakeholders*

As a result of some tensions related to patching of sustainability initiatives onto the traditional BM, internal and external stakeholders perceived that the company was not doing enough on sustainability. Several managers reported the tension associated with managing day-to-day operations and pursuing ambitious, long-lasting transformations for sustainability. In particular, operational complexities slow down the implementation of the BM for sustainability. For example, Company A has decided to offer a second-hand product range, aimed to get in all stores by the end of 2020. Yet according to the interviews, only about half of its stores had attained this objective by the end of 2021; it was fully reached only at the end of 2023. A manager working on the project offered one potential reason:

*“The way in-store staff need to manage second-hand products is so complex.... The employee at the desk needs to keep each receipt of second-hand products and then enter them manually into the information system, indicating they have been sold.”* (CSR Project Manager, Company A).

Sustainability managers also noted the gap between expectations and information within the company, such that “*the proportion of employees who are aware of our business unit and who know what we do is very low.*” (Head of the Second Life Business Unit, Company B). With regard to turnover, second-hand product sales offer marginal contributions, because the retailers need to buy the second-hand products back from customers, who instead are used to throwing them away or selling them on peer-to-peer platforms, such as ThredUp. The margins on these products also are lower than those on new products. Consumers’ willingness to pay for a second-hand product is lower, and the costs are higher, because retailers must check, recondition, or clean products and offer guarantees.

As a result of this tension between the sustainability project promoted by the company and the actual means to implement it, middle managers called on owners and senior management to commit more formally and issue strong decisions that could challenge the core components of the traditional BM:

*“There are a series of practical cases and situations that we have to arbitrate, we need to confront the company’s senior management with the contradictions that we have to resolve.”* (Head of Offering Strategy, Company A).

Other sustainability initiatives, based on new value creation and value capture processes (Gatignon et al. 2017; Sorescu et al. 2011), sometimes resulted from courageous decisions, as when Company C rejected traditional commercial practices and thereby put its traditional value creation for customers at risk. As the Director of Innovation pointed out:

*“From a child’s perspective, the bigger the box, the bigger the gift. We are going against commercial traditions. In 18 months, we redesigned 96 % of our packaging both in terms of volume and the materials used. We removed all the plastic and non-recyclable cardboard. This is a huge gamble as packaging is one of the most important dimensions in our market.”*

In addition, Company A voluntarily and proactively stopped selling RoundUp weedkiller, before any regulations prohibited retailers from selling it. The company also rechecked the specifications for products sold by external partners through its marketplaces, which prompted the withdrawal of 15,000 offerings and threatened to decrease turnover.

Even when middle managers expressed pride in decisions made in support of sustainability though, most tended to assert, in their role as internal stakeholders, that their company could do more. At the same time, external stakeholders such as consumers or NGOs were offering negative evaluations of choices made in favor of sustainability. In turn, managers sensed that they could not satisfy all stakeholders simultaneously:

*“When we dare to communicate about our good sustainability practices, questions and comments are always targeted at what we don’t do! We can show that we are working on eco-design, reparability and durability of products, but questions are always raised about what we haven’t managed yet.”* (Head of Second Life and After-Sales Services, Company A).

Seemingly radical choices by the company in favor of sustainability also could prompt serious criticisms by external stakeholders. Environmental activists targeted Company A, noting that even if it stopped selling RoundUp, it continued to sell other environmentally damaging products; at the very same time, consumers expressed their displeasure that they could no longer find their preferred product and had no convincing substitute, so they switched to competitors, where they could still purchase RoundUp.

In a different context, the Head of the Rental business unit at Company B noted, with regret, that consumers often perceive that retailers are abusing them by charging high rental prices, without considering the additional, nonvisible costs associated with rental services. A newspaper investigation explicitly called out the company for exploiting customers. The business unit thus continued to struggle to achieve profitability, even after almost 10 years in existence.

Among managers who sensed that every sustainability decision prompted criticisms, whether because observers regarded it as a bad decision or simply for not going far enough, we also noted a tendency to favor other investments, such as in the digital transformation or store remodeling. In this scenario, the tensions are likely to become paradoxes, because of the contradictions between decisions consistent with sustainability and those aligned with the traditional BM. However, some recent regulations, combined with

the influence of middle management and some initial successes, have increased awareness of the need to transform the BM, beyond patching sustainability initiatives onto traditional BM.

### 3.4.2. Stage 2: decisions of owners and senior management in favor of business model for sustainability

Even if some tensions can be managed through better resource allocation by senior and middle managers, others are paradoxical and feature both contradiction between interrelated elements (Smith & Lewis 2011, 2022) and undecidability (Berti & Pina e Cunha 2023). Such paradoxical tensions can lead to a state of paralysis and make choices in favor of the traditional BM (versus the BM for sustainability) appear more attractive.

3.4.2.1. *Paradoxical tensions causing paralysis if owners and senior management avoid addressing them.* Since their creation, the three retailers mainly have sought to sell more products to more customers at cheaper prices. As the Chairperson (also an owner) of Company C puts it:

*“I think we can consider it as a drug. We have been addicted to discounts and it’s extremely hard to escape from that. Like a drug addict, we don’t know how to escape from this line of reasoning.”*

This mindset has supported the retailers’ success, but to implement a BM for sustainability, it needed to be challenged and questioned. The middle managers interviewed accordingly called for more support from owners and senior managers to achieve the move toward sustainability:

*“They are, intellectually, well aware of sustainability issues, but it is not (yet) embodied, incorporated in their activities and decisions.”* (Research notes, informal meeting with a senior manager, Company A).

A lack of engagement in sustainability may exist because the owners and senior management do not directly experience the relevant tensions in their day-to-day activities. Furthermore, the difficulties of challenging a traditional BM may leave owners reluctant to consider sustainability, such that they purposefully avoid an “engaging zone” with sustainability and instead embrace a state of paralysis in the process of BM innovation for sustainability:

*“The complicated situation in 2022–2023 has led to a pause or even backtracking in order to secure short-term economic results.”* (Leader of Social Innovation and Impact, Company C).

During a workshop in March 2023, some managers complained about owners’ and senior managers’ passivity regarding necessary investments in sustainability, such that

*“Our bosses and owners perceive sustainability transformation with the wrong mindset: a ‘how much does it cost’ mindset. They can’t imagine how much it will cost if we do nothing.”* (Head of Offering Strategy, Company A).

Although senior managers recognized the strong motives for change, they confessed that, even if they might want to resolve various environmental and societal issues, they had to prioritize certain sustainability concerns. In the countries in which they operate, retailers are important job providers, a role that is strongly tied to their commercial performance. This tension between societal and environmental responsibilities features undecidability: If they encourage customers to adopt sufficiency consumption, they might be forced to lay off employees. The dilemma reinforces the state of paralysis if a paradox mindset is not diffused throughout the organization. In the words of the Head of the Transformation Department of Company B, *“Socially, we have 9000 persons to feed; we need to carry out the necessary steps in parallel.”* These considerations, combined with the influence of predicted future regulations, gradually increased awareness of the need to transform the traditional BM, such that at some stage, owners and senior management felt compelled to make decisions in support of the BM for sustainability.

3.4.2.2. *Awareness of the need to transform the traditional business model.* Middle managers assumed progressively more responsibility for asking senior management, or even owners, to leave the “avoiding zone”, formally engage with the transformation, and resolve paradoxical tensions. In Company B, *“a group of employees created a kind of schism within the company. They wrote a manifesto in favor of sustainability to make the top management and the board aware of the need to revise our traditional model.”* (Head of the Transformation Department).

Through such efforts, the managers significantly influenced owners and senior management, prompting them to question the core of the traditional BM and recognize that patching sustainability initiatives onto it would not be sufficient to engage with sustainability.

However, middle managers also describe ways that local patching initiatives made it possible to anticipate future regulations, such as those related to reducing the quantity of products thrown away, crafting new value propositions, or decreasing the carbon footprint of product ranges. Those initiatives also provided early successes in sustainability initiatives, which they could build on to encourage owners and senior management to engage with the more in-depth transformation of the BM. Positive results (e.g., sales, price image, employee satisfaction, store patronage) of different sustainability offers (e.g., adding second-hand products and rental offers) helped convince owners and senior management to make robust decisions in support of BM innovation for sustainability. At the end of our seven-year data collection and analysis period, some sustainability initiatives had been integrated into a consistent BM, with connections to various elements of the business. For example, Company A revised its loyalty program to *“give more loyalty points to customers who purchase products with a better environmental and social impact”* (Director of Strategic Marketing).

They represent different stages of advancement along this process, but all three companies allocate more resources to efforts to

reorganize stores and invest in training salespeople about circularity:

*“Through experimentation, we have learned that second-hand products should not be placed in a dedicated area but directly on the shelf. This means that the sales staff can take ownership of this new business, offering customers different options. And so, it resolves a paradox.”* (Director of Strategic Marketing, Company A).

Reflecting the rising of the need for a BM for sustainability, senior management, with the support of owners, also set out formal, written objectives. The owners of Company C introduced a Science-Based Target initiative (SBTi) to demonstrate the company’s sustainability ambitions. Both Companies A and B released formal strategic plans, mapping various scenarios if global warming reaches 1.5 °C, with input from owners and senior management, which then was communicated to all employees. In the meantime, the companies call on managers, particularly the most engaged ones, to agree about the need to keep some business-as-usual practices and thereby create enough economic value to finance a far-reaching transformation and implement a BM for sustainability:

*“Yes, we did Black Friday this year [2023]. Before I was against it, but now I am not afraid to say that we need that money to fund our transformation towards sustainability. I think that it’s more assumed.”* (Head of the Transformation Department, Company B).

Formal engagement from owners and senior management thus helps managers to deal with paradoxical tensions related to creating economic, societal, and environmental value in concert, gradually assuming sustainability as a path. Such efforts also might help prevent the most engaged managers from leaving the company, due to perceptions of its lack of fit with their personal values.

In addition to this type of engagement, the retailers have begun to change the way they interact with external stakeholders to resolve some paradoxes. In particular, we note a steady shift away from value chain-based reasoning, in which rivalry with suppliers and other actors dominates, toward an ecosystem approach, in which a broader set of stakeholders helps them find and implement collective solutions. As the director of Strategic Marketing in Company A explains:

*“... there’s a need for external stakeholders whether they’re from NGOs, new institutions for sustainability, ... other companies, who have gone a little further in testing and who are able to light our way. If the board is all on its own on new subjects like this, it’s paralyzed by decisions because there are too many options, there are too many uncertainties, these are models that are not known.”*

An ecosystem perspective appears helpful for making choices, collaborating, and implementing new solutions to resolve paradoxes, which in turn supports progress toward a BM for sustainability.

### 3.4.3. Stage 3: restructuring the ecosystem to implement the business model for sustainability

Senior management in all three companies recognized that retailers could not act alone to implement a BM for sustainability, and an international expert confirmed that *“this is a subject that requires a complete systemic revolution”* (Expert 2). Each company accordingly had begun to initiate profound changes to push the practices of its ecosystem toward sustainability and enroll other stakeholders in this approach. Doing so required changes in the logics of their relationships with traditional stakeholders, as well as new relationships with different stakeholders, at both company and store levels.

**3.4.3.1. Renewing relationships with traditional stakeholders.** All three retailers progressively identified that managing organizational paradoxical tensions requires them to encourage traditional stakeholders (mainly government and suppliers, but also competitors and consumers) to move toward sustainability at the ecosystem level and realize their own interdependency. Company C thus positions itself as a rallying force for stakeholders, with a view to managing the transition alongside its partners and a clear goal: *“We need to look for answers together with our stakeholders”* (Head of Sustainability). Similarly, the Director of Innovation at Company A asserted, *“This is our mission as a leader in retailing. If we don’t do it, nobody will do it, or will do it later and it will necessarily be against us.”*

Both middle and senior managers consider it critical to act while they still can, before others, or before new regulations oblige them to conform without sufficient preparation. In an internal document, Company B thus stipulates, *“We are recognized as legitimate to act as a leader of the sector’s transformation, but it won’t last.”* At the ecosystem level, the retailers seek an appropriate balance between collaboration and authority in their attempts to encourage transformations among stakeholders toward sustainability. To appeal to these stakeholders and act beyond its own boundaries, Company A recently built the “DIY Index,” based on environmental and social criteria, to rate all products in its assortments, from grades A to F. After first applying the index to its private labels, it began working with suppliers and some competitors to elaborate on and disseminate the index, which promises to create virtuous circles for products and supply chain improvement, as well as making it easier for consumers to understand relevant information and make their purchase decisions. As the Director of Strategic Marketing explained:

*“We asked our suppliers to provide us with data on products to create an index together. The idea is that this index will become the sector-wide standard ... in very concrete terms, we even went to see our competitors to show them what we were doing and ask if they wanted to do the same to be stronger.”*

The managers of Company A anticipate that the “DIY Index” will gain standing as a key selection criterion that defines future assortments and leads to the end of some long-standing collaborations if suppliers fail to meet these requirements.

We also note how elements linked to their digital transformations have provided means to implement the BM for sustainability. Indeed, it requires new information systems and data sharing across all actors in the enlarged ecosystem, especially in support of efforts to achieve product life cycle traceability. In this sense, the unique position of the retailers in the value chain again becomes particularly relevant. They function as producers, when selling their private labels, and as resellers, when promoting international brands through

their online and offline channels. According to the Head of the Second-Hand Business Unit at Company B, “*We have two occasions to act: one as a retailer needing to influence international brands and another as a producer in relation to our own products.*”

To improve transparency for stakeholders and present the impacts of the innovative BM, the focal retailers have considered adopting new roles, some of which are culturally distant from their traditional BM. Some negative feedback about their roles in the ecosystem of production and consumption caused the retailers to question their overall position and seek ways to control their impact. As the Chairperson of Company C describes this motive:

*“In the textile industry, we are asking for the same transparency as in the food industry. In textiles, we always have at least ten intermediaries! We should be able to control cotton production, but it is so far from our traditional activity, and it is agriculture! But we are trying to progress on this issue, and I think we will succeed.”*

At the ecosystem level, retailers also identify their potential contributions to major challenges:

*“There is now a need for a real shift at a political level, which will come from consumer pressure, and we can be the transmission belt of this shift.”* (Director of Strategic Marketing, Company A).

In parallel, all three companies have grown more confident in their communications about moving toward a BM for sustainability, proudly claiming their leadership roles in societal changes in production and consumption:

*“Our ambition is to become a company with a positive impact. This means acting in every area of our business. By improving and transforming what we already do. Or by inventing new, more virtuous ways of doing things.”* (Company A)

*“Because we believe that, together, we can invent a softer world.”* (new slogan of Company B)

*“[We are] one of the first to indicate the environmental impact of its products [kid’s clothes and toys sector].... Buying with a conscience is possible!”* (Company C)

To solidify their leading positions in pursuing societal changes in sustainability, Companies A and B have appointed permanent “Director of Institutional Affairs” roles; Company C already had a similar position in place. This director is tasked with working proactively with government agencies and NGOs to develop better sustainability regulations that encourage all stakeholders across the retail ecosystem to change their practices. They also are tasked with collaborating with new institutions for sustainability, such as the National Council for Repair. These organizational changes have helped enhance perceptions of authenticity among external stakeholders, thus paving the way for BM for sustainability to provide a competitive advantage, rather than a risky source of commercial losses.

In their relationships with consumers, retailers recognize them as potential suppliers of second-hand or recycled products, which also alters their relationships with suppliers and implies an inversion of the traditional value chain. The founder and CEO of Company C explained that by collecting “*clothes from customers, which is a completely new job—to recycle textile waste—it requires new partnerships.*” In this sense, adopting an ecosystem perspective fosters a capacity for BM innovation for sustainability that also pushes retailers to interact with new stakeholders

**3.4.3.2. Initiating new relationships with new stakeholders.** In developing and opening their ecosystems to varied new stakeholders, the retailers began working with universities to co-create new training programs about eco-design and conduct collaborative research; NGOs in the different countries from which they source and/or sell products; the previously mentioned new institutions for sustainability; and different actors from the social economy, especially in the recycling sector. For example,

*“We are also part of the new National Council for Repairs, pushed by [NGO H], which we’ve been a member for a year. They have strong lobbying power. So, we are getting out of our historical ecosystem, we are opening up.”* (Head of the Transformation Department in Company B).

Companies A and C also have expanded their horizons:

*“It’s important to have a wide range of stakeholders, and to think about how to get everyone on board with the transition, with very educational things for children (their end-consumers) and extra-financial criteria with banks.”* (Director of Sustainability, Company C).

Expanding the ecosystem means developing new competences and/or hiring new profiles, so in Company A:

*“We are acquiring competences. We now have a stakeholder committee, with people from all walks of life, including the military, politics and associations, we ask them if we’re moving in the right direction, quickly enough, with the right resources. That’s something we’re still learning about.”* (Director of Strategic Marketing).

In general, most recent actions by the three companies toward BM for sustainability take place at the company’s ecosystem level. However, the managers we interviewed acknowledged that this transformation also must involve the specific assets of each company, and especially the territorial coverage created by their store networks. For the BM innovation for sustainability, stores have new, key roles. They must work differently with consumers and new local partners, perform new tasks to exert positive impacts on the local ecosystem, and function as hubs for circular retailing, which totally alters their contribution to the company’s BM:

*“We are moving toward greater complexity, but this requires us to be both highly contextualized and close to the ground, and to restore freedom, choice and subsidiarity, which makes things difficult.”* (Director of Sustainability, Company C).

In Companies C and A, store directors have explicit new missions, to initiate relationships with new local stakeholders and thereby ensure positive impacts on the store territory:

*“Some stores have partnerships with two or three NGOs, whether in terms of equipment, products, financial assistance or human support. One paid day per employee per year is dedicated to a cause, which in the company is called “Being positive.”* (Former Store Director, now Regional Manager, Company A).

The in-store middle managers also need new competences to reinvent the relationships with customers, such as when it comes to buying back products. The success of their digital transformations has helped the stores implement this aspect of the BM for sustainability. For example, some stores resell unsold or damaged products directly through customer-to-customer platforms or through the store’s Facebook page. This strategic approach leaves them with more autonomy to manage their in-store assortment and overall organization and activities.

To transform stores into circular hubs, the managers also need to ensure that all second-hand products are cleaned, repaired, or reconditioned, whether by after-sales technicians or new partners in the vicinity:

*“What’s going to make the game change is when we operate circularity locally, because we won’t have to pay the logistics costs, we have after-sales service guys in every store. The key to the whole thing is to source second-life products locally”.* (Director of Strategic Marketing, Company A).

This transformation of stores into circular hubs promises to save costs and reduce carbon emissions, while also creating local jobs, some of which can support vulnerable populations or employees with disabilities. Such benefits can crucially locally support the implementation of a BM for sustainability.

In Table 3, we outline the main companies’ decisions related to implementing a BM for sustainability. Some of these decisions are fairly recent, such that their ultimate impact cannot be assessed yet. However, we find that senior and middle managers are firmly convinced that their companies are on the right track when it comes to sustainability.

## 4. Discussion

This research offers a fine-grained perspective on how retailers are trying to move toward a BM for sustainability. Specifically, we study how three European retailers, which clearly stated that they sought to move sustainability to the core of their business gradually, are transforming their BM. Doing so, they align with but also contribute to promote a cultural shift in society toward sustainability. In so doing, we reflect on the recognition that sustainability is a major research issue (Klein et al. 2021) and that more investigation is needed regarding how established retailers concretely implement it (Vadakkepatt et al. 2021). Studying this transformation is a challenge though, because it requires taking various functions and processes into account over time and at different levels. Thus, we adopted a longitudinal, qualitative, inductive research design and conducted a multiple case study over seven years. We identify tensions as a central phenomenon in the transformation process and analyze how retailers cope with them as they strive to implement a BM for sustainability. Accordingly, we outline some theoretical contributions and managerial implications for retailers, before addressing some limitations of this research and avenues for further research.

### 4.1. Theoretical contributions

With a few exceptions (e.g., Press et al. 2020), most marketing research investigates sustainability from the customer’s perspective (Mai et al. 2021), rarely tackling the impact of the macro-environment, such as the urgency of shifting to sustainability, on retail practices or vice versa (Gielens 2023). In response to recent calls to investigate retailers’ sustainability (Vadakkepatt et al. 2021), we offer new empirical evidence about how they transform their BM toward sustainability and the implications for different stakeholders in their ecosystems. In turn, the theoretical contributions of this study are threefold.

First, by studying concrete implementations of the BM innovation for sustainability process with a lengthy immersion in the field, we can unpack this process. We identify three main stages: (1) patching of sustainability initiatives onto traditional BM to address external and internal pressures, (2) decisions of owners and senior management for BM for sustainability to address paradoxical tensions, and (3) restructuring the ecosystem to implement the BM for sustainability. Across these stages, we also specify the roles of different actors (middle management, senior management, owners). All three retailers have progressed along these stages, even if at varied paces, which suggests the validity of our argument that each stage plays a role in the process of BM innovation for sustainability. That is, each stage creates new tensions but also provides solutions to others, particularly paradoxical ones.

Our processual research approach also sheds light on the overall transition (Long et al. 2018) and thereby suggests a pathway to make BM for sustainability mainstream in mature industries (Vernay et al. 2022). Our inductive research supports a more granular approach to both the tensions and decisions. Some tensions can be managed on a day-to-day basis by middle management; others are much more complex, due to their paradoxical nature (Berti and Pina e Cunha, 2023; Carmine & De Marchi 2023; Smith & Lewis 2011, 2022). The latter even may lead to a state of paralysis (Putnam et al. 2016). Therefore, the process toward sustainability may be delayed, stopped, or even undermined, implying a return to the comfort of a traditional BM. Moving toward sustainability also involves dealing with multiple, interconnected, paradoxical tensions (Daglienè & Varaniütè 2023). As recommended by Carmine and De Marchi

**Table 3**

Main decisions related to business model for sustainability, their impacts on relationships with stakeholders, and key tensions managed (cross-cases analysis).

Scope of Decision	Main Decisions related to Business Model for Sustainability	Impacts on Relationships with Stakeholders	Key Tensions managed
Oriented toward changing internal aspects of the company	<ul style="list-style-type: none"> <li>- Formal plan to manage the BM at &lt;1.5 °C of global warming (Companies A and B)</li> <li>- Science-Based Target initiatives (SBTi) to demonstrate the company’s sustainability ambition (Company C)</li> <li>-Reconcile short- and long-term objectives, such as Black Friday sales to generate financial resources to support the BM innovation for sustainability (Companies B and C)</li> <li>- Create “Director of Overall Transformation” (Company B)</li> <li>-Give store directors autonomy to implement and manage a corner for “second-life” kids’ clothing (Company C)</li> <li>-Display second-hand products directly on the shelf (Companies A and B)</li> <li>-Stop selling some profitable products because of their negative environmental impact (Companies A and C)</li> <li>- Redesign loyalty programs to favor more sustainable actions/purchases (Company A)</li> </ul>	<ul style="list-style-type: none"> <li>- Managers have clear goals regarding the BM for sustainability implementation.</li> <li>- Managers understand the decisions they must make in their daily operations.</li> <li>- Alignment between the day-to-day operations and values related to sustainability.</li> <li>- Employees better understand the need to build on the traditional BM to support the BM for sustainability.</li> <li>-Stores are involved in implementing sustainability initiatives.</li> <li>-First successes of sustainability initiatives lead owners and senior managers to make decisions to move towards BM for sustainability.</li> <li>-Customers and institutions clearly see the engagement of the company, beyond greenwashing.</li> </ul>	<ul style="list-style-type: none"> <li>- Tension between existing KPIs and those needed for sustainability.</li> <li>- Tension between day-to-day operations and goals for a long-lasting transformation.</li> <li>-Tension between investment for sustainability and other important investments (digitalization, store remodeling).</li> <li>- Tension between day-to-day operations and the goal of a long-lasting transformation for sustainability.</li> <li>-Tension between sustainability values displayed by the company and actual means to implement them.</li> <li>-Tension between expectation of sustainability among some external stakeholders and actions implemented by the company.</li> </ul>
Oriented toward restructuring the ecosystem	<ul style="list-style-type: none"> <li>-Make the private label the market reference in terms of sustainability (Companies A and B)</li> <li>- Initiate the “DIY Index” as an open collaborative platform to transform the whole sector, from suppliers to customer behavior (Company A)</li> <li>- Rethink referencing formal sustainability criteria to force international brands to change the way products are manufactured (Company B)</li> <li>- Act as a rallying force for stakeholders to pursue transition trajectories (Company C)</li> <li>-Communicate decisions about sustainability (Companies A, B and C)</li> </ul>	<ul style="list-style-type: none"> <li>-Retailers work collaboratively with suppliers and some competitors to help them change their practices in favor of more sustainable products development.</li> <li>-Retailers can communicate about concrete sustainability decisions with a lower chance of being accused of greenwashing by customers or NGOs.</li> </ul>	<ul style="list-style-type: none"> <li>- Tension between day-to-day operations and the goal of a long-lasting transformation.</li> <li>-Tension between expectations for sustainability and actions implemented by the company.</li> <li>-Paradoxical tension: trying to sell more new and innovative products while making them last longer at affordable prices.</li> </ul>
Initiating new relationships with new stakeholders at the company level	<ul style="list-style-type: none"> <li>-Create a recycling network and acquire a start-up with a value proposition based on second-hand reconditioned products (Company B)</li> <li>- Create a director of institutional affairs position to engage with government, NGOs, and new institutions for sustainability (Companies A and B); already present for company C before data collection</li> <li>-Create a large stakeholder committee (Companies A and C)</li> <li>-Develop social business and collaborate with NGOs for positive social impact (e.g., energy-efficient home for Company A, Grameen NGO to educate children in Bangladesh for Company C)</li> </ul>	<ul style="list-style-type: none"> <li>- Improved relationships with NGOs, government agencies, and institutions for sustainability, so that retailers can jointly develop better sustainability regulations and sustainability actions.</li> </ul>	<ul style="list-style-type: none"> <li>-Tension between expectations for sustainability from some external stakeholders and actions implemented by the company.</li> <li>-Paradoxical tension: Moving toward sustainability while maintaining existing jobs.</li> <li>-Paradoxical tension: Trying to sell more new and innovative products while making them last longer at affordable prices.</li> </ul>

(continued on next page)

Table 3 (continued)

Scope of Decision	Main Decisions related to Business Model for Sustainability	Impacts on Relationships with Stakeholders	Key Tensions managed
Initiating new relationships with new stakeholders at the store level	<ul style="list-style-type: none"> <li>- Collaborate with actors of the social economy at the store level to improve repair and reuse of products (Companies A and B)</li> <li>- Start to transform physical stores into mini-circular hubs (Company A)</li> </ul>	<ul style="list-style-type: none"> <li>- Collaboration at the store level with new actors specialized in circularity (repair, reuse, recycling), which allows for resource efficiency, improved customer experience, and employee engagement.</li> </ul>	<ul style="list-style-type: none"> <li>-Tension between sustainability values displayed and actual means to implement it.</li> <li>-Paradoxical tension: Moving toward sustainability while maintaining existing jobs.</li> </ul>

(2023), we thus provide further insights into the articulation between tensions, paradoxical tensions, and actions to resolve them. Particularly, to help managers dealing with paradoxical tensions, owners and senior managers must get themselves out of the “avoiding zone” (Smith & Lewis, 2022), i.e. the temptation to not tackle the tensions, and voluntarily engage with radical transformation, including questioning the core elements of the traditional BM rather than simply patching new sustainability initiatives onto it.

Second, we specify how BM innovation for sustainability differs from other BM innovations. It cannot be undertaken by a single company; instead, it involves building solutions to restructure the ecosystem. Restructuring the ecosystem in turn means renewing relationships with traditional stakeholders and initiating new relationships with new stakeholders, such that eventually, the retailers embrace new roles. Even if companies with a traditional BM experiment with different configurations (Berends et al. 2016), their value creation focus mainly involves commercial and financial dimensions. With a BM for sustainability though, aligning the initial choices and consequences, in terms of gauging the performance of the new BM, is very difficult (Roome & Louche 2016). Thus, beyond promoting new sustainable products (Van Doorn et al. 2021) or organizing supply chains differently to improve or preserve short-term performance, the path toward BM for sustainability inevitably creates tensions that cannot be resolved easily and may remain paradoxical, especially without the formal engagement from owners and senior managers to change deeply the BM of their company. This means going beyond patching sustainability initiatives onto the traditional BM. As we demonstrate, internal and external stakeholders do not always understand or appreciate the actions undertaken by retailers. In turn, even if adding sustainable value propositions to traditional ones can be important (Beulque et al. 2023), these additions can spark negative perceptions among internal and external stakeholders, especially if they represent only a minor part of the company’s overall value creation process. Furthermore, patching sustainability value propositions onto a traditional BM creates coexisting, contradictory elements.

Therefore, retailers need to activate their unique position fully, to accelerate the transformation at the ecosystem level. Doing so will help reveal their own potential to facilitate shifts toward sustainability. Prior research already has shown that retailers can take various roles, as change agents, gatekeepers, innovators, and opinion leaders, to help facilitate cultural change (Hirschman & Stampfl 1980) or new lifestyle practices (Arnould 2005). Retail has contributed to the democratization of consumption and the emergence of stable global value chains in the past; today it can have a major part in the development of sustainability practices and radically affect the future of the planet and humankind. Getting the ecosystem involved in BM innovation for sustainability makes it easier to resolve the inherent paradoxical tensions. As Demil et al. (2018) note, profoundly transforming a BM demands reconfiguring the ecosystem and redefining relationships with stakeholders. With this study, we show that this claim is especially true in relation to BM innovation for sustainability, because customers have become suppliers of second-hand products, historical suppliers become customers of materials to be recycled, and some competitors become partners. Furthermore, retailers must address new stakeholders, such as NGOs, new institutions for sustainability and actors in the social economy that collect or recycle of products. They also may enter into closer relationships with public policy makers, which can support proactive efforts to influence regulation. Recent studies cite multilevel management of tensions and highlight collaborations with external stakeholders as a potential source of paradoxical tensions (Gernsheimer et al. 2024); we complement this view by emphasizing ecosystem-level decisions as another solution to deal with paradoxical tensions.

Third, we highlight the important role of stores, and particularly their ability to position themselves differently within local ecosystems to contribute to the implementation of BM for sustainability. These insights add a new facet to the “multifaceted role of physical stores” (Grewal et al. 2023, p. 481). For example, Grewal et al. (2023) acknowledge that physical stores can function as mini-distribution centers; we propose their further role as mini-circular hubs. Stores can build on their digital transformations to interact with customers and actors from the social economy of their territory and thereby achieve cost efficiencies in the recycle–repair–reuse cycle. For example, if their after-sales technicians can repair and resell second-hand products, the implementation of the BM for sustainability becomes easier. In turn, customers can more readily decrease their purchases of new products, because the store provides them with an appealing assortment of second-hand products, repair services, or even repair classes. These offerings fulfill consumers’ needs for affordable prices and convenience while also educating them about sustainable consumption. In this sense, a BM for sustainability can enhance the store’s ability to motivate customers to visit. Their new role as circular hubs, supported by successful digital transformations, can drive physical store traffic (Grewal et al. 2023). In this virtuous circle, stores achieve a more profitable BM for sustainability, and consumers engage in store visits to return and repair or resell products, thereby driving physical store activities. Thus, this study also extends Grewal et al.’s (2023) framework with this new role of circular hub, which in turn can influence all store dimensions: curation, fulfillment, frictionless, experience, and social. For second-hand products, curation is ephemeral and always unique and local, which might renew “treasure hunt” motivations to visit stores (Breugelmans et al. 2023) and complement the “glocal retailscape” (Schau et al. 2023). In such settings, human salespeople can reinvigorate their own roles as

ambassadors of the retailer's values (Pappas et al. 2023), such as sustainability. Finally, our research thus provides a new reason for retailers to maintain and develop their physical store network to fulfill this new role, and support new sales, across both big- and small-box formats (Dekimpe et al. 2023).

#### 4.2. Managerial implications

In this collaborative research (Gauri & Grewal 2021), we made sure to discuss all the managerial implications with owners and senior and middle managers of studied companies, to help ensure their practical relevance. As a main managerial takeaway, we propose the model in Fig. 2. We contend that each of these stages, observed in the three cases, plays a specific role in the implementation of BM for sustainability. Indeed, may be other processes could have been observed in other cases. However, in our cases, companies have faced, at different moments and with variable duration of each stage, these three stages. As shown in Fig. 2, it clearly appears that each stage displays new challenges and encompasses new actions that may trigger the next stage towards implementation of sustainability.

In this process, retailers need to “start somewhere” to undertake the complex transformation. Retailers at an early stage of their transformation towards sustainability must launch sustainability initiatives and projects, beyond their traditional BM. That is, we argue that the patching stage is necessary to initiate and embody the movement toward sustainability, as well as to learn critical lessons. However, managers also should expect that such patching will generate tensions and negative perceptions among stakeholders. We believe that the process depicted in Fig. 2 may help retailers at an early stage of their transformation to identify key decisions proactively, as well as accelerate their transformation by anticipating tensions and finding ways to deal with them before they become paradoxical.

If a retailer is in a later stage where tensions already became paradoxical for their middle managers, we believe the model in Fig. 2 is useful as an example to convince owners and senior managers to better support the transformation towards BM for sustainability and to take decisions to restructure their ecosystem to address different tensions that will crop up in the process toward implementing BM for sustainability. Indeed, in the cases we studied, valuable time was lost at this stage, complicating the task of middle management. Owners and senior management should take care to fully support the transformation in response to tensions associated with sustainability.

Therefore, in the decision-making phase, owners and senior management must drive the transformation of the core business model forward. We recommend that this second stage take place early in the process, to prevent a situation of undecidability. Decisions by owners and senior management to make sustainability a priority and proactively integrate it into the company's BM can be supported by short-term successes. Furthermore, sustainability managers should actively work to move the BM toward sustainability, rather than concentrating only on specific initiatives or measuring carbon emissions. Such efforts require the full support of owners and senior management, which implies that sustainability is a characteristic of the BM of the company, not a function of it. Creating a position like “Head of Transformation,” in charge of the holistic organizational shift, that shall join the board may be a best practice. This new position can coordinate across the firm's internal functions and thereby facilitate the implementation of BM for sustainability, particularly by supporting clear communication of the progress to internal stakeholders.

Once owners and senior management commit to BM innovation for sustainability, it is easier to adopt new KPIs, new criteria for selecting the assortment, and new roles for private-label brands (Gielens et al. 2021), which offer a unique opportunity to become a “best in market” sustainability offering. The role of well-trained store staff also is crucial for educating consumers about sustainable consumption and the revised pricing approach. Providing extensive training and assign both meaning (to reassure) and autonomy to employees (particularly in stores) is crucial to help managers navigating paradoxical tensions and participate to the restructuring of the ecosystem when implementing a BM for sustainability. Implementing a BM for sustainability also involves encouraging test-and-learn actions, new relationships with stakeholders, and adaptations to the local ecosystem. These combined efforts allow retailers to become trusted third parties that guarantee the performance of repaired or reconditioned products.

Finally, restructuring the current ecosystem, at the company and store levels, is essential to the process of BM innovation for sustainability. As data show, retailers need to open their ecosystems, both by renewing relationships with existing stakeholders and initiating new relationships with new stakeholders. This important restructuring of the retail ecosystem implies that retailers also must be willing to endorse new kinds of roles; they particularly should reconsider their collaborations with suppliers and competitors; work closely with government agencies, institutions for sustainability, universities, and NGOs; and attempt to improve the capabilities of citizens, not just their own customers, to understand the added value of a sustainable offer. For example, they should provide clear explanations of price strategies and the benefits of different alternatives for meeting consumer needs (e.g., new vs. second-hand; rental vs. repair), as well as proofs of sustainability outcomes (social and environmental impacts). Redesigning loyalty programs to add incentives linked to purchases and actions that promote sustainability also might help changes in consumer behaviors.

For the retailers themselves, restructuring the ecosystem enables them to exploit their critical role in society more effectively (Arnould, 2005; Hirshman & Stampfl 1980), to initiate and drive systemic change toward sustainability. New relationships across an enriched and expanded ecosystem can support authentic, transparent communication about the transformation process. If retailers openly share information about their sustainability practices with stakeholders—including suppliers, consumers, and competitors—they are less likely to be accused of greenwashing. Because such actions would formally establish retailers' roles and contributions as drivers of sustainability for society, they hold the promise of increasing collective well-being and offering value for all stakeholders, at global and local levels.

### 4.3. Further research

Despite the richness of the data, this study is not without limitations. We studied unlisted European retailers, though they are leading actors in the field. We used qualitative methods to gain in-depth understanding of the phenomena, together with a processual approach, but we have limited ability to compare widely diverse contexts. In turn, we note several compelling research avenues.

First, a comparison between the tensions and solutions of unlisted retailers seeking to implement a BM for sustainability and the tensions and solutions of publicly traded retail companies would be interesting. Some observed phenomena, such as the delayed decisions of owners and senior management to change their traditional BM or the way they restructure their ecosystem, could have distinct roles. Researchers might specify the influences of potentially relevant elements, such as different retailers' governance modes and organizational criteria that might hinder or facilitate their ability to implement a BM for sustainability. For example, the three retailers in this study exhibit varying degrees of internationalization, but we could not identify the likely role of their internationalization in determining their ability to implement a BM for sustainability.

Second, further research may offer some insights into the complementary, complex intertwining of digital transformation and BM innovation for sustainability. Some essential omnichannel features for retailers, such as free returns for online purchases (Patel et al. 2021), simultaneously induce financial costs and environmental impacts due to transportation, while also undermining social aspects due to labor conditions. In addition, large retailers increasingly adopt platform strategies to be competitive (Gawer 2021), which raises strategic concerns about the control and responsibility of retailers for ensuring the sustainability of the vast range of products offered by the different merchants on these marketplaces. Alternatively, digital transformations might foster the shift toward sustainability, by managing resource allocations more efficiently. Research also might investigate the potential differences between pure online players and traditional store-based retailers in terms of their ability to implement a BM for sustainability.

Third, our qualitative methods provide some insights on managers leaving the retail sector due to contradictory logics between their individual concerns about sustainability and the actions of their company. The topic of retaining key talent seems to be a crucial challenge for the retail sector and deserve more interest to understand how retailers can keep their key talent who are highly concerns by environmental issues. Indeed, the transformation towards sustainability involves going beyond traditional factors such as wages and working conditions to get the best employees onboard to support this complex transformation.

Overall, this study and its research avenues contribute to the crucial question of retailers' survival through the implementation of a BM for sustainability and contend their potential role in supporting society's transition towards sustainability.

### Funding

This research has been supported by the research chair TREND(S) Transformation of Retailing Ecosystems & New market Dynamics for Sustainability.

### Appendix 1. Starting point of each company in terms of BM innovation for sustainability

Company	Starting Point
Company A DIY	Company A started questioning the environmental impact of its activities around the 1990s. Many NGOs, such as Greenpeace, were very critical of the company due to its negative environmental impact. Since then, it has regularly implemented new practices such as supplier ratings, environmental workshops, and training for all employees. It gradually formalized its transition toward more sustainability. A manager we interviewed created a formal "Sustainability Division" in 2004. Sustainability is now considered part of the strategy by owners and senior management alike. The company formally set out a strategy in 2019, providing 24 strong sustainability actions around the label <i>Being positive</i> , described as implemented by most of the staff, including frontline employees.
Company B Multimedia products and household appliances	Company B first calculated its carbon footprint in 2019. In 2020, the senior management appointed a "Director for People and Planet" to formally integrate sustainability into the company's BM. It also created a permanent "Head of Planet" role. This retailer launched rental and second-hand business units >10 years ago, but as business opportunities rather than in support of sustainability. The company is now working on integrating these business units into its BM, with a clear objective of sustainability.
Company C Clothes and toys for kids	The two founders directly established a social purpose when the company was first created (around 25 years ago), with the aim of thinking in terms of social impact rather than profit alone. The company's mission was to support children's well-being while having a positive social impact through the creation of a foundation to enhance social conditions in the countries where the products are made (e.g., Bangladesh, Madagascar) through educational programs, social businesses dedicated to helping vulnerable mothers, and so on. Environmental concerns came later, as the Co-founder and Chief Executive Officer explained: "The environmental dimension has gradually been attached to our model."

## Appendix 2. Interview sample (49 interviews)

	Inter-views	Interviewees
Compa-ny A	19	First Director of Sustainability, Director of Strategic Marketing (interviewed three times to discuss the progress of analyses and results), Head of Offering Strategy, Head of Logistics, Head of CSR, Head of Second Life and After-Sales Services, Director of Marketing and Offering, Product Manager for Sustainability, Internal Consultant on Circularity, CSR Project Manager, Positive Impact leader, Assistant Store Manager, In-Store Social Media Manager, Department Manager, Regional manager (former store director), Leader Second life products, Director of Innovation.
Compa-ny B	13	Director of People and Planet, Head of Planet (interviewed three times to discuss the progress of analyses and results), Head of the Second Life Business Unit, Head of the Rentals Business Unit, Head of the Transformation Department (interviewed three times to discuss the progress of analyses and results), Circular Project Leader and Shareholder, Digital In-Store Project Manager, In-Store Social Media Manager, Department Manager.
Compa-ny C	13	Co-Founder/CEO, Chairman, Director of Innovation, Head of Transformational Projects, Head of Action Fund, Leader of Social Innovation and Impact (interviewed twice to discuss the progress of analyses and results), Director of Sustainability (interviewed twice to discuss the progress of analyses and results), Director of Corporate Communication, Coordinator between Stores and Headquarter, Store manager, Store director.
Experts	4	A consultant working for an NGO specialized in sustainability and retailing, the former CEO of a food retailer and now board member of another international food retailer, the head of a national retailers' association and member of an international retailer's association, and a project manager of a hub for digital and environmental transformation of retailers.

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