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How Multi-Business Firms Realize Physical and Digital Synergies Through Traditional vs Ecosystem-Like Governance Modes:

A configurational approach

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Executive Summary

- Despite decades of discussion about corporate synergies, few companies actually realize these promised benefits in practice. This raises a fundamental question: What determines when and whether synergies create value?
- Prior research has focused closely on how *related* businesses must be in order to create synergies. However, our deep analysis of a major GCC retail conglomerate reveals significant heterogeneity in how these synergies can be realized. What matters is not just how closely businesses are related, but also how they are managed and connected.
- Our research identifies a fundamental distinction between synergies that require top-down coordination through corporate mandate versus those that can emerge bottom-up through voluntary collaborations between business units (sometimes termed an "internal ecosystem"). The corporate center must play different roles in each case, acting as a controller in the former and an orchestrator in the latter. Importantly, we provide systematic evidence that each approach incurs distinct patterns of costs. Moreover, this is not an "either/or" decision: the two approaches can co-exist, within the same corporate group.
- Our research reveals that systematically assessing the optimal arrangement remains a significant challenge. This, in turn, suggests that ambidexterity – the ability to simultaneously manage both modes effectively – represents a crucial organizational capability that the corporate center must develop.
- Bottom-up synergies have always existed, as exemplified by Richard Branson's use of social gatherings to foster inter-unit collaboration at Virgin Group. Today, however, digital infrastructure provides a more systematic foundation for realizing these synergies, with data serving as the strategic "glue". However, our investigation reveals that many organizations have yet to recognize this shift, continuing to rely on traditional top-down approaches.
- Our research demonstrates that three classical types of synergies - **consolidation**, **cross-market**, and **transaction-cost** synergies – can be realized both top-down and bottom-up, through either physical or digital means. We provide detailed evidence for how these different approaches work and the distinct cost patterns they generate.
- Beyond these classical synergies, we find that digitalization enables two entirely new types of synergies that were previously unattainable: **superadditive demand** and **data-network** synergies. These new forms of multi-product synergies can only be realized through digital means and represent fundamentally novel value-creation mechanisms.
- Our research suggests that both academic theory and industry practice have over-emphasized business relatedness and synergy potential while underestimating the significant costs involved, which often outweigh synergistic benefits. We find that neither physical nor digital solutions are inherently or invariably superior – rather, each approach carries distinct coordination costs that must be carefully managed. The modern multi-business organization must strike a delicate balance between top-down and bottom-up coordination, as well as between physical and digital solutions. The corporate center plays a vital yet often overlooked role in achieving this balance, particularly in determining which synergies are worthwhile pursuing and which is the right approach to realize them.

Academic Abstract

We explore the mechanisms underpinning the realization of synergies within multi-business firms. Using unique data from a large GCC retail conglomerate, we distinguish between physical synergies and those drawing on digital features. We also find that corporate value creation stems not from scope *per se*, but from firms' ability to mitigate the inherent costs of broader scope while enabling the realization of synergies. Employing configurational theorizing, we show how similar synergistic outcomes emerge through traditional top-down or internal ecosystem-type governance configurations, each carrying different coordination costs and requiring specific enabling conditions. We find that downsides of scope—including muted incentives and coordination failures—can be systematically addressed through alternative governance arrangements, suggesting corporate advantage lies in managing scope as opposed to merely broadening it.

(124 words)

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Managerial Abstract

We have heard decades of rhetoric about synergies in multi-business firms—so why do the anticipated benefits so rarely materialize in practice? Our in-depth study of one of the largest retail conglomerates in the GCC reveals that successful synergy realization depends not merely on having related businesses but on taking the right approach to governance. While traditional corporate structures can deliver value through mandated cooperation and resource-sharing, emerging digitally enabled "internal ecosystem" designs open up alternative paths to achieve similar benefits with different cost structures. Most importantly, these ecosystem structures not only reduce coordination costs but also enable entirely new types of synergies through data networks and digital integration—benefits that conventional corporate structures cannot attain.

(116 words)

Keywords: Synergies; corporate strategy; ecosystem; configurational; digitization; diversification; value creation; multi-business firms; post-merger integration; economies of scope; coordination costs.

1. Introduction

One of the most fundamental questions in corporate strategy is how multi-business firms create value beyond the sum of their standalone units. Decades of research have been dedicated to documenting, both theoretically and empirically, the determinants of scope-based value creation and the mechanisms by which diversification can either create or destroy value. This extensive body of work has illuminated the mechanisms through which relatedness drives synergistic benefits (Chatterjee, 1986; Feldman & Hernandez, 2022; Rumelt, 1974), documented the costs incurred in pursuing scope economies (Zhou, 2011; Zhou & Wan, 2017), and established the role of corporate centers in orchestrating value creation (Baker, 1992; Goold & Campbell, 1998).

Yet, recent trends in corporate scope and organization have begun to challenge these established frameworks in important ways. First, as firms increasingly pursue opportunities that extend beyond conventional notions of relatedness (Hoberg & Phillips, 2010; Lanzolla & Markides, 2025; Wang, Yue, Rajagopalan, & Wu, 2024), digital capabilities appear to be enabling value creation across seemingly unrelated business domains. Second, rather than coordinating businesses through hierarchical fiat, firms increasingly bind their operations together through digital infrastructure and interfaces that enable novel forms of value creation between business units (Iansiti & Lakhani, 2020; Lanzolla et al., 2020). Third, shifts in how businesses coordinate and create value raise fundamental questions about the evolving role of the corporate center, which appears to be departing significantly from its traditional orchestration and oversight functions (Maouchi, 2020; Anand & Collis, 2024). These developments challenge our theoretical understanding of how multi-business firms create and capture value, demanding a systematic re-examination of the core mechanisms underlying diversification benefits and costs in contemporary organizations.

Two new questions arise. First, how do synergies in digitally embedded firms relate to, and differ from, their traditional counterparts? And second, what new mechanisms are firms using to reap these benefits and overcome the intrinsic challenges of broad integration? Drawing on exceptional data access, our empirical study offers granular evidence to advance our knowledge of the drivers of synergies and their downsides within a digitally enabled multi-business firm. This allows us to distinguish between physical and digital sources of scope advantage (and related costs), which we map onto “traditional” and “ecosystem” means of obtaining synergies from scope. We find that rather than scope itself driving advantage or disadvantage, it is the particular mechanisms that firms employ to get the most from scope that drive corporate advantage and synergy realization.

Our study emerged from an advisory project with one of the largest retail conglomerates in the Gulf Cooperation Council (GCC), a private company operating across 13 countries in sectors from retail, distribution, and property to leisure, entertainment, and technology. The brief from the new Group CEO was to thoroughly examine how synergies were being created (or not) and clarify the boundary conditions that should prompt the firm to rethink its scope. To obtain strong counterfactuals, we also interviewed senior executives from other organizations that had aimed for similar synergies, whether with or without success.

We employed an abductive theory-building approach where we collected and triangulated data from in-depth internal interviews, external interviews, and archival sources to capture detailed accounts of the interactions between different business units in their pursuit of synergies. We then used a configurational lens to inform our analysis and theorization (Furnari et al., 2021; Ragin, 1987), enabling us to identify distinct configurations of conditions that facilitated or hindered synergy realization. This enabled us to derive a configurational map providing micro evidence for both traditional top-down synergies (Baker, 1992; Goold & Campbell, 1998) and ecosystem-based bottom-up synergies, including the mechanisms that enabled their creation.

We observed instances of equifinality in our multi-business setting, where the same synergy can be achieved through alternative governance alignments, albeit each with a separate set of conditions that entails distinct mechanisms, costs, and roles for the corporate center. We were also able to identify an increasingly important set of benefits relating to common ownership that go beyond traditional top-down synergies, akin to the product complementarities that emerge in firms that coexist in an open ecosystem (Adner, 2017; Baldwin, 2024; Jacobides, Cennamo, & Gawer, 2018). Moreover, some of these synergies depend on data-sharing between business units, data analytics, and modern digital infrastructure, making them qualitatively different from more traditional synergies. Our analysis of both successful and unsuccessful synergy-creation processes, along with a focus on problematic cases, enabled us to derive a related framework that characterizes the downsides of operating under the same roof, incorporating micro evidence for specific cost-driving mechanisms and business-unit stakeholders' attempts to mitigate them.

This study makes several contributions to our understanding of corporate strategy in the digital age. First, we extend existing frameworks on synergy realization by demonstrating how digital capabilities enable value creation across seemingly unrelated business domains, suggesting mechanisms that operate differently from resource complementarities as conventionally understood. Second, we revisit how the "visible hand" of the corporate center (Chandler, 1977) has evolved in the light of "internal ecosystem" governance structures, to orchestrate "invisible hand" (Smith, 1776) dynamics within firm boundaries. Third, by examining both successful and unsuccessful attempts at synergy creation, we provide granular evidence of how the various costs to diversification theorized in prior literature (e.g., Brahm, Tarzijan, & Singer, 2017; Rawley, 2010; Zhou, 2011) manifest differently across governance alignments in digitally enabled firms. Fourth, we bridge traditional corporate strategy and emerging ecosystem theories by demonstrating how ecosystem-based complementarities map onto traditional value-creation dynamics within firm boundaries, suggesting that performance heterogeneity may stem less from the breadth of scope *per se* than from how such scope is managed through different governance mechanisms. Finally, we offer detailed empirical evidence intentionally focused on the intra-temporal synergies within firms, which has lagged behind the explosion of empirical research on inter-temporal benefits of resource redeployment (Helfat & Eisenhardt, 2004; Levinthal & Wu, 2024; Lieberman, Lee, & Folta, 2017).

2. Theoretical Background

A fundamental question in corporate strategy concerns how multi-business firms create value beyond the sum of their standalone units (Teece, 1982). Over the past few decades, scholars have developed a substantial theoretical and empirical foundation addressing multiple dimensions of this question, examining the sources of value creation through scope (Feldman & Hernandez, 2022), the operational conditions governing integration choices (Graebner, Heimeriks, Huy, & Vaara, 2017), divestment decisions (Feldman, 2022), and the dynamic reconfiguration of resources across business units (Karim & Capron, 2016; Levinthal & Wu, 2024).

2.1. Sources of Synergistic Value Creation and Costs

The rationale for related diversification centers on sharing indivisible resources and capabilities across business units in ways that create additive value (Teece, 1982). Benefits arise through multiple mechanisms. Directly, sharing common inputs and facilities generates economies of scale and scope through better capacity utilization (Panzar & Willig, 1981) and leveraging managerial knowledge and capabilities across related businesses (Prahalad & Bettis, 1986). Synergies can also emerge through enhanced market power when firms gain influence over industry rivals, suppliers, or buyers (Chatterjee, 1986; Devos, Kadapakkam, & Krishnamurthy, 2009); improved network positions enabling better access to resources and relationships (Hernandez & Menon, 2021); strengthened cooperative ties with individual partners that create mutual value (Dyer & Singh, 1998; Rogan & Greve, 2015); and enhanced legitimacy with non-market stakeholders such as governments and communities, creating value through institutional support (Deng, Kang, & Low, 2013; Freeman, 1984). The indivisibility of these resources between firms—their resistance to perfect division and trading across firm boundaries—creates the theoretical foundation for why internalization through diversification, rather than market contracts, may be necessary to exploit potential synergies to the full (Coase, 1937; Teece, 1980).

The indivisibility that enables synergies simultaneously generates coordination challenges within diversified firms, imposing a natural limit on diversification. Three families of diversification costs have been extensively documented. First, agency costs arise from monitoring challenges, incentive misalignments, and decision-making conflicts as organizations expand their scope (Gartenberg, 2014; Pierce, 2012: 201; Shaver & Mezias, 2009). Second, coordination costs emerge from the need to establish and maintain rules, interfaces, communication structures, and linkages between business units (Zhou, 2011; Zhou & Wan, 2017). Third, adjustment costs arise from the challenges of adapting existing practices, processes, and routines to serve new market segments (Hashai, 2015), stemming from cognitive tendencies to transfer unchanged routines across contexts inappropriately (Kor & Leblebici, 2005; Lavie, 2006), organizational rigidities (Rawley, 2010), and the complexity of modifying complementary systems (Natividad & Rawley, 2016).

A key theoretical construct that has shaped our understanding of how firms balance synergistic value creation and diversification costs is relatedness (Rumelt, 1974). While its precise definition has evolved, relatedness broadly captures the degree of similarity between business units in terms of their underlying products, skills, resources, and technologies (Chatterjee,

1986; Markides & Williamson, 1994). Empirical evidence has generally suggested a positive association between relatedness and the realization of synergistic benefits, while also indicating its role in mitigating diversification discounts (Campa & Kedia, 2002; Cetorelli, Jacobides, & Stern, 2021; Hoberg & Phillips, 2010; Villalonga, 2004). While the relationship between relatedness and specific types of costs is more nuanced—with some costs being more sensitive to resource similarity than others (Zhou, 2011)—relatedness has provided corporate strategy scholars with a foundational lens for analyzing how firms can most effectively pursue scope economies while managing the inherent tensions between value creation and organizational complexity (Barney, 1997). This theoretical foundation suggests that firms face a natural hierarchy in their diversification opportunities, where the potential for net value creation is highest when expanding into markets that draw upon similar resources and capabilities, whereby similarity may evolve over time (Cetorelli et al., 2021).

2.2 The Role of Organizational Structure and Systems

Given these inherent tensions between synergy potential and diversification costs, interrelated bodies of research have also examined the mediating role played by organizational structure and systems in shaping how multi-business firms manage the creation of net synergy. Research examining post-merger integration has shed much light on how structural choices, largely determined by the corporate center, fundamentally shape the realization of these net benefits. In this work, the corporate center faces critical trade-offs between coordination benefits and disruption costs (Puranam, Singh, & Chaudhuri, 2009; Puranam & Srikanth, 2007), with success moderated by organizational factors such as the nature of interdependence between units (Cording, Christmann, & King, 2008), the characteristics of resources being integrated (Paruchuri, Nerkar, & Hambrick, 2006), and the capabilities of the corporate center (Campbell, Goold, & Alexander, 1995; Goold & Campbell, 1998; Goold, Campbell, & Alexander, 1994).

These trade-offs manifest through multiple theoretical mechanisms, from knowledge-transfer barriers that impede capability-sharing (Ranft & Lord, 2002) and social-identity conflicts that create organizational resistance (Colman & Lunnan, 2011) to routine disruption that degrades existing capabilities (Paruchuri et al., 2006). The divestment literature provides complementary insights into these structural choices, highlighting how unresolvable agency costs often drive organizational decisions to reduce scope (Feldman, 2014, 2022; Montgomery & Thomas, 1988; Wright & Ferris, 1997), with resource maturity (Feldman & Sakhartov, 2022) and stakeholder orientation (Bettinazzi & Feldman, 2021) moderating these decisions.

However, while these research streams have generated valuable insights into how corporate parents influence dynamics during the expansion and reduction of scope, much of this work has focused on hierarchical interactions between the corporate center and its business units rather than lateral interactions between the units themselves. With that being said, scholars have made important strides in recent years in understanding some dimensions of these lateral interactions, particularly through work on resource redeployment (Levinthal & Wu, 2024; Lieberman et al., 2017; Sakhartov & Folta, 2014), capability lifecycles (Feldman & Hernandez, 2022; Helfat & Peteraf, 2003), resource reconfiguration (Karim & Capron, 2016), knowledge flows across business units (Monteiro, Arvidsson, & Birkinshaw, 2008), and developing frameworks for understanding both “grouping” and “linking” mechanisms between units (Goold

& Campbell, 2002). Nevertheless, there remains significant potential to explore how different approaches to corporate-center involvement (or the lack thereof) might enable or constrain these lateral value-creating interactions between business units (Karim & Kaul, 2015), particularly intra-temporally.

2.3 Digitalization and Alternative Forms of Organization

The theoretical mechanisms through which multi-business firms create and capture value, as outlined above, have predominantly been examined through the lens of related diversification and integrated governance structures (Feldman & Hernandez, 2022; Graebner et al., 2017). However, recent trends towards more expansive scope (Hoberg & Phillips, 2025), raise two important questions over the explanatory power of these established theoretical frameworks.

First, digitally enabled firms are increasingly pursuing opportunities that extend beyond traditional notions of relatedness. Some leading firms have begun experimenting with more loosely coupled organizational arrangements enabled by digital infrastructure (Lanzolla & Markides, 2025; Wang et al., 2024) and both the fungibility and scalability of digital assets (Levinthal & Wu, 2010, 2024) – yet the theoretical implications for how such arrangements affect traditional mechanisms of value creation and destruction remain underexplored. While earlier theoretical work suggested that firms rank diversification opportunities based on resource similarity (Barney, 1997; Rumelt, 1974), digital capabilities appear to be enabling value creation across seemingly unrelated business domains (Lanzolla & Markides, 2025). These capabilities suggest potential pathways for value creation that may deviate from the conventional understanding of resource complementarities (Chatterjee, 1986; Markides & Williamson, 1994).

Second, organizations have begun exploring “internal ecosystem” structures that differ from conventional corporate hierarchies (Maouchi, 2020). In these arrangements, business units function as bundles of offerings that enhance mutual value through an economic logic akin to supermodular complementarities while remaining under common ownership. Unlike traditional hub-and-spoke models where value creation is primarily mediated through hierarchical relationships between the corporate center and individual business units (Graebner et al., 2017), these internal ecosystems enable direct lateral value creation by affecting coordination dynamics and interdependencies within systems (Baldwin, 2024; Baldwin & Clark, 2000) .

In this vein, the literature on business ecosystems, having developed largely in parallel to corporate strategy research, may be relevant in addressing these interrelated questions. This work has distinguished between different types of complementarities to consider how products and services might create value for end users through their joint consumption (Adner, 2017; Jacobides et al., 2018). While this literature has primarily focused on value creation through independent actors (Adner, 2017; Daymond, Knight, Rumyantseva, & Maguire, 2023; Jacobides et al., 2018), Jacobides (2022) emphasizes the role of multi-*product* ecosystems that drive consumer benefits.[1] This puts a sharper focus to the recent emphasis on

[1] Note that the focus here is on the value the consumers get as a result of the *option* of using both products together; consider the higher marginal value of an iWatch in the presence of an iPhone. Our analysis sets aside *bundling,* ie the choice of a producer to offer a set bundle which *inescapably* ties two products together (Gareth et al, 1991), and which may be motivated by the sellers’ desire to extract oligopolistic power, a topic that has received significant attention in the literature in economics and antitrust (see, eg, Bakos & Brynjolfsson, 1999; Nalebuff, 2004). In multi-product ecosystems

interdependencies and complementarities within firm boundaries (Holgersson, Baldwin, Chesbrough, & Bogers, 2022; Lanzolla et al., 2020; Baldwin, 2024). It also raises theoretical questions about how the traditional mechanisms of scope economies interact with, or are reconfigured by, these alternative pathways to value creation, and whether extant explanations for governance choices adequately account for these new dynamics.

2.4 Theoretical Gaps and Opportunities

Over the past few decades, corporate strategy research has developed rich theoretical and empirical foundations for understanding how multi-business firms create and capture value through related diversification. This work has illuminated the mechanisms through which relatedness drives synergistic benefits, documented the various costs incurred in pursuing scope economies, and established the role of corporate centers in orchestrating value creation. Table A1 in the appendix summarizes these research streams. However, the recent emergence of digitally enabled diversification patterns and internal ecosystem-like structures suggest a shift in how these established mechanisms operate, raising important theoretical questions about the continued applicability of our existing frameworks.

While traditional corporate strategy emphasizes resource similarity and corporate-center coordination as key drivers of value creation, firms are increasingly pursuing opportunities that extend beyond conventional notions of relatedness, coordinated through bottom-up mechanisms enabled by digital infrastructure. This suggests an opportunity to observe, in the spirit of Baker's (1992) detailed examination of Beatrice Corporation's value-creating mechanisms, how synergies and their associated costs manifest within a digitally enabled multi-business firm. Such an investigation might reveal how traditional theoretical mechanisms are either preserved or reconfigured when they operate through internal ecosystem structures rather than conventional corporate hierarchies, illuminating how today's multi-business firms create value beyond the sum of their standalone units.

3. Methods

Qualitative research methodologies are particularly well suited to investigating complex organizational phenomena and developing theoretical insights into firm-level strategic processes (Creswell & Poth, 2018; Langley, Smallman, Tsoukas, & Van De Ven, 2013). The processual nature of our inquiry combined with the need to elaborate theory on synergy realization made qualitative methods appropriate. We employed abductive methodology (Timmermans & Tavory, 2012) to conduct a systematic investigation of how different types of synergies manifest and evolve under varying organizational conditions. Consistent with abductive research approaches, we initially approached our research site with a broader theoretical question: *How do different types of synergies create, or destroy, value within multi-business firms, and what are the mechanisms through which this occurs?*

Through our comprehensive coverage of the focal organization, we observed distinct configurations of conditions leading to the presence or absence of different types of synergies (Furnari et al., 2021; Ragin, 1987). By comparing these configurations with carefully chosen

we focus on, consumers choose their own inter-operable "bundle" (Jacobides, 2022). That said, ecosystem lock-ins lead to novel competition concerns (Caffarra, Gawer & Jacobides, 2024).

external cases, we were able to distinguish between necessary and peripheral conditions while triangulating our findings across different organizational contexts. For an overview of our methodological approach, see Figure 1.

3.1 Company Background

Our study emerged from an advisory project with one of the largest retail conglomerates in the Gulf Cooperation Council (GCC), which we refer to as “BigCo” to maintain confidentiality. BigCo has several tens of thousands of employees and billions of dollars in asset value. Its portfolio spans multiple industries, including shopping malls, hotels, retail, entertainment, and lifestyle businesses. Its core operations traditionally encompassed three primary divisions: Properties (malls and hotels), Retail (directly owned and franchised operations), and Entertainment & Lifestyle (leisure and entertainment venues).

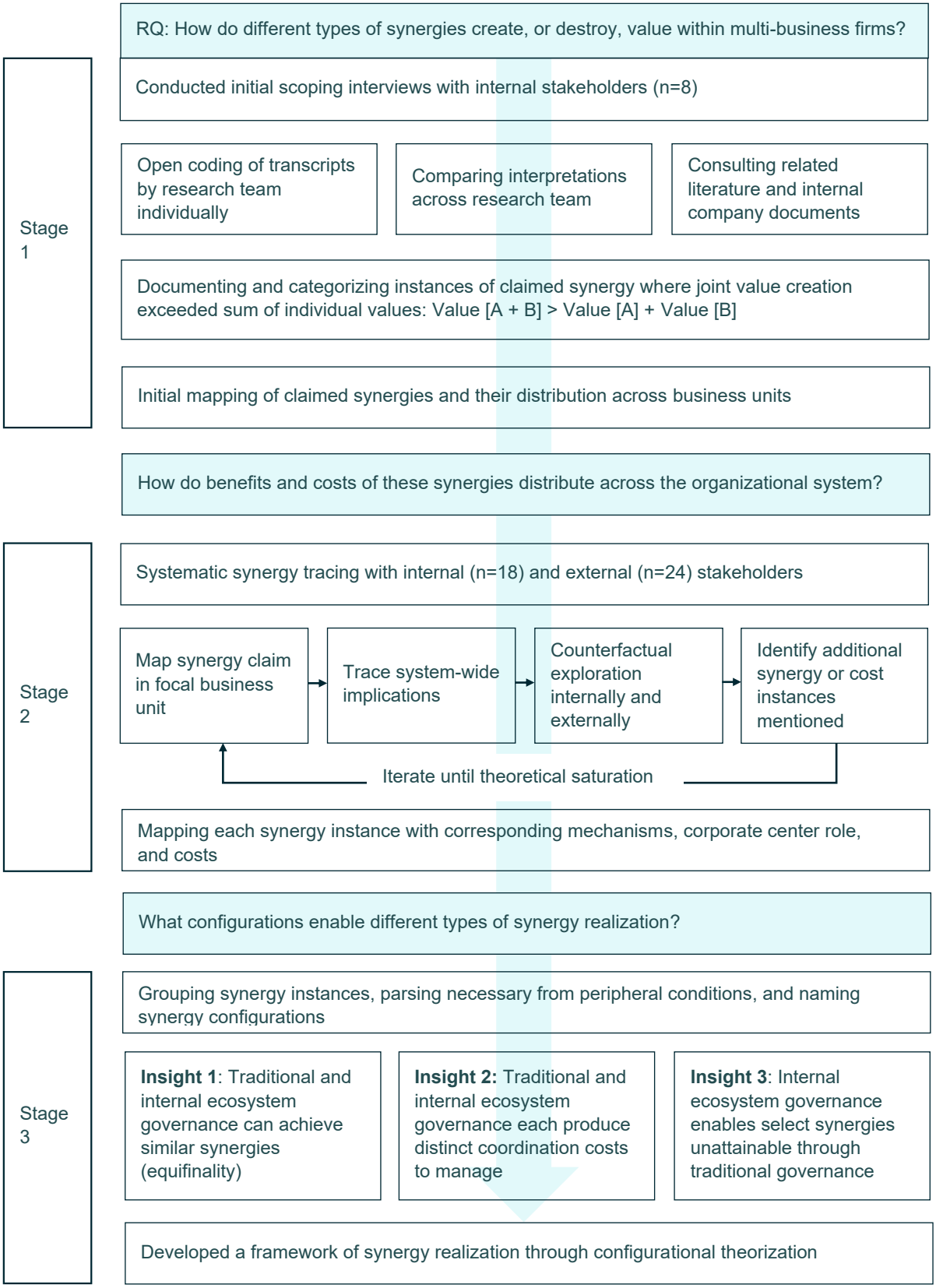
From its inception, BigCo pursued value creation through strategic integration of its core operations. The Properties division developed premium shopping destinations requiring $500–800 million in capital investment per location, with decade-long payback periods. These developments were anchored by Hypermarket+,[2] which served as the primary customer attraction point. As an anchor tenant, Hypermarket+ generated consistent foot traffic that benefited the broader retail tenants within the malls. The Entertainment & Lifestyle division complemented these retail operations by introducing diverse entertainment attractions, creating destination spaces that merged shopping with experiential offerings.

As the global retail industry began experiencing digital disruption in the mid-2010s, organizations in the retail sector initiated strategic responses to evolving consumer behaviors. Around this time, BigCo launched one of its early digital initiatives, Digital+, which initially focused on integrating customer data from mall tenants. The program enabled tenants to participate in a shared loyalty system, creating value through consolidated customer insights and promotional activities.

The success of these early integration efforts led BigCo to expand the scope of Digital+ beyond mall operations, leveraging it to create and maintain connections across its broader portfolio and establish new pathways of value creation. Hypermarket+ provided rich consumer-purchase patterns, Properties contributed foot-traffic insights, and Entertainment & Lifestyle venues added engagement data. Pooling these data sources enabled increasingly sophisticated coordination: mall operators could optimize tenant mix based on entertainment preferences, while retailers could align promotions with real-time traffic patterns.

[2] To maintain confidentiality, we use pseudonyms for specific divisions and initiatives within BigCo (e.g., Hypermarket+, Digital+, Solutions+, Innovation+, Analytics+), with the '+' suffix denoting these anonymized names throughout the paper.

Figure 1


RQ: How do different types of synergies create, or destroy, value within multi-business firms?
Stage 1
Conducted initial scoping interviews with internal stakeholders (n=8)
Open coding of transcripts by research team individually
Comparing interpretations across research team
Consulting related literature and internal company documents
Documenting and categorizing instances of claimed synergy where joint value creation exceeded sum of individual values: Value [A + B] > Value [A] + Value [B]
Initial mapping of claimed synergies and their distribution across business units
How do benefits and costs of these synergies distribute across the organizational system?
Stage 2
Systematic synergy tracing with internal (n=18) and external (n=24) stakeholders
Map synergy claim in focal business unit
Trace system-wide implications
Counterfactual exploration internally and externally
Identify additional synergy or cost instances mentioned
Iterate until theoretical saturation
Mapping each synergy instance with corresponding mechanisms, corporate center role, and costs
What configurations enable different types of synergy realization?
Stage 3
Grouping synergy instances, parsing necessary from peripheral conditions, and naming synergy configurations
Insight 1: Traditional and internal ecosystem governance can achieve similar synergies (equifinality)
Insight 2: Traditional and internal ecosystem governance each produce distinct coordination costs to manage
Insight 3: Internal ecosystem governance enables select synergies unattainable through traditional governance
Developed a framework of synergy realization through configurational theorization

To support this evolution, BigCo established new divisions to develop specific organizational capabilities. Solutions+ developed technical infrastructure and maintained the growing digital platform, while Innovation+ fostered partnerships with technology companies and financial technology startups to implement integrated payment solutions and enhanced digital experiences. A data lake was built alongside the newly formed data analytics team, Analytics+, with the aim of consolidating customer interactions across internal and external touchpoints—for example, by partnering with third-party payment processors to enhance visibility of consumer behavior both within and beyond BigCo properties.

As these digital capabilities matured, BigCo increasingly characterized its network of business units as the "Digital+ ecosystem." Here, the strategic rationale was to balance centralized governance with operational autonomy, allowing business units to independently leverage shared customer insights while participating in coordinated initiatives. Through this approach, BigCo sought to create increasingly accretive value by combining traditional operational synergies with new forms of data-enabled coordination across its portfolio.

3.2 Research Access

Our research opportunity arose in 2023, when the new Group CEO requested a systematic analysis of the organization's value-creation mechanisms. The CEO sought to understand how BigCo's portfolio of businesses interacted to create value—specifically, whether and how different operational synergies contributed to overall corporate value creation.

Under the research agreement, we would deliver a comprehensive report tracing patterns of value creation and destruction within the group, including counterfactual scenarios and boundary conditions. This commitment to scholarly investigation, combined with the strategic importance of the question for BigCo, facilitated unprecedented access to data, resources, and key decision-makers. The firm's private status and the internal motivation for the study mitigated common research challenges where firms and their advisors (e.g., investment bankers, consultants) might be incentivized to justify existing practices or promote corporate restructuring for financial gain.

We had access to senior management and strategic workshops, internal strategic documentation, and prior Big Three consultant analyses, providing contextual understanding of BigCo's operations and the interconnections between business units. This comprehensive access enabled us not only to document existing synergies but also to explore potential alternatives and counterfactual scenarios through discussions with business-unit leaders and external validation.

The empirical setting offers several methodological advantages for studying synergy realization. First, since BigCo operates in the non-acquisitive context of the Middle East, where corporate scope remains largely stable, we could observe the steady-state manifestation of synergies without the survivorship bias that typically characterizes conventional settings for corporate synergies. Second, our comprehensive coverage of the organization's business units enabled us to trace both the origins and costs of synergies across the entire corporate system. Finally, the organization's comprehensive approach to exploring synergistic opportunities, including openness to examining counterfactuals and boundary conditions, provided a unique window into both successful and unsuccessful attempts at synergy realization.

3.3 Data Collection

Our primary data collection consisted of semi-structured interviews of 50–80 minutes' duration conducted over a three-month period between April and June 2023. Our sampling approach was purposeful (Corbin & Strauss, 1998), focusing on individuals with direct insight into synergy realization across business units. We continued data collection until we achieved theoretical saturation—the point at which additional interviews no longer revealed new conditions affecting outcomes and when the relationships between conditions and outcomes remained stable across cases (Charmaz, 2006). All interviews were digitally recorded and transcribed verbatim, supplemented by contemporaneous field notes (Charmaz, 2006).

We began with an initial scoping phase (Furnari et al., 2021) of eight internal stakeholder interviews to map the broad landscape of potential synergistic relationships across BigCo's business units. These initial interviews employed an open-ended protocol designed to surface the range of synergies being pursued, their underlying mechanisms, and associated costs. As patterns emerged, we adapted our protocols to conduct more focused follow-up interviews, systematically tracing both benefits and costs across the organization. This approach revealed instances where synergies in one business unit incurred corresponding costs in another.

Our six-person research team met daily throughout the data-collection period to discuss emerging findings and refine our theoretical understanding (Meyer, Tsui, & Hinings, 1993). These meetings served to identify patterns in the data, resolve coding disagreements, and adapt our interview protocols based on emerging insights. This iterative approach allowed us to systematically map the configurational conditions associated with different synergistic outcomes (Ragin, 2008).

Our triangulation process followed a systematic protocol. When stakeholders reported specific synergistic outcomes, we traced these claims both internally and externally. Internally, we interviewed the implicated stakeholders across BigCo's business units to verify the claimed outcomes and identify boundary conditions. Externally, we conducted targeted interviews with comparable organizations to examine whether similar patterns existed in other contexts.[3] These external organizations were carefully selected based on their comparable characteristics to the BigCo business-unit interactions with which we were cross-comparing.

Our interview coverage included multiple interviews with each business-unit leader. Combined with our external validation, this approach provided insights into both successful and unsuccessful synergy attempts. The external interviews were valuable in identifying cases where organizations had deliberately chosen not to pursue certain synergies after discovering that system-wide costs outweighed localized benefits. This approach enabled us to distinguish between necessary and peripheral conditions for successful synergy realization, while also identifying the conditions that led to synergy failure.

[3] This external validation was facilitated through both direct organizational contacts and the Gerson Lehrman Group (GLG), a professional network that connects researchers with industry experts, allowing us to target organizations where similar synergistic attempts had been documented. While a few organizations operated in the Middle East, we deliberately included those in the USA and Europe to enhance the generalizability of our findings. In cases where initial expert interviews did not provide sufficient depth or comparable insights, we continued our sampling until we identified experts who could speak authoritatively to the specific synergistic mechanisms we had observed.

The interview protocols evolved systematically throughout the study, moving from broad exploration of synergistic relationships to validating specific configurations of conditions and outcomes. External interview protocols were specifically designed to test the boundary conditions and generalizability of the patterns we observed. This evolution in our protocols reflected our growing theoretical understanding and allowed us to systematically build toward our final theoretical framework. Table 1 lists our internal and external interviewees.

3.4 Data Analysis

Given that we explore how different governance structures and configurations of conditions affect synergies, traditional case methods grounded in correlational theorization are comparatively less suitable (e.g., Eisenhardt, 1989). Instead, we need to account for multifaceted interdependencies and equifinality of outcomes over bivariate relations and unifinal outcomes (Fiss, 2007). To address this limitation, we adopt a configurational theorizing perspective (Furnari et al., 2021; Ragin, 1987) that is well suited to capturing causal complexity through the analysis of concurrent conditions and alternative pathways. By structuring our method into distinct stages of scoping, linking, and naming (Furnari et al., 2021) and by capturing conjunctive causation and equifinality (Meyer et al., 1993) within our phenomena of interest, we could focus on how distinct configurations of conditions can yield similar synergy outcomes.

Our unit of analysis was the instantiation of a potential, realized, or unrealized synergy—defined as any instance where interviewees described value creation (or destruction) from combining activities or resources across BigCo's business units. This definition encompassed both successfully realized synergies and unrealized or failed attempts at synergy creation, allowing us to examine the asymmetric nature of synergy realization across different governance *modes*. Through our systematic coding of interviews at BigCo, we identified 113 total mentions of synergies. After consolidating duplicate mentions and tracing manifestations throughout the organization, we identified 15 distinct cases of synergies (see Table 2).

Scoping

During our initial scoping phase, we systematically traced each of the 15 synergies throughout the organization to uncover their value-creation mechanisms and associated costs.

For each synergy, we systematically documented: (1) the nature and economic logic of the synergy, (2) the costs of pursuing or maintaining it, and (3) the organizational attributes that enabled or constrained its realization. This process involved tracing each synergy through multiple interviews and across different business units, capturing both successful and unsuccessful attempts at synergy realization. We maintained this purely descriptive focus during the scoping phase, deferring any theoretical condensation or pattern identification to subsequent analytical stages. Table 3 presents interview quotes documenting the synergies we identified.

Linking

As we analyzed the documented synergies, we began to observe systematic patterns. Even within the same type of synergy (e.g., cross-selling initiatives), we noticed distinct patterns in

how costs and enabling mechanisms manifested based on the synergies' origin within the organization—specifically, the corporate center or specific business unit(s).

This observation led us to examine our data through the lens of synergy origination, distinguishing between "top-down" mandated synergies versus "bottom-up" synergies emerging from business-unit coordination. These patterns aligned with two distinct governance structures we observed: traditional corporate governance and internal-ecosystem governance, respectively. Top-down synergies were typically facilitated through corporate mandate (e.g., formal KPIs, standardized processes), while bottom-up synergies emerged through coordination enabled by the interdependencies created by the Digital+ platform.

As we categorized synergies into bottom-up and top-down types, we observed further distinctions within each category—particularly, whether the synergy was physical (involving tangible assets or operational processes) or digital (leveraging data and digital infrastructure). Our initial analysis suggested that corporate mandate might primarily facilitate physical synergies while the ecosystem structure enabled digital synergies. However, when we systematically triangulated our findings with external interviews, we discovered more nuance. Organizations spoke of pursuing ecosystem-based synergies even through physical means, albeit through different mechanisms such as bringing business units together via social gatherings and generating coordination around brand equity rather than digital infrastructure. This insight prompted us to reexamine how different governance modes enabled distinct configurations of physical and digital synergies through various coordination mechanisms.

For instance, when examining cross-selling initiatives, mandated approaches typically generated monitoring costs and incentive distortions, while ecosystem-enabled approaches faced different challenges related to technical integration and data standardization. Through this process, we identified that certain synergy types could manifest through either governance mode, while others appeared uniquely enabled by one approach or the other. These systematic patterns in how synergies manifested under various governance modes led us to an iterative process of connecting our empirical observations to theoretical constructs.

Naming

Having identified these systematic patterns in how synergies manifested differently under various governance modes, we engaged in an iterative process of connecting our empirical observations to theoretical constructs. This process involved drawing on established theory and developing new theoretical categories where existing constructs proved insufficient.

For synergies that manifested under traditional, "top-down" governance modes, we found established corporate strategy concepts particularly useful. We drew on classical frameworks of economies of scope and scale (Panzar & Willig, 1981; Teece, 1980) to categorize patterns related to resource pooling and operational efficiency. These concepts helped us articulate what we termed "consolidation synergies," characterized by centralized resource-sharing and standardization across business units, and "cross-selling synergies," characterized by leveraging customer relationships to sell additional products or services across business units. Table 4 summarizes all the types of synergies we identified, along with their key characteristics across multiple dimensions.

Table 1

Bigco Internal Interviewees*		External Interviewees	
Name	**Unit**	**Expert Position**	**Institution**
Harper	Lifestyle	Former CSO	Major Conglomerate
Oliver	Holding – Customer Experience	Group Strategy Head	Global Trading Firm
Rachel	[Digital+]	Adjunct Professor	Academic Institution
Mia	Holding – Strategy	CEO	Food Services Group
Aria	Business Development	Former Head of Learning	Luxury Goods Company
Ava	[Solutions+]	Former CEO Europe	Retail Group
Ethan	Corporate Development	Head of Strategy	Retail Group
Logan	Entertainment	Marketing Director	Department Store
Jacob	Development	Managing Director	Investment Bank
Charlotte	[Analytics+]	Chief of Staff	Retail Group
James	Retail	BoD Member	Holding Company
Amelia	Fintech	Head of Ecosystem Strategy	Reinsurance Firm
Sophia	Lifestyle	Former CSO/CIO	Tech Firm
Henry	Business Development & Investment	Head of M&A	Tech Firm
John	[Solutions+]	SVP & GM	Financial Services
Pluto	SMBU	Partner	Management Consulting
Emma	SMBU	Professor	Academic Institution
Liam	SMBU	CEO	Creative Agency
Ella	Retail	CIO/CEO	Technology Venture Firm
Lucas	[Innovation+]	Former CTO	Dating Platform
Mason	Asset Management	CEO	Digital Payment Company
Emily	Business Development & Investment	CEO	Telecommunications Group
Beth	Head of Finance & Operations	CEO Europe	Telecommunications Group
Phil	Asset Management		
Nick	Treasury		

*For confidentiality purposes, we use pseudonyms for all names and four key business units within BigCo: Digital+ (loyalty program platform), Solutions+ (internal services), Analytics+ (data analytics division), and Innovation+ (digital investment division). These pseudonyms capture the essential characteristics while preserving organizational anonymity. Additional business units are referenced by their generic function (e.g., “entertainment division,” “hospitality division”) to further protect confidentiality while maintaining analytical precision. SMBU refers to “shopping mall business units”.

Table 2

Case	Mechanism	Exemplar Quotes	Mentions
Data monetization (internal)	Data gathered across business units increases consumer LTV through personalization and cross-sell	• "If we can see a customer's journey, we can play around with the mall's layout, elongate the journey and get additional value." • "If a consumer is already in the mall and waiting for a movie that starts in a couple of hours, they can be incentivized to spend time in other mall facilities."	12
Data monetization (external)	Data gathered across business units is used in products marketed to external parties / tenants	• "The Digital+ platform provides brands with micro-level insights […] going beyond [the firm's own insights]." • "[Understanding customer behavior and having access to more granular data] will enable us to provide a lot more value to the tenants."	8
Customer loyalty	Increase consumer stickiness and maximize share of wallet spent within the BigCo ecosystem	• ""We are making cross-sell offers through Digital+, while making sure that the communications are accurate and salient." • "[Luxury store] moved their store before Christmas; we organized a successful campaign utilizing Digital+ to guide customers to the [new] store."	11
Complementary products/services	Products and services offered by business units provide greater value to consumers when consumed together	• "The presence of iconic attractions such as [business unit resort] drives tourists to our adjoining hotels." • "The presence of children's entertainment options in the mall greatly increases the value for parents."	7
Cross-BU marketing	Coordinated marketing campaigns leveraging BigCo media and communication assets	• "Lifestyle stores are being promoted on Hypermarket+ marketing materials." • "Every one of our businesses is selling media space […] Once centralized, it will enable us to offer bundled packages." • "Data from across the group allows real-time marketing; real-time triggering of offers."	8
Brand equity: quality of services	Service quality of one BigCo BU increases willingness to pay for other business units through trust / track record	• "The values, even when they are behind different value propositions, are shared—and that is important." • "BigCo has strength on the market. Separating the businesses would lose the strong brand."	6
Platform kickstarting ability	Ability to solve the "chicken-and-egg" problem in platforms through other business units	• "It is easier to attract tenants to BigCo malls because Hypermarket+, Entertainment, and Lifestyle brands are already there." • "[Digital wallet] has huge potential because it already has a cross-border network of users who can transfer value using our infrastructure."	5

Productivity in support functions	Scale enabled through centralization of support functions across business units increases efficiency	• "It's much more beneficial to use systems like SAS on the group level." • "Customer experience, center of excellence—there are a lot of horizontal programs that save the [business units] a lot of effort and time."	11
Productivity in core functions	Centralization of core functions across business units builds center to providing quality services	• "Innovation+ provides [business units] with data scientists on a per-project basis." • "Fintech solutions-led integration of payment systems enabled one-click rollout of [centralized technology] to all our digital assets."	10
Supplier value	Scale and scope of BigCo improves its position in negotiations with suppliers	• "Being part of the group allows Lifestyle to attract valuable brands because they value data, financial strength, expertise, and availability of real estate." • "If it were separate from BigCo, Entertainment would not be able to secure distribution rights for [leading film studio] content."	7
Cross- business unit data-driven insights	Cross- business unit data enables better decision-making from both business unit and corporate center	• "Lifestyle learned about an insufficient menswear offering in a given mall from the Mall team, and later Lifestyle was able to address this issue." • "Calculations on whether to open a new hotel could incorporate the value that hotel visitors are expected to realize in the […] shopping mall."	5
Expertise sharing	Experience and domain knowledge sharing across BUs increases group-wide capability level	• "Sharing best practices is very important. If you look at business units, the needs are similar—one customer that you want to serve. And we have a lot of common pain points." • "Lifestyle was able to help Hypermarket+ by sharing their experience with visual merchandising."	5
Employee brand	BigCo strong employer brand attracts high potential talent across other business units affiliated	• "We have a training institute, and so people who went through it will have similar understanding, similar expectations during their work." • "There is a solid identity for employees and a solid association with the group." • "I tell candidates that while we might be the smallest unit, we're an entry [point] into BigCo."	8
Talent rotation	Shared talent pool reduces transaction costs in hiring in addition to reduction in training costs	• "If you join one part of BigCo, you are part of the whole BigCo." • "There is a database of possible hires from within the holding, although mostly it is done through personal connections."	5
Treasury management	Different cash flow profiles across business units help management to manage cash flows within the group	• "Properties have high margin but have to be subsidized short-term by Hypermarket+ cash flows." • "The business model [enables units to] compensate each other, in terms of revenue generation or margins that shopping malls provide to the group, and cash flow that Hypermarket+ provides to the group."	3

Table 3

	Traditional	Internal Ecosystem
Consolidation	Monitoring costs from mandated participation • "The KPIs and the structure of the monitoring is there. […] What we help with is the cadence and the nature of the tracking." [Marcus, Corporate Development] Inflexibility costs from standardized solutions • "We could accelerate the accessibility of these capabilities by relying on third parties that are partners, not providers, but we cannot do so." [Sarah, Retail] • "[Shared services] is not giving you the speed, or the depth of quality of services that are necessary for you to do what you would like to do." [Diana, SMBU] • "It takes six months to hire an analyst because of the number of interviews, which are driven by people [who do not understand] my point of view […] We're forced to keep up with processes where shared services are not working." [Sarah, Retail] Incentive erosion from consolidated services • "The problem is that shared services center most times are SLA-driven in terms of response time, and being out of the businesses, they don't feel the business pain points […] But [customers] feel it, because we have someone that is far from our business pain points who doesn't answer to the same priorities." [Michael, SMBU]	Coordination and bargaining costs between different units • "It's about lack of clarity on who owns the data, who processes the data, and who monetizes the data. [...] both holding, Solutions+, and so on, and Hypermarket+ have ambitions towards the same goal, which is monetize your data through insights, leverage your economies of scale." [David, Business Development] Redundancy costs from duplicative investments • "But Hypermarket+ runs a parallel data lake. They have their own data. It's twice the costs at limited incremental benefits." [David, Business Development] • "What I'm seeing is that for our supermarkets or digital online value proposition, we're signing partnerships with Mastercard [...] then after two weeks I have the same guy at holding saying, 'Hey, do you want to sign with Visa?'" [Sarah, Retail] • "If we are silos, then all businesses need insights and research. I would assume that most BUs and OpCos have some level of insights and research happening within their business that I'm not sure is being shared or leveraged." [Rachel, SMBU] • "We're a holding organization that owns a set of businesses that collaborate to the extent possible with each other. [...] We have [shared resource], but others keep their own to manage their own business needs." [Thomas, Analytics+]
Cross-Selling	Adjustment costs from enforced cross-selling targets • "Look, first of all, [...] we cannot have 25 priorities, right? When it comes across these, is actually define what are the three to five key priorities. And these key priorities, you really deep dive on them, right? So, you actually have very clear KPIs that you want to move towards, right? These need to be measured frequently at the highest level." [Marcus, Corporate Development] Incentive distortion costs from misaligned performance metrics • "You know, we can't sit there and start chopping and changing and say, 'Okay, let's lose 100 residences because they're not accretive.' [...] This is the project and then this is the KPI. And then shopping mall, you're incentivized for the total KPI, hotel, you're incentivized for the total KPI." [James, Development]	Attribution costs from value sharing complexity • "I did [cross-selling initiative]—what is the true impact of that apart from customer experience? It's difficult to tell, because then there's other programs that are coming in as well. [...] What is attributed to me, it's too complex." [Alex, Solutions+] • "Look, the risk with actually putting these separately is that people then don't want to cooperate, right? [...] If it's not something that is directly part of your scope and it's been somewhat mandated, that is shared across the board, you say like, 'Okay, not my pony, not my problem.'" [Marcus, Corporate Development] Missed opportunities from unbalanced partnerships • "A lifestyle business today […] It's a smaller business. It doesn't have the same data access that today's retail, and shopping malls have […] The smaller businesses will always benefit much

	• "Look, it should be above all on our overall revenue, right? And of course, on our notepad, right? Because you want to grow top line, but you also want to grow top line in an efficient manner so that you don't see top line growing, but your margin staying flat forever." [Marcus, Corporate Development]	more from the larger business." (Thomas, Analytics+) • "Maybe we just don't talk enough together to understand what we can do together. [...] It's for sure a question of the layout of our offices. For sure, it's a question of not having so many chances to get together." [Sarah, Retail]
Transaction Cost	Opportunity costs from reconfiguration barriers • "How do people prefer to pay? Do they use a credit card? Do they like using digital? Do they prefer 'buy now, pay later' type services? This is all valuable data that we hold that can improve the experience […] But then again, [if left to purely physical means], how do we create moments when you're in the store or you're in one of our malls that we're prompting you for things?" [Lucas, Innovation+] Free-riding from BUs to align experiences • "If the front-liner in a store in [fashion brand] or in [Hypermarket+], in Kenya or in Egypt doesn't know how to run the right experience, [that] change management is not done at scale across every touchpoint, as a true transformation, it will always fall short of fulfilling its full potential." [Thomas, Analytics+] • "Maybe a five-star hotel will become a four-star product and versus our five-star mall, and then you'll start having issues with quality control." [James, Development]	Orchestration costs from identification and integration of new product mix • "You need transformation offices, you need centers of excellence, you need to be able to set the right standards, the right capability and oversee what you're doing […] It has to become second nature for us to collaborate." [Thomas, Analytics+] • "The pressure is now on us to deliver value to our business units; we need to be the ones they come to for the new customer trends." [Sophia, Digital+] Missed opportunities from lack of interaction or capabilities • "Sometimes, I want to figure out where my customers are going afterwards, but it is not as clear-cut of a business. Analytics can be frustrating." [Emma, Lifestyle] • "But that data is very momentary because tourists come and leave, right? You have to keep different dynamics to keep creating that synergy. It has to be real-time, and it has to be relying more on digital assets and experience that is more real-time customization and personalization." [Thomas, Advanced Analytics]
Superadditive Demand	Configuration not observed	Coordination costs across ecosystem components • "The complexity of creating these ecosystem synergies is we have different business models and different asset-management strategies. We have different outcomes that we want to get from these different assets. […] We try to get synergies and value by aligning the same processes, but there are [difficulties]." (James, Development) Lock-in costs from reduced modularity and flexibility • "On some of the licenses we have with Microsoft and the others, and even the stack that we're using from an infrastructure perspective, we're using the global solution technology […] There are few solutions that are independent. The portals that we're using from within are kind of dependent and connected to the ecosystem. This creates problems." [William, Entertainment]

		• "We learned that technical interoperability wasn't enough. The products themselves needed to be designed with complementarity in mind from the start. It's a much deeper integration than just connecting systems." [External Interview]
Data Network	Configuration not observed	Coordination costs from maintaining data-sharing across autonomous units • "We're all in different systems. We're all using different suppliers. We don't use each other, I would say, to leverage better deals with suppliers. Our systems don't speak to each other. Our data lakes are convoluted." [Rachel, SMBU] Standardization costs from aligning data protocols between businesses • "The technology infrastructure of BigCo, you notice part of it would sit within A, and part of […] technology infrastructure would be what the BigCo tech team under Solutions+ is running and responsible for." [Thomas, Analytics+] Attribution costs from measuring individual BU data contributions • "While we have a wealth of data, and that's an exercise we're doing with a technology teardown, we don't know if the data we have is good enough to slice and dice and understand what's adding value to our customer. So we're not sure of the, let's say, the health of our data points." [Sophia, Digital+]

However, as we began categorizing synergies that manifested uniquely under the internal-ecosystem structure, we found ourselves needing to expand beyond traditional theoretical frameworks. While some synergy types could manifest under both governance modes, others appeared uniquely enabled by ecosystem governance. For these cases, we drew on emerging theoretical perspectives from both the ecosystem literature on supermodular complementarities (Adner, 2017; Jacobides et al., 2018), and multi-product ecosystems (Jacobides, 2022) as well as recent work on digital transformation and corporate scope (Lanzolla & Markides, 2025).

This theoretical integration led us to develop several new conceptual categories. For instance, we identified what we termed "data-network synergies" (DN-E)—a form of value creation enabled by integrating customer-behavior data across multiple touchpoints. Unlike traditional cross-selling synergies that rely on formal coordination mechanisms, these synergies emerged from the compounding learning effects enabled by shared digital infrastructure.

Through this iterative process of comparing empirical patterns with existing theory, we developed a typology that captured both traditional and novel forms of synergy realization. Our analysis revealed that while certain synergies could manifest under both governance modes, the associated costs differed—as exemplified by cross-selling initiatives. Other synergies, particularly certain types of operational consolidation, proved to be enabled by traditional governance alone. Finally, we identified synergies uniquely enabled by ecosystem governance.

To validate our theoretical framework, we systematically compared our categorizations against both our internal cases and external validation interviews. This process helped ensure our theoretical constructs captured the empirical reality of observed patterns while also connecting meaningfully to extant literature on corporate strategy and ecosystem-based value creation.

4. A Configurational Mapping of Synergies

Our analysis reveals a typology of synergy outcomes that rests on three fundamental dimensions: (1) the governance mode through which synergies are realized (traditional versus internal ecosystem), (2) the primary mechanism of value creation (multi-actor versus multi-product), and (3) the type of enabler (physical versus digital). The governance-mode dimension reflects our finding that similar synergistic benefits can be created through both traditional and ecosystem alignments, each characterized by different patterns of coordination and control. Importantly, these governance modes are not mutually exclusive—at BigCo, we observed business units tied together through formal KPIs, ecosystem interdependencies enabled by Digital+, or a combination of both.

The value-creation mechanism dimension distinguishes between synergies derived primarily from the coordination of organizational actors (multi-actor) and those that emerge from complementarities in customer experience (multi-product) (Jacobides, 2022). Multi-actor synergies align with classical theories of economies of scale and scope (Panzar & Willig, 1981; Teece, 1980), where value creation occurs through the optimization of internal operations and shared resources. Multi-product synergies, reflect more recent theoretical work on ecosystem complementarities (Adner, 2017; Jacobides et al., 2018), where value emerges from the interactions between products and services in meeting customer needs (Jacobides, 2022).

The enabler dimension captures whether synergies materialize through physical assets and colocation or through digital platforms and interfaces. Physical realization operates through tangible infrastructure and face-to-face interactions, while digital realization leverages technological infrastructure to enable virtual coordination and integration. Some synergy types are enabled exclusively through one route, while others can be achieved through both physical and digital means, leading to distinct patterns of costs and coordination requirements.

Our systematic analysis revealed distinct categories of costs associated with pursuing synergies, extending beyond traditional conceptualizations in the literature. Drawing from the diversification literature while incorporating our empirical observations, we categorized our cost instantiations into four distinct types: agency costs, coordination costs, adjustment costs, and opportunity costs. The presence and nature of these costs varied systematically across different types of synergies. In the sections below, we examine synergy and cost in detail.

Table 4

	Multi-Actor Synergies				Multi-Product Synergies			
	Consolidation (CS)		Cross-Market (CM)		Transaction Cost (TC)		Superadditive Demand (SD)	Data Network (DN)
Outcome	Traditional (CS-T)	Internal Ecosystem (CS-E)	Traditional (CM-T)	Internal Ecosystem (CM-E)	Traditional (TC-T)	Internal Ecosystem (TC-E)	Internal Ecosystem (SD-E)	Internal Ecosystem (DN-E)
Lever	Top-Down	Bottom-Up	Top-Down	Bottom-Up	Top-Down	Bottom-Up	Top-Down	Top-Down
Enabler	Physical/Digital	Digital	Physical/Digital	Physical/Digital	Physical/Digital	Physical/Digital	Digital	Digital
Primary Mechanisms	Value creation through **centralized control** and **standardization** of shared resources across business units	Value creation through **voluntary collaboration** and **resource-sharing** between interdependent business units	Value creation through **mandated** cross-selling and **incentive alignment** orchestrated by **corporate center**	Value creation through **voluntary collaboration** driven by shared business unit **interdependencies** around ecosystem hub	Value creation through reducing customer **search** and **coordination** via physical **colocation** and integrated service delivery	Value creation through reducing customer **search** and coordination via **digital** integration and unified customer interfaces	Value creation through creating **additional product complementarity** where offerings create increasing marginal utility when used together	Value creation through **compound learning effects** enabled by **integrated customer behavior data** across multiple touchpoints
Role of Corporate Center	**Central controller**, mandating and monitoring shared service adoption across business units	**Ecosystem orchestrator,** establishing coordination incentives and mechanisms to foster inter-business unit collaboration	**Mandates** and **controls** cross-business collaboration through **formal targets** and **incentive systems**	**Enables** voluntary collaboration by creating **interaction** spaces and facilitating **opportunity identification**	Plans and manages **infrastructure** and **service integration** across business units	Provides common **infrastructure** and ensures **interface standardization** across business units	Orchestrates **product architecture** and **complementarity design** across ecosystem offerings	Orchestrates data architecture and enables cross-unit learning capabilities while maintaining unified infrastructure
Physical Illustrations of Synergy	Centralized procurement and resource allocation enforced through **standardized** processes and corporate **mandates**	[Absent]	**Mandated** cross-selling targets between business units enforced through formal KPIs and incentive systems, with monitoring, enforcement of referral quotas	Corporate center facilitating **social** gatherings to build shared identity, creating natural incentives for voluntary collaboration and settings for opportunities	Centralized physical **infrastructure** for **co-located** business units with standardized customer service points	**Shared** physical customer touchpoints where business units voluntarily **co-locate** to reduce customer friction	[Absent]	[Absent]
Digital Illustrations of Synergy	Standardized IT systems and platforms mandated across business units with centralized control of digital infrastructure	Digital platform incentivizing business units to voluntarily share and access pooled resources and capabilities	Digital dashboards monitoring and enforcing cross-business unit targets through automated tracking of referrals and cross-selling metrics, with penalties and rewards	Data-driven customer matching platform enabling voluntary collaboration through shared ecosystem insights, with recommendations	Centralized digital platform with mandatory business unit participation enforced through corporate authority and standardized interfaces	Centralized digital platform where business units are incentivized to participate and integrate services through mutual benefits and shared value creation	Orchestrating product complementarities to increase value of combined product usage" (e.g., Apple products where owning an iPhone increases the value of AirPods, Apple Watch etc.)	Centralized data platform aggregating customer behavior data across touchpoints to generate additive value directly to consumer and/or business units

* This table presents a typology of multi-actor and multi-product synergies across traditional and internal ecosystem structures. The table illustrates how similar types of synergies can be achieved through both traditional and internal ecosystem governance structures, though with distinct mechanisms and approaches. For each synergy type, we contrast how it manifests under traditional versus ecosystem governance, highlighting differences in whether value creation is driven top-down or bottom-up, enabled through physical or digital means, and how the corporate center's role shifts from direct control to orchestration.

Table 5

	Multi-Actor Synergies				Multi-Product Synergies			
	Consolidation (CS)		Cross-Market (CM)		Transaction Cost (TC)		Superadditive Demand (SD)	Data Network (DN)
Outcome	Traditional (CS-T)	Internal Ecosystem (CS-E)	Traditional (CM-T)	Internal Ecosystem (CM-E)	Traditional (TC-T)	Internal Ecosystem (TC-E)	Internal Ecosystem (SD-E)	Internal Ecosystem (DN-E)
Agency Costs	Monitoring costs from centralized control of shared resources across disparate business units	[Absent]	Monitoring and enforcement costs of mandated cross-selling	[Absent]	[Absent]	[Absent]	[Absent]	[Absent]
Coordination Costs	**Vertical** coordination between corporate center and business units for standardized services	**Lateral** coordination between business units for resource-sharing agreements	**Vertical** coordination between corporate center and business units for target-setting	**Lateral** coordination between autonomous business units for voluntary collaboration	[Absent]	**Vertical** and **lateral** coordination from evolving business unit interdependencies	**Vertical** coordination for engineering product complementarities across evolving offerings	**Vertical** coordination for maintaining data compatibility and governance across units
Adjustment Costs	Adaptation costs from standardizing diverse operational practices across units	[Absent]	Friction costs from imposing standardized cross-selling practices across market contexts	Continuous system adaptation costs to enable autonomous cross-unit opportunity identification	[Absent]	Routine adaptation costs from evolving business unit service configurations	Product reconfiguration costs from evolving complementarity requirements	Capability reconfiguration costs from data integration requirements
Opportunity Costs	Value erosion from standardization constraints on business unit autonomy	Value loss from duplicative investments in shared capabilities across autonomous units	Value erosion from misaligned performance metrics	Value erosion from asymmetric partnership benefits impeding select collaborations	Value loss from rigid infrastructure constraining resource reconfiguration	[Absent]	Value erosion from reduced flexibility to pursue external complementarities	[Absent]
Illustrative Examples from BigCo	Centralized IT and procurement shared services; streamlining internal operations to optimize supply-side efficiencies	Digital loyalty platform enabling business units to voluntarily pool and access customer data insights and marketing resources	Mandated cross-selling targets between retail and hospitality divisions	Data-driven customer matching to identify and facilitate cross-business opportunities	Physical colocation of retail, entertainment, and dining in shopping malls	Digital bundling, recommendations, and promotional packages across complementary services	Digital loyalty points ecosystem where value of rewards increases with multi-product and service usage	Cross-touchpoint behavioral data enabling personalized offerings and predictive recommendations

*We identify four distinct types of costs associated with pursuing synergies. Agency costs stem from the challenges of managing decision-making alignment and monitoring across diversified operations. Coordination costs encompass the expenses of establishing and maintaining integration mechanisms between interdependent business units. Adjustment costs reflect the friction in adapting existing routines and practices to accommodate new synergistic activities across business units. Finally, our comparative analysis of governance modes reveals opportunity costs—the value foregone due to specific governance choices—which become particularly salient when considering that certain synergies can be pursued through either traditional or ecosystem governance structures. The presence and magnitude of these costs vary systematically across different types of synergies and governance modes.

4.1 Consolidation Synergies (CS)

Consolidation synergies represent one of the most basic forms of value creation in multi-business firms. They are traditionally conceptualized as value created through the optimization of internal operations and shared resources across business units. Consolidation synergies derive from assets and capabilities that firms legally own and control, which can be governed through fiat (Kaul & Wu, 2016). The underlying logic draws from classical work on economies of scope and scale (Panzar & Willig, 1981; Teece, 1980), where value creation occurs through the recombination of tangible and intangible resources under common ownership.

Consolidation synergies: Traditional governance (CS-T)

Our investigation began at BigCo's corporate center, where executives directed the implementation of centralized services and standardized operations across IT, procurement, and analytics functions. These corporate-mandated initiatives were designed to create value through unified approaches to shared services. However, as we traced these corporate benefits across business units, we uncovered significant variation in both realization and perception of value.

The corporate center's standardization efforts generated substantial agency costs through extensive monitoring and enforcement mechanisms. Business units operated under strict corporate oversight of service adoption and utilization metrics, creating persistent tensions in vertical coordination. This standardization particularly affected analytics services, where the mandated adoption of centralized solutions created significant opportunity costs. While smaller units benefited from the corporate-prescribed resources, larger units with established capabilities found themselves constrained by standardized solutions that could not accommodate their specific needs.

Business-unit leaders consistently reported deteriorating service quality over time as they attempted to operate within the corporate-mandated framework. The disconnect between centrally managed service centers and business operations led to misaligned priorities, resulting in prolonged coordination cycles between business units and shared service teams who had limited latitude to adapt to distinct operational contexts.

Consolidation synergies: Internal ecosystem governance (CS-E)

At BigCo, we also observed synergies with the same economic logic of traditional consolidation but emerging through business unit-initiated collaboration and resource-sharing arrangements. Here, business units independently pursued joint marketing initiatives and shared analytical capabilities, enabled by the interdependencies created through the Digital+ ecosystem. Notably, agency costs were largely absent in this configuration, as the voluntary and lateral nature of collaboration eliminated the need for centralized monitoring and control. Figure 2 contrasts how the same consolidation synergy manifests differently under traditional versus ecosystem governance: while traditional governance mandates all three business units to use shared services (CS-T), the internal ecosystem structure (CS-E) enables two business units to voluntarily discover shared service opportunities while a third unit opts out.

Figure 2

COMPARATIVE ILLUSTRATION OF CONSOLIDATION SYNERGIES

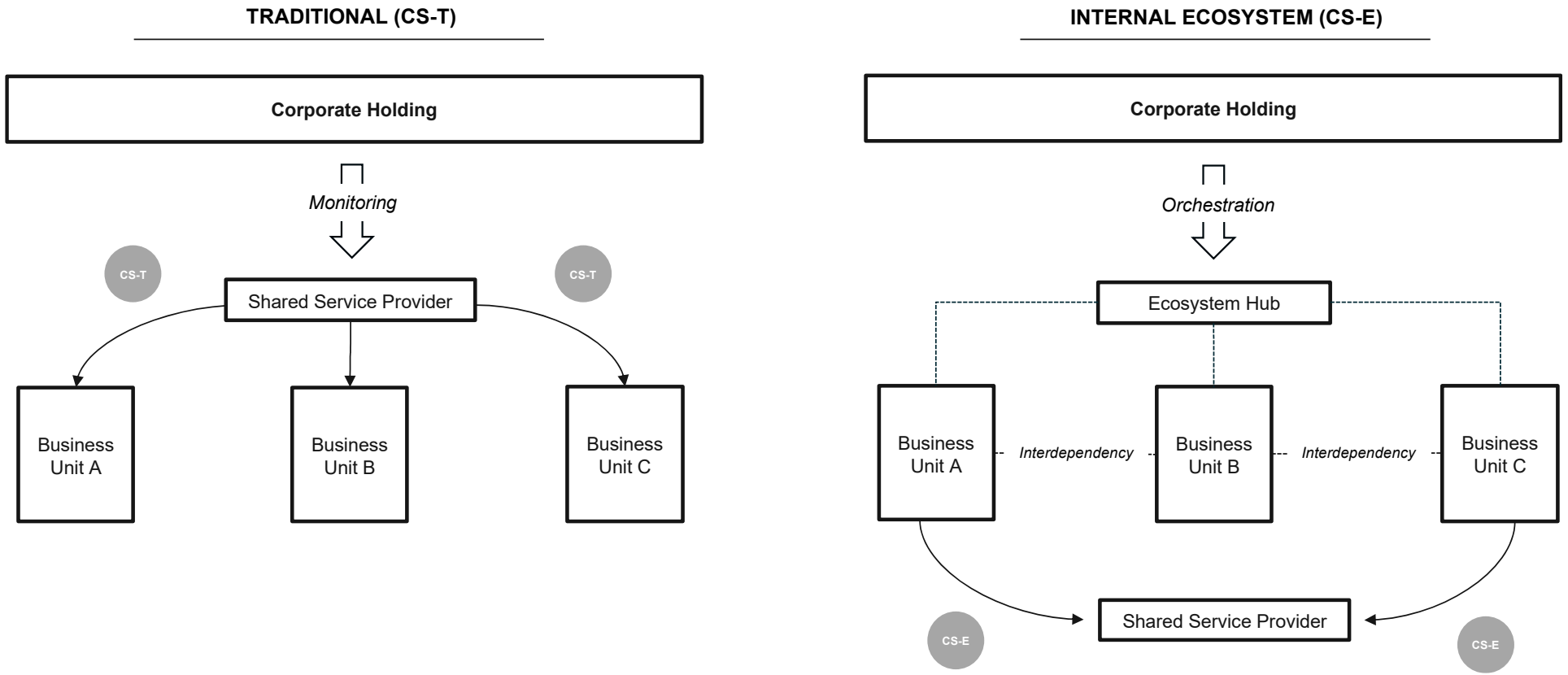


*Figure 2 illustrates the contrasting mechanisms of consolidation synergy realization under traditional (CS-T) and internal ecosystem (CS-E) governance structures. In the traditional structure (left), the corporate center exercises monitoring authority (depicted by hollow arrows), with a shared service provider imposed top-down on business units through formal coordination mechanisms (solid lines). This mandated consolidation approach (CS-T) often results in uniform service provision regardless of individual unit needs. In the ecosystem structure (right), the corporate center's role shifts to ecosystem orchestration, centered around an ecosystem hub that enables business units to develop interdependencies (depicted by dotted lines) based on their operational requirements. These interdependencies facilitate autonomous decisions about shared service engagement (CS-E). Notably, while Business Units A and C opt to engage with a shared service provider, Business Unit E's absence from the arrangement with D and F illustrates how voluntary coordination allows units to flexibly select their operational choices based on their specific needs and value-creation opportunities.

Specifically, the introduction of Digital+ points as a shared digital currency created incentives for business units to pool resources and coordinate on marketing initiatives. Business units stated that they could see the immediate value of collaboration, as shared customer data and loyalty points made the benefits of joint initiatives more tangible. Coordination responsibilities shifted to the business units themselves, creating lateral coordination costs as units worked to establish and maintain the frameworks for resource-sharing and operational alignment.

However, as we deepened our investigation across business units, we observed that these benefits were not shared equally across the organization. Patterns of redundant investments emerged when ecosystem interdependencies were too weak to overcome unit-level incentives—manifesting as opportunity costs through redundancy from maintaining individual business-unit autonomy. Multiple business units maintained separate marketing analytics teams and developed similar customer segmentation models independently. Although Hypermarket+ possessed the most sophisticated analytical capabilities and data lake, it was also the least willing to engage in resource-sharing arrangements, as its robust capabilities and independence diminished incentives to support smaller units that stood to gain more from such collaborations.

4.2 Cross-Market Synergies (CM)

Cross-market synergies represent value creation through leveraging existing assets, capabilities, or relationships across multiple markets or customer segments. These synergies align with classical theoretical work on economies of scope (Teece, 1980) and more recent perspectives on demand-side synergies (Brahm, Parmigiani, & Tarziján, 2021; Brahm et al., 2017), where value creation occurs through the firm's ability to serve multiple customer segments through shared touchpoints. The foundation for the theory is how firms can exploit their market presence and customer relationships to generate additional revenue streams, particularly through cross-selling opportunities and customized offerings (Puranam et al., 2009; Puranam & Vanneste, 2016).

Cross-market synergies: Traditional governance (CM-T)

At the corporate level, we found a system of mandated cross-selling initiatives and formal performance targets between business units. The center functioned as architect and enforcer of these collaborations, incurring significant agency costs from monitoring and enforcement.

As we traced these initiatives to the business-unit level, we observed significant friction in their implementation. Business-unit leaders described how mandated cross-selling targets led to forced collaborations that were at odds with their core customer value propositions. The retail division maintained strict targets for cross-selling to hotel guests, which required constant monitoring and generated significant vertical coordination costs. Property-development executives described how mixed-use projects created challenging incentive dynamics, with hotel and retail teams pursuing different and often conflicting performance metrics despite operating in shared spaces.

This complexity manifested most clearly in cross-business marketing initiatives, where implementation raised significant adjustment costs in adapting incentive systems across market contexts. A revealing instance occurred when corporate attempted to orchestrate a cross-

selling initiative by bringing all BigCo's retail brands together. The meeting ended in deadlock, as the various brands all maintained different visions and refused to compromise their individual positioning, effectively creating a hold-up problem. Marketing collaborations typically occurred in an ad-hoc manner, driven more by personal relationships between business-unit teams than by formal systems. These informal workarounds emerged as business units sought to navigate the rigid corporate mandate structure while maintaining operational flexibility. Our external validation interviews threw a new light on the corresponding costs involved. One large retail conglomerate had explicitly forbidden cross-selling between business units after determining that the costs from suboptimal performance metrics exceeded the potential benefits.

Cross-market synergies: Internal ecosystem governance (CM-E)

We also observed instances of cross-selling where the corporate center played a different role than in traditional governance structures. In contrast to cases of corporate center-mandated collaboration, business-unit leaders at BigCo spoke of successful cross-selling initiatives driven bottom-up by the business units themselves. The corporate center, particularly through its analytics function, played a guiding role—helping identify opportunities and match complementary business units rather than enforcing specific targets. The voluntary nature of collaboration meant that agency costs associated with corporate mandate were largely absent from this configuration.

While our initial observations of BigCo initially suggested that these ecosystem-enabled synergies were uniquely enabled by digital infrastructure, our external triangulation interviews revealed alternative mechanisms. One particular example came from an external interviewee's account of Virgin Group, where frequent parties orchestrated by Richard Branson served as catalysts for voluntary cross-unit collaboration. These gatherings created an informal ecosystem hub centered on the Virgin brand, facilitating bottom-up partnership formation without formal mandates.

At BigCo, we observed the same economic logic but executed through digital means. At the corporate level, executives described how the Digital+ platform, combined with advanced analytics, enabled them to identify and suggest potential partnerships between business units based on overlapping customer segments. Instead of dictating specific cross-selling targets, the corporate analytics teams provided insights about complementary customer bases and potential collaboration opportunities. This introduced adjustment costs in adapting digital infrastructure for cross-business opportunities but eliminated many of the friction points associated with mandated collaboration.

While fewer corporate mandates lead to lower vertical coordination costs, some of these coordination costs migrated to business units laterally. Business-unit leaders still described difficulties in measuring and attributing value from collaborative initiatives, particularly when multiple units contributed to customer acquisition or retention. Voluntary collaboration also led to missed opportunities when ecosystem interdependencies weren't strong enough to overcome unit-level priorities. In several cases, potentially value-enhancing cross-selling opportunities went unrealized because benefits were asymmetrically distributed: while the overall value-creation potential was positive, the opportunities disproportionately benefited

weaker business units, leading stronger units to decline participation in the absence of corporate mandates.

4.3 Transaction-Cost Synergies (TC)

Transaction-cost synergies are centered on reducing customers' search, coordination, amongst other transaction costs by integrating complementary offerings. These synergies build on classical transaction-cost economics (Williamson, 1985) but extend beyond traditional firm boundaries to focus on customer-facing costs. The underlying logic draws from research on demand-side synergies (Priem & Swink, 2012) and one-stop shopping benefits (Betancourt & Gautschi, 1990; Puranam & Vanneste, 2016), where value is created by reducing the cognitive and physical costs customers incur in accessing and combining complementary products and services.

Transaction-cost synergies: Traditional governance (TC-T)

Transaction-cost reduction through physical colocation emerged as one of the most consistently successful synergies across BigCo's portfolio. This approach generated vertical coordination costs primarily through the need to align physical infrastructure integration across business units.

Business-unit leaders described specific instances of successful colocation, though they offered different explanations for these successes. Some attributed the benefits primarily to the presence of one large corporate unit, Hypermarket+, which they termed an "anchor store" that minimized customers' search costs by allowing them to shop for groceries at the end of mall visits. Others emphasized how a carefully curated mix of retail and entertainment offerings created an overall experience that justified customers' travel costs.

However, opportunity costs were also observed in terms of reduced flexibility in service configuration. While mall executives and corporate leaders could identify shifting customer preferences through footfall data and purchasing patterns, the fixed nature of physical infrastructure created significant rigidity in responding to these trends. Mall executives described how reconfiguring the retail mix required months of planning and significant capital investment, with physical constraints often preventing rapid adaptation to emerging opportunities.

Transaction-cost synergies: Internal ecosystem governance (TC-E)

We also observed transaction-cost synergies manifesting through digital integration and unified customer interfaces rather than physical colocation. The Digital+ platform emerged as a key enabler of these synergies, helping reduce customers' search and coordination costs.

Our tracing revealed how the Digital+ platform enabled novel forms of transaction-cost reduction. Business-unit leaders described how unified loyalty points and integrated digital interfaces allowed customers to discover and access complementary offerings without physical colocation. The entertainment division highlighted how Digital+ enabled customers to seamlessly access multiple touchpoints through a single interface, reducing the cognitive costs of engaging with different parts of the BigCo ecosystem. However, this approach introduced new adjustment costs in adapting digital infrastructure for a unified customer experience.

As we tracked these patterns across business units, we uncovered continuous coordination costs for digital interface standardization. Technical teams described how maintaining synchronized digital touchpoints required constant coordination, as system updates in one business unit could create ripple effects across the ecosystem. Various forms of routine adjustment costs emerged in managing digital handoffs between business units. Business-unit leaders also reported frustration with analytics capabilities, particularly when trying to understand customer-journey patterns across different touchpoints. These challenges suggested that while digital integration did reduce certain transaction costs for customers, it also introduced new coordination costs for the organization.

4.4 Superadditive Demand Synergies (SD-E)

Beyond the classical synergies described above, we also observed synergy instantiations that fell outside their scope. Some reflected demand-side complementarities where the utility derived from consuming one product or service increased the marginal utility of consuming other offerings within the BigCo ecosystem, including the focal product itself. We termed these superadditive demand synergies, drawing from the ecosystem literature, which documents similar forms of value creation—albeit in open ecosystem settings (Jacobides et al., 2018). Unlike traditional scope economies that focus on supply-side efficiency gains, these synergies manifest through demand-side complementarities that create self-reinforcing adoption patterns, implying the existence of an ecosystem-based product arrangement.

In BigCo, these superadditive demand synergies emerged through a dynamic of top-down orchestration enabling bottom-up value creation. The Digital+ program exemplified this, functioning as a corporate-designed currency system that enhanced multi-product consumption value while simultaneously enabling business units to autonomously create complementarities. Similar to Apple's ecosystem architecture, BigCo's corporate center engineered the fundamental infrastructure, while business units leveraged it to develop value-enhancing combinations of their offerings.

The corporate center's top-down orchestration manifested through the establishment of Digital+ and its complementary units, coupled with a systematic migration of business units to the unified ecosystem infrastructure. This orchestration created the conditions for bottom-up innovation, where business units independently developed integrated offerings. For instance, although entertainment and hotels seemed unrelated and had not previously engaged with each other, they combined their capabilities to create outdoor cinema experiences after the ecosystem integration.

Beyond vertical coordination, this pursuit of superadditive demand synergies introduced lateral costs. Most notably, the increased customization of business unit offerings to the BigCo ecosystem constrained business units' external mobility. Leaders noted that maintaining complementarities required continuous investment in system compatibility and cross-unit quality standardization, shifting cost patterns to complementarity maintenance whilst reducing external compatibility.

4.5 Data-Network Synergies (DN-E)

Our analysis revealed a final category of unexplained synergy instantiations that emerged in BigCo's transition to ecosystem governance. These data-network synergies arise through value creation enabled by digital ecosystems, distinct from traditional scope economies. While prior work has examined how digital data transforms corporate scope (Lanzolla et al., 2020; Lanzolla & Markides, 2025) and enables platform-based network effects (Parker & Van Alstyne, 2005), our analysis reveals a similar economic logic operating within corporate boundaries. These synergies derive from the compound learning effects enabled by integrated customer behavior data across touchpoints, where the marginal value of data from each additional ecosystem touchpoint increases with ecosystem scale, implying the existence of an ecosystem-based product arrangement. Similar to superadditive demand synergies, data-network synergies at BigCo emerged through the interplay of top-down orchestration and bottom-up value creation. The corporate center established the fundamental data infrastructure and governance frameworks through Digital+, while business units leveraged this foundation to develop novel data-driven insights and offerings.

At BigCo, data-network synergies manifested through cross-touchpoint behavioral insights and predictive personalization. The corporate analytics team orchestrated the unified data architecture that enabled business units to access and analyze customer behavior across previously siloed operations. However, as we traced these benefits across the organization, we found significant variation in both the realization and distribution of value. While the retail division, particularly Hypermarket+, generated disproportionate data contributions (accounting for 80–85% of customer interactions), the ecosystem structure enabled other units to free-ride these insights for targeted innovation. This asymmetry created novel coordination challenges around data-sharing and value attribution, representing distinct costs in the ecosystem configuration.

Our systematic tracing revealed complex patterns of adjustment costs in adapting analytical infrastructure across diverse business units. Business-unit leaders described difficulties in maintaining consistent data standards across their federated infrastructure, despite the unified platform. The corporate analytics team faced significant challenges in connecting behaviors across the ecosystem, particularly when customer journeys spanned multiple business units.

5. Discussion

The question of how multi-business firms create value beyond the sum of their standalone units is fundamental to corporate strategy. While extensive theoretical work has examined the mechanisms through which firms create and capture value through scope, empirics are more limited, and recent digital transformations have begun to challenge our established understanding. Through unique research access to one of the largest retail conglomerates in the GCC and a configurational theorizing approach, we examine how synergy mechanisms manifest in digitally enabled organizations while offering practical insights for managers navigating this evolution.

5.1 Theoretical Implications

First, our study extends our understanding of how synergy mechanisms operate in digitally enabled firms. While prior work has extensively theorized about synergistic benefits and coordination costs in conventional corporate hierarchies (Feldman & Hernandez, 2022; Rawley, 2010; Zhou, 2011), our micro-level evidence reveals how these mechanisms manifest differently when operating through digital infrastructure and internal ecosystem governance. This represents a shift from headquarters actively managing relationships and coordinating synergy extraction, to enabling business units to autonomously identify and pursue synergistic opportunities within organizational boundaries. While previous attempts at bottom-up synergy realization existed (e.g., Virgin Group's use of social gatherings to foster inter-unit collaboration), digital infrastructure and data capabilities now provide a foundation for bottom-up synergy realization, altering the nature and distribution of coordination costs (Collis & Anand, 2021; Goold & Campbell, 2002). Our evidence suggests that how firms manage their scope may be as important as what that scope encompasses.

Second, we distinguish between the existence of scope and its value-creation potential. While firms pursue broad scope for various strategic reasons, our configurational analysis reveals that costs often outweigh benefits—not because the targeted synergies are invalid, but because firms underestimate costs or fail to establish necessary conditions. This misalignment between perceived and actual synergistic value aligns with recent work on divestitures as a value-creating strategy (Feldman, 2014, 2022; Feldman & Sakhartov, 2022). Furthermore, our findings complement research showing that optimal firm scope evolves with sector dynamics (Cetorelli et al., 2021), indicating conditions enabling synergy configurations shift over time.

Third, we contribute to work on digital transformation and ecosystem strategies (Iansiti & Lakhani, 2020; Lanzolla & Markides, 2025) by identifying novel forms of synergies uniquely enabled by ecosystem governance. Our identification of superadditive demand synergies and data-network synergies extends traditional theory on scope economies by showing how digital infrastructure creates new value through demand-side complementarities through multi-product bundling that yields real customer value (Jacobides, 2022; Jacobides et al., 2018).

Fourth, we make a methodological contribution by demonstrating configurational theorizing within a single multi-business firm. While configurational approaches traditionally rely on comparative case analysis or QCA across organizations (Furnari et al., 2021), we show how carefully tracing synergies within a single complex organization, combined with targeted external validation, can reveal rich configurational patterns. Our methodology of tracing benefits and costs across interconnected business units offers a new template for studying complex organizational phenomena, particularly where equifinal effects manifest across different organizational parts.

5.2 Managerial Implications

Our findings hold several important implications for managers. First, firms need to be more systematic in evaluating both benefits and costs of pursuing different synergies. Our evidence reveals that managers often focus on potential benefits while underestimating indirect costs that manifest in other parts of the organization. Second, our findings highlight the importance of establishing necessary conditions before pursuing specific types of synergies. The framework

we develop provides guidance on the conditions for different synergy types to create value. Third, while the shift to digital ecosystem governance offers new opportunities for value creation, it requires firms to transform how they think about and manage scope. Traditional approaches to coordination and control may need to be reimagined as firms move toward more distributed, data-driven forms of collaboration. Fourth, our investigation reveals parallels to the classical debate between planned and market economies, suggesting that different synergies may require different governance approaches within the same organization.

5.3 Generalizability, Limitations, and Future Research

Our study's limitations suggest several boundary conditions and future research directions. First, while our methodological approach provided unique insights, our focal organization operates in the Middle East, a generally non-acquisitive context. While advantageous for isolating patterns without survivorship bias, this may affect generalizability to more dynamic corporate environments, though our external cases from the USA and Europe assuage some concerns. Second, while we identify distinct patterns of costs associated with different synergies, our ability to precisely measure these costs and their impact on overall firm performance was limited. Third, our investigation focused on the intra- rather than inter-temporal benefits that unified governance confers (Helfat & Eisenhardt, 2004). Fourth, we did not address whether having firms as part of one group is superior to having them independent from a comparative institutional perspective – that is, whether synergies would be better achieved through an open ecosystem instead.

Future research could extend our findings through comparative studies in contexts where scope changes are more frequent and where capital-market pressures create different incentives for synergy pursuit. Research should also examine how organizations manage the transition between governance approaches and whether multi-business firms should be ambidextrous (O'Reilly & Tushman, 2013; Tushman & O'Reilly, 1996) in terms of trying to pursue both traditional and ecosystem-type synergies, or focus on one mode versus another.

In conclusion, our study provides a more nuanced understanding of how multi-business firms create and capture value through different types of synergies. By distinguishing between the existence of scope and its value-creation potential, we contribute to both theory and practice in corporate strategy. Our findings suggest that the key to successful scope management lies not just in identifying potential synergies, but in understanding and establishing the conditions necessary for their realization while carefully managing the associated costs.

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Table A1

Research Stream	Research Questions	Key Constructs	Exemplar References
Diversification-Performance	Does corporate diversification create or destroy value? Is there a corporate diversification discount? What is the role of the corporate center? How do different types of relatedness between businesses affect firm performance?	Relatedness, economies of scope, diversification discount, excess resources, strategy-structure fit	Berger & Ofek (1995), Campa & Kedia (2002), Cetorelli, Jacobides & Stern (2021), Giarratana, Pasquini & Santaló (2021), Montgomery (1994), Palich, Cardinal & Miller (2000), Rumelt (1982), Stein (1997), Teece (1982), Teece, Rumelt, Dosi & Winter (1994), Villalonga (2004).
Limits to Diversification	What are the organizational constraints that limit firms' ability to diversify? How do different types of organizational complexity affect managerial capacity? What mechanisms create diseconomies of scale and scope?	Coordination costs, adaptation costs, agency costs, routine execution costs, relatedness	Brahm, Mammen & van den Bergh (2021, 2017), Chen, Kaul & Wu (2019), Goold & Campbell (1998), Hill & Hoskisson (1987), Jones & Hill (1988), Larsson & Finkelstein (1999), Rawley (2010), Tsai (2002), Zhou (2011), Zhou & Wan (2017), Zhou, Yang & Ethiraj (2023).
Post-Merger Integration (PMI)	What determines the appropriate level and type of integration between acquirer and target? How do organizations balance integration and autonomy in merged entities? What capabilities facilitate successful integration?	Integration depth, knowledge, coordination, culture, experience, autonomy, communication	Cording, Christmann & King (2008), Datta (1991), Graebner, Heimeriks & Huy (2017), Homburg & Bucerius (2006), Paruchuri, Nerkar & Hambrick (2006), Puranam, Singh & Chaudhuri (2009), Puranam & Srikanth (2007), Trautwein (1990), Zaheer & Venkatraman (1994).
Divestment	What drives organizations to divest units or businesses? How do firms decide between divestment and redeployment? What determines the outcomes between divestment approaches?	Agency, strategic fit, resource maturity, redeployment, stakeholder orientation, timing	Damaraju, Barney & Makhija (2015), Duhaime & Grant (1984), Durand & Vergne (2015), Feldman (2021, 2022), Feldman & Sakhartov (2022), Haynes, Thompson & Wright (2003), Montgomery & Thomas (1988), Wright & Thompson (1987), Wright & Ferris (1997).
Resource Reconfiguration	How do firms reconfigure their resources following scope changes? What processes and mechanisms enable effective reconfiguration? What determines the timing and sequence of resource reconfiguration?	Resource redeployability, scale-free resources, path dependency, social networks, routines	Anand & Singh (1997), Capron, Dussauge & Mitchell (1998), Girod & Whittington (2017), Karim (2006, 2009), Karim & Capron (2016), Karim & Kaul (2015), Karim & Mitchell (2000), Karim & Williams (2012), Levinthal & Wu (2010), Sakhartov & Folta (2014), Vidal & Mitchell (2015).
Ecosystems	How do firms orchestrate and govern ecosystem relationships to create and capture value? How do complementarities among ecosystem participants affect ecosystem outcomes? How does governance affect complementor behavior?	Complementarities, modularity, architecture, externalities, network effects, orchestrator	Adner (2017), Adner & Lieberman (2021), Altman, Nagle & Tushman (2022), Cennamo & Santaló (2019), Daymond, Kapoor & Lee (2023), Ganco, Kapoor & Lee (2020), Jacobides (2022), Jacobides, Cennamo & Gawer (2018), Jacobides, Cennamo & Gawer (2024), Lanzolla & Markides (2025, 2022).

Figure A1

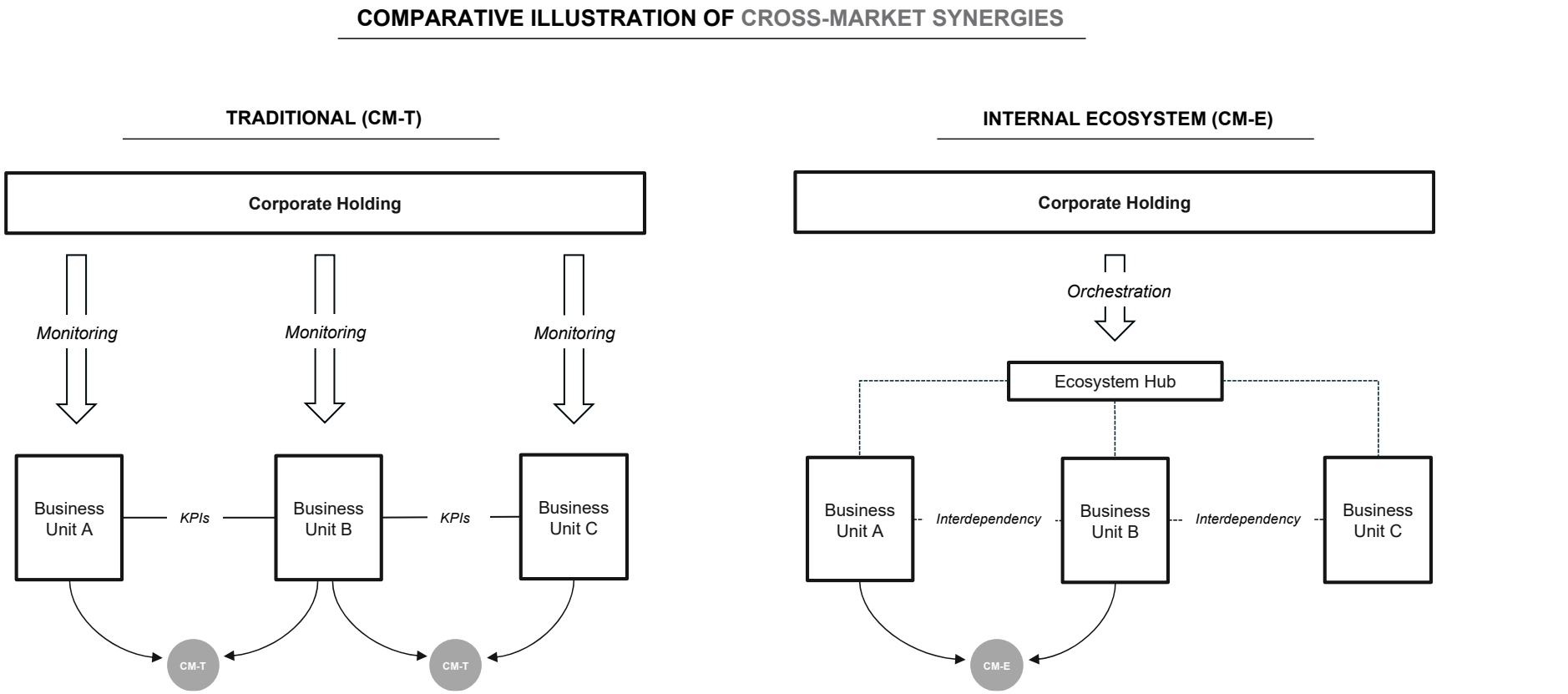

*Figure A1 illustrates the contrasting mechanisms of cross-market synergy realization under traditional (CM-T) and internal ecosystem (CM-E) governance structures. In the traditional structure (left), the corporate center primarily engages in monitoring activities (depicted by hollow arrows), while business units are connected through formal KPI structures (solid lines) that facilitate mandated cross-selling synergies (CM-T) through dyadic interactions. In the ecosystem structure (right), the corporate center's role shifts to ecosystem orchestration, centered around an ecosystem hub that creates and facilitates interdependencies between business units (depicted by dotted lines). These interdependencies enable voluntary, autonomously motivated cross-market synergies (CM-E). Notably, the absence of a synergistic connection between Business Units B and C in the ecosystem structure illustrates how voluntary coordination may result in selective synergy realization based on perceived complementarities and value-creation opportunities, rather than mandated interactions that could lead to incentive misalignment costs. Coordination costs are primarily incurred vertically in the traditional structure, whereas in the ecosystem structure, these costs shift to being primarily incurred horizontally between business units.

Figure A2

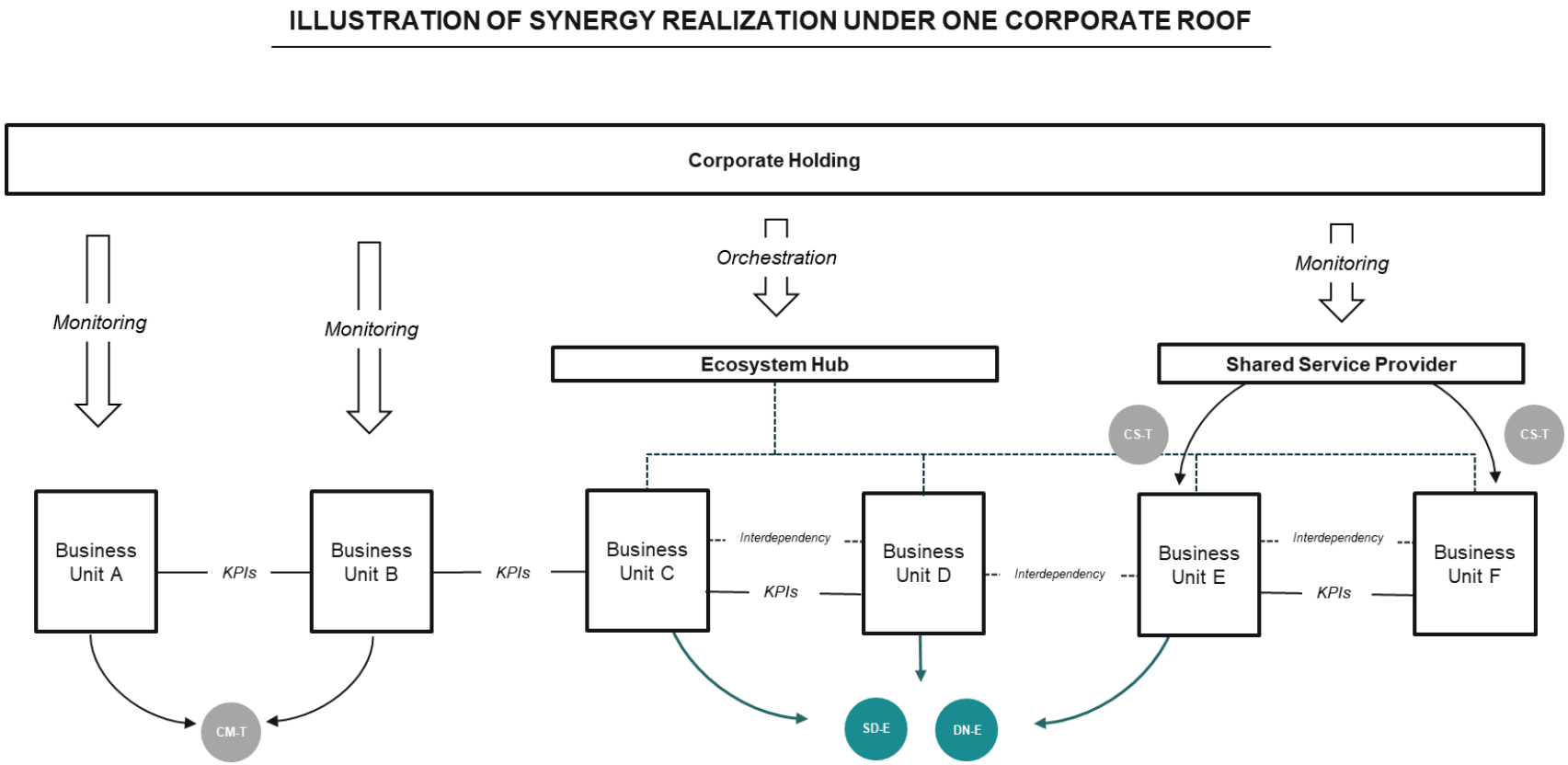

*Figure A2 illustrates internal ecosystem architecture demonstrating dual governance modes. This figure illustrates how a corporate holding structure can simultaneously accommodate traditional monitoring relationships (shown through vertical arrows) and ecosystem-driven interdependencies (shown through dotted lines). The ecosystem hub orchestrates interdependencies among business units C, D, and E through digital interfaces, while traditional KPI-based monitoring continues across all units. The shared service provider is pushed down upon business units E and F to create consolidation synergies from top-down.

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