Avoiding crisis-driven business failure through digital dynamic capabilities: B2B distribution firms during the COVID-19 and beyond

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Abstract

Previous research has proposed different determinants of the success and failure of technological innovation in industrial networks. However, following the recent COVID-19 pandemic crisis, distributors have been seeking to become more agile in identifying and transforming business processes to the end of avoiding failures. Although industrial practitioners have been broadly motivated to understand the effects of pandemics on business failure, the contingency factors that affect organizations in their responses to such sudden exogenous shocks remain unclear. Inspired by a burgeoning academic interest in viewing the COVID-19 pandemic as a digital accelerator, this paper presents an examination of how B2B distribution firms have been avoiding business failure by using their dynamic capabilities (DCs) in response to the sudden exogenous shocks caused by the pandemic. Based on data drawn from interviews conducted with a sample of B2B distribution firms, we argue that capitalizing on digital DCs—digital sensing (i.e., digital mindset crafting and digital scenario planning), digital seizing (i.e., engaging in strategic agility and balancing a digital portfolio), and digital transformation (i.e., navigating the innovation ecosystem, redesigning the internal structure, and improving digital maturity), —helps to prevent business failure during a pandemic.

Key terms: Industrial networks, Business failure, B2B distributor, digital dynamic capabilities, post-COVID-19 pandemic

1. Introduction

The COVID-19 pandemic crisis has spurred industrial firms to change their perceptions of their markets and transform their business processes in order to avoid business failure (Sharma et al., 2020); in particular, firms have faced disruptions in their product distribution (Donthu & Gustafsson, 2020; Sharma et al., 2020). The operations of many business-to-business (B2B) distribution firms from various industries have been impacted by this unprecedented crisis (Hu, 2022; Mora Cortez & Johnston, 2020). In this regard, Islam et al. (2020) argued that, during the pandemic, B2B distributors have been faced with the need to employ technology-enabled product order systems suited to bypass the traditional ways in which purchase requests are placed, which has spurred them to embrace digital tools. Most of these firms are now poised to introduce more digitized processes in response to changing market demands to the end of solving customer problems and achieving collective efficiency (Pandey et al., 2020). This refers to the development of dynamic capabilities (DCs), which points to a firm's ability to create new competencies and reconfigure its existing ones in line with the changes taking place in the external environment (Teece, 2007). The current increases in global uncertainty and ambiguity levels are elevating the importance of the ability of organizations to digitally transform their industrial businesses (Ghosh et al., 2021). The sudden pandemic shock forced firms to exploit digital DCs to avoid failure (Belitski et al., 2022; LaBerge et al., 2020). Consequently, scholars from diverse disciplines, such as marketing and management, have turned their attention to value creation through digital capabilities (Donthu & Gustafsson, 2020). The sudden exogenous shock triggered by the COVID-19 pandemic compelled B2B firms to introduce additional digital practices and processes to the end of keeping pace with digital transformation (Amankwah-Amoah et al., 2021a; Corsaro & D'Amico, 2022). A report published by McKinsey & Company (2020) highlights how the pandemic has accelerated product distribution through online platforms and tech-enabled distribution, which are more likely to become a permanent fixture of post-pandemic business models.

Although the need to understand the effects of pandemics on business failure is widely shared among industrial practitioners, the literature has hitherto remained silent in regard to how B2B firms can respond to such sudden exogenous shocks in order to prevent business failure (Kang et al., 2021). Cope (2011) emphasized the paucity of qualitative evidence by developing critical reflection and purposeful action on the prevention of business failure. Additionally, the capability-building initiatives and the specific channel performance improvement needs driven by the pandemic pressure—of which even distribution firms are unaware—are hitherto largely unexamined (M. Wang et al., 2021). Further, the literature

provides limited insights into how B2B distributors can drive the digital transformation of sales for business success (Guenzi & Habel, 2020). As pointed out by Peruchi et al. (2022), before the pandemic and with few exceptions, most industrial or business-to-business (B2B) distributors were either at least partially or completely nondigital. To our knowledge, little research has hitherto focussed on how distributors can improve their capabilities to respond to sudden environmental shocks and prevent business failure (Cope, 2011; Guenzi & Habel, 2020; M. Wang et al., 2021). There is thus little understanding of the micro-level mechanisms and processes related to industrial network (i.e., distributor) business failure, with researchers having yet to study the development of industrial networks, the behaviours enacted, and the decisions made both during and following a pandemic.

Despite the increasing popularity of business failure research (Amankwah-Amoah, Khan & Wood, 2021), there is still a need for scholarly attention aimed at understanding how B2B distribution firms meet unprecedented customer demands and operate efficiently to prevent failure in the wake of sudden exogenous shocks like that caused by the COVID-19 pandemic (Crick & Crick, 2020). There is also scope to investigate how B2B firms can develop digital DCs to prevent business failure (Gligor et al., 2021) and what types of business actions can be considered to be permanent fixtures of the business strategies adopted in post-pandemic times. Following the DC view, our qualitative inquiry was aimed at exploring how B2B distributors avoided business failure and are bouncing back in the post-pandemic world. We analysed qualitative data collected from industrial distribution firms and investigated the ways in which they avoided business failure following the abrupt pandemic shock.

We explored the role played by digital DCs in avoiding business failure in the event of a pandemic by enabling rapid digital transformation. Our findings suggest that, in order to respond to any sudden exogenous shocks, a firm's human resource capital and IT infrastructure need to be reoriented. They further highlight the transformation required in B2B distribution sales operations, show how distributors need to develop their digital capabilities in response to abrupt crises, and point out the newly inducted business strategies that are likely to become a permanent fixture of distribution setups in post-pandemic times. Further, our findings indicate the importance of establishing an adaptive B2B distribution sales force capable of modifying and diversifying sales methods in order to create business value. In line with the DC view, we argue that distribution firms need to be able to quickly scan the technological environment and develop the digital capabilities suited to support product deliveries under conditions of uncertainty. Our study proposes a collaborative approach to the ecosystem that can help businesses balance digital portfolios, which is essential to avoid failure.

2. Theoretical background

2.1. Dynamic Capabilities and Digital Transformation

Our adoption of DCs as a relevant theoretical lens for this study was prompted by the efforts made by organizations to respond to pandemic-driven disruption by modifying business models and creating new competencies aimed at creating value from digital technologies. DCs refers to an organization's ability to create new competencies and reconfigure its existing ones to address any environmental changes (Teece, 2007). DCs relate to the actions taken by firms to gain competitive advantages by continuously changing and evolving their resources in response to changes in the environment (D. J. Teece et al., 1997). DCs thus represent a firm's capacity "*(a) to sense and shape opportunities and threats, (b) to seize opportunities, and (c) to maintain competitiveness by improving, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets*" (Teece, 2007: 1319).

The current literature distinguishes DCs from the operational capabilities of firms and considers them to be innovation-based. This is because, whereas a firm's operational capabilities are ordinary and only help it to maintain the status quo, leaving it unprotected from environmental change (Backer et al., 2003; Bharadwaj et al., 2013; Helfat & Peteraf, 2015; Zahra et al., 2006), DCs are harder to replicate and enable it to adapt to any environmental needs (Helfat & Winter, 2011). Much research on the adoption of technological change has been conducted through the DC lens (Eisenhardt & Martin, 2000; Teece, 2007a; Warner & Wäger, 2019). Due to the powerful impact of digital technologies on business survival, the DC lens invites a uniform approach to the study of digital transformation (Warner & Wäger, 2019). Therefore, for a successful digital transformation, firms require sets of capabilities suited to facilitate business model change (Ellström et al., 2022).

Verhoef et al. (2021: 889) defined digital transformation as "*a change in how a firm employs digital technologies, to develop a new digital business model that helps create and appropriate more value for the firm*". Digital transformation, which is supported by digital technologies aimed at building a competitive advantage for a firm (Liu et al., 2011), changes the way a business is operated—i.e., it involves changes in organizational tasks, value creation processes, and the business model (Verhoef et al., 2021). Most firms lack the ability to fully explore the potential of digital transformation, and even those companies that are aware of the potential still struggle to bring about the levels of organizational change needed to yield the full benefits of their digital efforts (Parviainen et al., 2017).

Digital DCs (or DCs for digital transformation) refer to digital sensing, digital seizing, and digital transformation (Warner & Wäger, 2019). Digital sensing includes digital scouting (i.e., scanning for digital trends, digital competitors, and customer trends), digital scenario planning (i.e., interpreting future digital scenarios and formulating digital strategies), and digital mindset crafting. Digital sensing capabilities enable firms to better understand any changes in the business landscape and to manage them by taking action (Jacobi & Brenner, 2018; Warner & Wäger, 2019).

The seizing capability of firms involves understanding the value of any potential business opportunities and identifying the changes needed to seize their value (Yeow et al., 2018). Digital seizing includes rapid prototyping (i.e., the creation of minimum viable products, lean start-up methods, and the use of digital innovation labs), digital portfolio balancing (i.e., the scaling up of innovative business models and the setting of execution), and strategic agility (i.e., the reallocation of resources, the acceptance of change, and the pacing of strategic responses). While implanting new technologies into their business processes, firms face potential gaps in capacity (Karimi & Walter, 2015). Consequently, the seizing capability is crucial for firms to capture value from new technologies (Ellström et al., 2022).

Digital transformation involves navigating innovation ecosystems (i.e., exploiting new ecosystem capabilities), redesigning internal structures (i.e., hiring digital experts and digitalizing the business model), and improving digital maturity (i.e., leveraging internal digital knowledge, identifying digital workforce maturity, and externally recruiting digital natives) (Warner & Wäger, 2019). In order to manage their own digital transformation, firms need to develop reconfiguring capabilities (Bharadwaj et al., 2013; Ellström et al., 2022; Karimi & Walter, 2015; D. J. Teece & Linden, 2017).

Therefore, the sensing, seizing, and transformation routines of DCs facilitate the digital reconfiguration of firms (Ellström et al., 2022). Warner & Wäger (2019) highlighted various contingency factors that enable, hinder, and trigger the building of DCs for digital transformation. The building of DCs for digital transformation is unique and specific and involves the continuous replacement and refreshing of collaborative approaches, cultures, and business models (Warner & Wäger, 2019). The current literature, which is relatively silent on the fact that companies need to build their digital sensing capabilities for digital reconfiguration (Nambisan et al., 2017; Sebastian et al., 2017), highlights the importance of building new capabilities in relation to digital scouting and digital scenario planning to quickly detect any unexpected outer and inner trends (Bharadwaj et al., 2013).

The existing research points to the importance of digital DCs for companies to embrace digital transformation (Canhoto et al., 2021; Jafari-Sadeghi et al., 2021; Matt et al., 2015; Warner & Wäger, 2019). Warner & Wäger (2019) argued that improved digital maturity is a fundamental DC for on-going digital reconfiguration. As digitalization is a relatively novel phenomenon, many firms may lack the internal digital resources—e.g., digital expertise—needed for their successful digital reconfiguration (Yeow et al., 2018). Specifically, in times of crisis, the possession of mere competitive advantages is not enough for firms to survive (Darawong, 2018); they also need to develop the capabilities to identify any growth opportunities and to exploit them by means of their existing resources (Eikelenboom & de Jong, 2019). For example, B2B distribution firms have met COVID-19 driven challenges by adopting digital technologies. Such firms are part of industrial networks and, as such, rely heavily on lead firms; therefore, the microfoundations of the DCs of distribution firms could differ from those of independent ones. The literature includes explorations of the central role played by digital tools—such as social networks and other online platforms—in improving the performance of B2B firms (de Jong et al., 2021; Guenzi & Habel, 2020; Mahlamäki et al., 2020). One of the most widespread forms of business networks fosters relationships through offline, face-to-face, and non-digital interactions (Smith & Smith, 2021). However, due to the sudden exogenous shock caused by COVID-19, B2B distributors have gone through various phases of digital transformation to avoid the risk of closure. The existing literature on DCs is mainly focused on independent firms, rarely dealing with the DCs of B2B distribution firms.

2.2. Business Failure and Dynamic Capabilities

Business failure refers to a situation in which a company can no longer operate sustainably and thus has to close down its operations, laying off employees (Fleisher & Wright, 2010; Sheppard, 1994). Shepherd (2003) defined business failure as a discontinuity of business ownership due to insolvency, referring to circumstances in which a few internal and external factors trigger a decline that may lead to the abandonment of business operations. Business failure can also occur when a firm fails to update and upgrade its expertise and resources, and thus no longer creates wealth for its stakeholders (Amankwah-Amoah, 2015). Amankwah-Amoah (2016) defined business failure as a situation in which a firm ceases operations and/or loses its identity due to its inability to swiftly respond and adapt to changes in the external environment. Business failure is viewed as the sudden or gradual death of a business (Amankwah-Amoah et al., 2021a). In recent decades, two schools of thought pertaining to the causes of business failure have appeared, with scholars noting these as deterministic and

voluntaristic perspectives of business failures (Amankwah-Amoah, 2018; Mellahi & Wilkinson, 2004; Zhang et al., 2019). Any external factors that are outside of managers' control pertain to the deterministic perspective of business failure (Amankwah-Amoah et al., 2021a). Among such factors, the primary challenges faced by a firm that may lead to business failure are recessions, technological changes, government taxes, and general environmental volatility (Micelotta et al., 2017; Silverman et al., 1997). Conversely, the voluntaristic perspective considers a firm's internal factors linked to business failure—including its capabilities, resources, leadership, and management (Kücher et al., 2020; Mellahi & Wilkinson, 2004). Furthermore, combinations of the deterministic and voluntaristic perspectives have also been identified as causes of business failure (Dahlin et al., 2018). Business failure may arise as the result of a mismatch between an organization and its environment (Sabherwal et al., 2001). Any mismatch between a firm's practices, structure, resources, and strategy is termed an internal misfit, whereas any mismatch between a firm's specific factors and its global or home environment is deemed to be an external misfit (Amankwah-Amoah et al., 2021a; Gammeltoft et al., 2012).

A business failure is broadly defined as an entrepreneur's exit from the business or discontinuing from those businesses that are closed or sold for several reasons i.e., retirement age, health reasons, less profit, and switching to another venture (Ucbasaran et al., 2013; Watson & Everett, 1996). A narrow definition of business failure refers to poor economic conditions and bankruptcy (Shepherd & Haynie, 2011). Shepherd (2003) combined the above two approaches and explained business failure as "Business failure occurs when a fall in revenues and/or a rise in expenses are of such a magnitude that the firms become insolvent and is unable to attract new debt or equity funding". In a similar vein of research, Cope (2011) considers a business failure when the business revenues do not exceed than cost, and make the business less attractive to continue. Business failure due to poor economic conditions is a common notion that is narrated by many studies. However, few studies have emphasized that the expectations of entrepreneurs constitute a crucial threshold to define a business failure. For example, according to Ucbasaran et al. (2010) business failure is defined as not only sales or closure of a business due to liquidation, bankruptcy, or receivership but the closure of the business because it has stopped to meet the expectations of entrepreneurs, and these expectations may vary as per personal performance threshold of entrepreneurs.

Businesses manage to survive and avoid business failure, particularly in times of crises and during sudden exogenous shocks. Several studies have investigated the nature of business responses to various crises (Ghaderi et al., 2012; Jiang et al., 2021; Kang et al., 2021;

Makkonen et al., 2014; Mansour et al., 2019; Runyan, 2006). Recent research streams have also attempted to figure out various sets of strategies and actions that businesses may adopt to overcome the fear of failure during a crisis (Hu, 2022; Mele et al., 2022; Moi & Cabiddu, 2022; Rahman, 2022; Thakur & Hale, 2022). For example, a study by Hu (2022) highlighted the importance of social media in a B2B context to provide essential business information and to reinforce the business relationships that were being affected due to the lack of physical contact during a lockdown in the Covid-19 pandemic crises. Rahman (2022) identifies the firm's business agility as a significant survival strategy for SMEs in volatile and uncertain business environments. In a similar vein of research, Thakur & Hale (2022) demonstrate the effectiveness of offensive and accommodative survival strategies to best protect a business and help managers survive in a crisis. Another study by Moi & Cabiddu (2022) illustrates the importance of agile marketing strategies to empower B2B firms to cope with the business operational challenges in a stage of crises and uncertainty. Hansen et al. (2022) emphasize B2B companies to focus on coordination, interaction, and digital trust to address the crisis and relative challenges.

In a crises situation, the DC view is the relevant lens, as DC downturns have a direct negative impact on business performance, which can ultimately lead to failure (Weaven et al., 2021). In particular situations, the extent to which a company can overcome business challenges and grasp new opportunities largely depends on its ability to adapt to new situations (Teece, 2012). This may require reallocating resources to maintain any existing capabilities and to develop innovative and valuable ones that closely fit the external business conditions (Osiyevskyy et al., 2020). Although uncertain economic conditions present potential threats to business survival, they can also provide growth opportunities (Tsvetkova et al., 2014). To exploit new opportunities and create competitive advantages for survival, businesses need to be able to leverage their capabilities (Mansour et al., 2019; Wang & Shi, 2011) . Pinho (2011) suggested that, to survive in turbulent and unpredictable markets, businesses need to fine-tune existing resources and create new ones. Businesses need to be capable to identify opportunities in times of crisis (Björklund et al., 2020), and DCs enable them to perform in uncertain and volatile market environments (Woldesenbet et al., 2011). In the presence of conditions of unpredictable uncertainty, DCs help businesses to be more resilient (Teece & Leih, 2016). The DC framework enables entrepreneurs to integrate business, strategy, and technology in complex uncertain environments (Teece & Leih, 2016). The possession of DCs in times of crisis is crucial for businesses to survive (Jiang et al., 2021); however, it is inexpedient for them to do so in a very short time in response to abrupt crises (Jiang et al., 2021). Makkonen et al.(2014) shed light on

the role played by DCs in increasing the evolutionary fitness of firms in a global financial crisis. Jiang et al. (2021) proposed a process of resource allocation, routine transformation, and resource utilization provided by DCs to enable firms to respond to natural crises. Mansour et al. (2019) highlighted the significance of DCs in empowering firms to survive in turbulent conditions like civil conflicts. Grewal & Tansuhaj (2018) suggested the role played by a firm's ability to respond quickly to changing technologies and market opportunities and improve performance during an economic crisis. Although several studies have investigated the nature of business responses to various crises, however, such crises did not have the sudden nature of that caused by the COVID-19 pandemic. The need for DCs due to sudden changes in the external environment, and the response of firms to swift shocks is scarcely addressed in the existing literature.

The above review shows the common understanding of business failure and its relationship with DCs; however, the existing literature has lamented the paucity of studies on how a B2B firm builds the capabilities to strategically align its practices and processes to prevent business failure in the presence of sudden exogenous shocks. Therefore, on the basis of the framework outlined by Amankwah-Amoah et al. (2021), we attempted to understand how B2B distributors built their digital DCs during the COVID-19 pandemic to prevent business failure.

3. Methodology

3.1. Research design and context

We took a discovery-oriented qualitative approach (Strauss & Corbin, 2014) suitable to generate theoretical insights into novel phenomena (Locke, 2001). The research approach is advocated based on the conditions: when emerging procedures and questions are involved; when data analysis is performed by moving from detailed to broader themes; and where researcher is engaged in interpreting the meanings of data (Creswell & Creswell, 2017). In this study, this approach enabled rich insights to be gained into the building of B2B distributor's digital DCs to prevent business failure within the pandemic period. In doing so, using a theoretical sampling approach (Eisenhardt, 1989; Yin, 2003), we studied the development of distributor digital capabilities at Delta (a pseudonym). When the aim is to seek answers to "how" and "what" questions, qualitative research provides detailed explanations of micro- and meso-scale mechanisms and processes, as has been previously done in various industrial network studies (Eisenhardt & Graebner, 2007). As the study objective is to explore how B2B distributors avoided business failure and bounced back in the post-pandemic world. Keeping in view this research objective, the unit of analysis is distribution firms, and the study is based

on an in-depth analysis of the B2B distribution network (Dessaigne & Pardo, 2020; Dubois & Gadde, 2002). The method of data collection is the most appropriate to study such an emergent process (Eisenhardt, 1989). We carefully followed the footsteps of established scholars (e.g., Aminoff & Hakanen, 2018) and purposively selected one manufacturing firm and its distributors in order to fully and specifically capture the role played by digital DCs of distributing firms in avoiding business failure in the event of a pandemic by enabling rapid digital transformation.

To gain a full understanding of the phenomenon, semi-structured interviews were conducted with B2B distributors to elucidate the underlying activities. Reflecting the qualitative nature of the study, the first discussion was made with the main supplier (Delta) that distributes Motion and Control technologies to industry through its distribution network (Cepeda & Martin, 2005; Perry, 2000); and the second with the key B2B distributors that supply the Motion and Control solutions to retailers. The selection of the B2B distributors was initiated through a discussion with the top management of Delta (Aminoff & Hakanen, 2018). During the discussion, a list of distributors (they call it as digital partners) was shared with us that represented all the details of distributors (as seen in table 1) that were working for Delta. We based our case selection on several criteria suited to illustrate the practices we sought to study (Aminoff & Hakanen, 2018; Eisenhardt, 1989).

Delta is a global leader in Motion and Control technologies, providing precision-engineered solutions for a wide variety of mobile, industrial, and aerospace markets. Delta has an unmatched breadth and depth of products that originate from a global leadership position in nine core Motion and Control technologies that include hydraulics, filtration, electromechanical, pneumatics, process control, fluid and gas handling, climate control, aerospace, sealing and shielding. Delta operates globally and uses the acronym EMEA (Europe, Middle East, and Africa) to define its regional business activities. This acronym is purely designed by the top management of Delta, and the company can change the names and locations at any time based on geographical business conditions. For example, in the Europe area, its distribution operations are managed in five different regions, named Nordic region, the UK-Ireland region, Dach region, Benelux region, and Central and Eastern Europe (CEE) region. Akin to other firms, distributors of Delta experienced a shock as COVID-19 disrupted global distribution. In order to respond to this crisis, Delta's distributors responded to such quick change and proved to be resilient and even blossomed during the lockdown. Delta's distribution network provides an excellent empirical setting for observing activities that the distribution network adopted to avoid business failure in sudden economic shocks, like COVID-19.

Distributors of Delta were selected based on the expectation of information thickness, and to provide us with an interesting opportunity to address the research question (Eisenhardt, 1989; Flyvbjerg, 2006; Yin, 2003).

The selection of the B2B distributors of the CEE region was initiated through a discussion with the top management of Delta (Aminoff & Hakanen, 2018). During the discussion, the management shared a list of those distributors (as seen in table 1) that were working for Delta and had significantly developed capabilities to cope with pandemic challenges to prevent business loss. These distribution firms responded quickly and changed their practices during exogenous shock.

3.2. Source of data

Over a three-month period (October to December 2021), we conducted interviews with selected informants from our 24 B2B distribution firms. Theoretical sampling was used to select the cases to be analysed (Eisenhardt, 1989), which means that cases were chosen based on the expected contribution they could give to theory building. These B2B distribution firms are selected from the CEE region of Delta. CEE regional office is located in the Czech Republic, which is responsible for sales and distribution operations of EU countries like Poland, Slovenia, Slovakia, Bulgaria, Hungary, Croatia, Romania, Latvia, Lithuania, Greece and a few non-EU counties like Turkey, Belarus, Ukraine, and Georgia. Prior to the interviews, we first talked to Delta and identified those of its B2B distributors in CEE region that had responded quickly and adopted new practices to cope with pandemic crises challenges. During the discussion with Delta, we refined our initial sampling criteria as follows: a B2B distribution (i) with well-organised and established digital capabilities, (ii) that had initiated successful digital transformation into their distribution processes. Our informants were senior managers who: 1) were directly involved in managing their distribution businesses and would thus be able to provide rich and first-hand knowledge; and 2) held reasonable tenure in their companies and could thus provide a

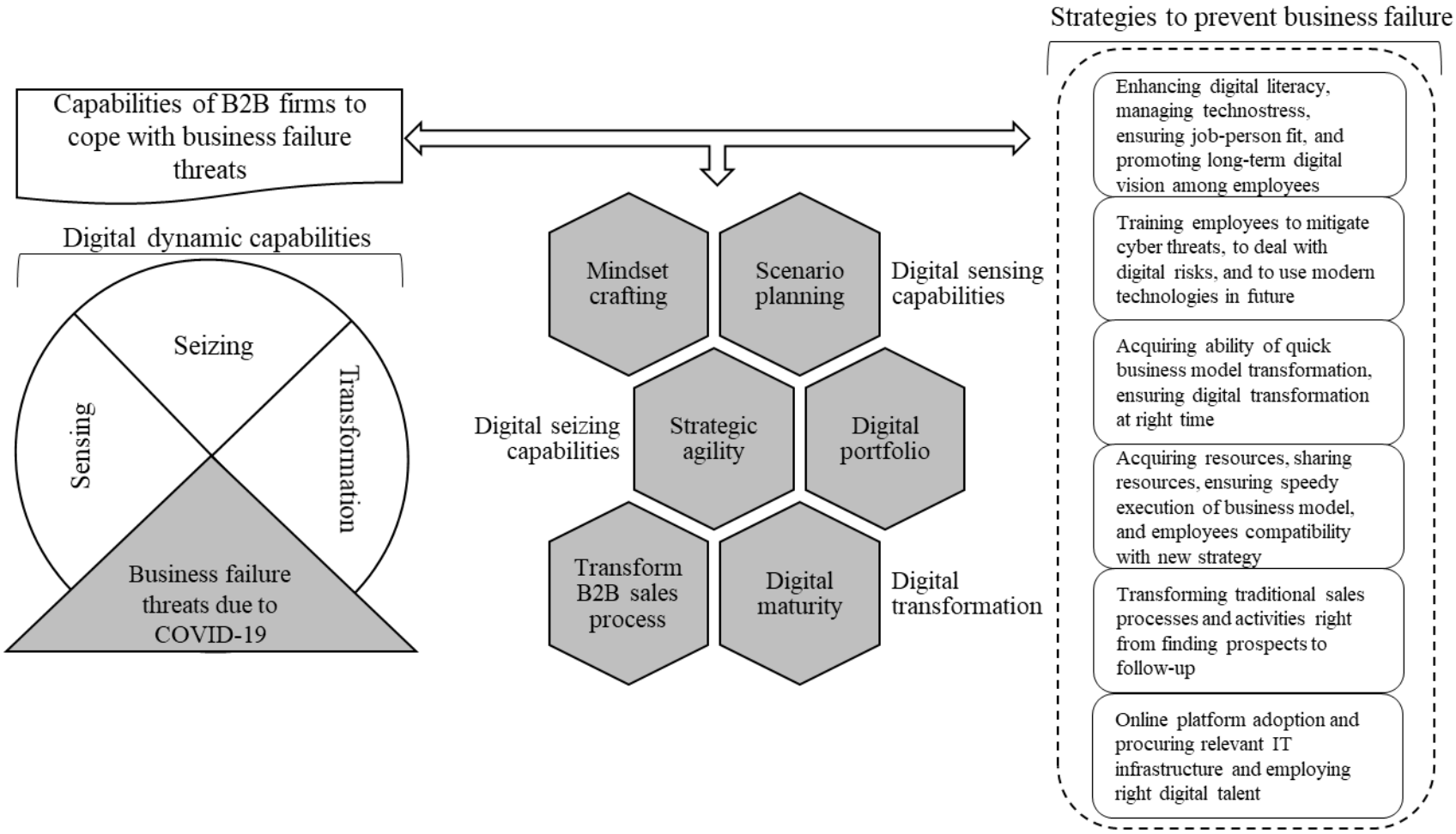

Fig.1. Conceptual framework

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temporal perspective encompassing pre- and post-pandemic business operation processes. The interviews, which were conducted via ZOOM, were reviewed and transcribed by two independent researchers who had not taken part in the interview process. The interview guide comprised two main sections; the first included open-ended questions that enabled the informants to provide a broad overview of the actions they had adopted to avoid business loss during the pandemic lockdown. The second section pertained to the specific actions the informants had undertaken to tackle the challenges (please see the interview script in the appendix). In order to probe any emergent themes, we added additional questions to the interview protocol to take advantage of any special opportunities that may have presented themselves in a given situation (Eisenhardt, 1989).

In order to address any potential informant bias, we followed the guidance of well-established qualitative scholars (e.g., Eisenhardt 1989; Langley & Abdallah 2011). For example, during the interview, to avoid informant speculation, we paid particular attention to facts, events, episodes of conflict, and direct interpretations (i.e., what our informants had done or had observed others doing—e.g., dates, meetings, and participants) (Huber & Power, 1985), rather than to hearsay or vague commentary (Eisenhardt, 1989). Second, we used archival data—including email exchanges, meeting notes, or monthly reports—to validate and triangulate those provided by our informants (Jick, 1979). Third, we also conducted additional interviews with Delta's customer relationship managers; we did so not only to produce more elaborate explanations (Jick, 1979), but also to mitigate any potential biases held by any individual respondent by getting confirmation of all information from several sources (Yin, 2013). Here each customer relationship manager is an employee of Delta, and responsible of distribution operations and sales target achievement of Delta distributors.

Table 1 shows our respondents' demographic information. We interviewed our sample B2B distributors to explore their strategic alignment by identifying any additional business strategies and IT strategies enacted in response to the sudden COVID-19 shock for prudent business failure preclusion, and by uncovering the digital practices more likely to save a business from closure.

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Informant pseudonym and position	**Distribution role**	**Relationship length with Delta (years)**	**Main products distributed**	**Country**
001-Distribution Manager	Main Distribution	28	• Hose assembly • Vane pump	Czech Republic
002-Business Manager	Sub Distribution	21	• Automation services • Crimping tools • Biopharma • Filters for Biopharma • Gas filters	Czech Republic
003-Manager operations	Main Distribution	11	• Air motors • Valves • Aluminium guides • Tox table presses	Poland
004-Business development manager	Sub Distribution	24	• Hydraulic cylinders • Hydraulic blocks	Poland
005-Managing director	Sub Distribution	07	• Pipe couplings • Butterfly valves • Piping • Hose connections • Valves	Croatia

006- Retail operations manager	Main Distribution	25	• Pots • Hoses • Fittings • Tubes • Flanges	Greece
007-Senior key account manager	Main Distribution	21	• Air compressors • Oxygen concentrators • Air tanks • Nitrogen generators	Greece
008-System solution coordinator	Main Distribution	17	• Steam valves • Water valves • Coils for valves	Greece
009-Business development manager	Sub Distribution	09	• Fittings • Hoses • Filters	Lithuania
010-Distribution account manager	Main Distribution	11	• Purification services • Motor Oil analysis services	Lithuania
011-Project and sales specialist	Sub Distribution	16	• Seals • Connectors & hoses • Hoses • Pumps	Lithuania
012-Vice president	Main Distribution	08	• Cylinders • Hydraulic aggregates • Hydraulic cylinders	Slovakia

013- Sales leader	Sub Distribution	04	• Filters • Pipes • Installation services	Slovakia
014- Vice president	Main Distribution	09	• Air filters • Hoses • Pumps • Oil filters	Turkey
015-Marketing and communication manager	Main Distribution	11	• Couplings • Valves • Cylinders	Turkey
016-Marketing director	Sub Distribution	06	• Diagnostic equipment • Industrial hoses • Pumps	Romania
017- Sales manager	Sub Distribution	16	• Industrial compounds • Hydraulic cranes	Hungry
018-Digital and IT vice-president	Main Distribution	14	• Pipes • Connectors • Tubes	Hungry
019-Commercial technical representative	Main Distribution	08	• Hydraulic aggregates • Hydraulic cylinders • Pots • Hoses	Slovenia

020-Managing director	Main Distribution	25	• Fittings • Cylinders • Tubes • Flanges	Slovenia
021- Marketing and sales leader	Sub Distribution	06	• Industrial compounds • Nitrogen generators • Hydraulic cranes	Spain
022-Data manager	Main Distribution	21	• Air compressors • Oxygen concentrators • Air tanks	Spain
023- Program manager	Main Distribution	11	• Purification services • Biopharma • Filters for Biopharma • Motor Oil analysis services	Spain
024- Digital content manager	Sub Distributor	08	• Automation services • Crimping tools • Gas filters	Latvia

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4. Data Analysis and Findings

Following the guideline about naturalistic inquiry (Lincoln and Guba 1985), we started to analyse the data immediately after the first interview. We did so by adopting the procedures recommended by Strauss and Corbin (1998) and by adhering to a replication logic whereby each case served as its own discrete experiment (Eisenhardt and Graebner, 2007). Following this method, we analysed the data iteratively by linking them with the emerging theoretical frameworks (Strauss & Corbin, 1998). Our analysis of the interview data comprised three main steps.

First, we began by analytically and systematically breaking down the data taking an open-coding approach (Strauss and Corbin 1998) suited to enable them to speak to us (Suddaby, 2006). We reviewed the transcripts independently and identified any descriptive codes directly related to each interviewee's words to document and evaluate the degree and breadth of support for particular themes among our informants. When we had differences of opinion, we went back to the interview scripts for clarification. Any similar codes were grouped into first-order categories. Similar to Vuori & Huy (2016), we refined our coding through a constant comparison with our conceptual framework (Fig.1). We continued coding our interview transcripts until we reached a theoretical saturation point (Glaser, 2004). We read our data several times in a recursive process (Lincoln and Guba, 1985) that enabled us to develop an initial classification system suited to reflect our informants' perspectives. Once we had agreed on the initial categorizations and definitions, we moved on to the next stage.

The first step was open coding. We reviewed the transcripts and identified descriptive codes tied directly to the interviewee's words. Through open coding, we broke the data into distinct events, acts, ideas, or incidents and gave a code.

Second, following the development of the first-order categories, we started to identify the relationships among these to develop, relate, and segregate them (Strauss and Corbin 1998). This process enabled us to compare and contrast any differences and similarities found within and between the interviews. We then made sense of the emerging practices and focussed on the areas in which further analysis of the complete sample was needed (Strauss and Corbin 1998). At this stage, we relied on triangulating our primary and secondary data to ensure the validity of the construct. Akin to the first stage, we continued to go back and forth between any emerging theoretical themes and the data until no new categories were produced. Through this process, the codes were sorted into broader subgroups. Each code represented a theme, and all common frames were assigned a unique one. Following the digital DCs framework of Warner

and Wager (2019), six themes appeared on the front line: (1) digital mindset crafting, (2) digital scenario planning, (3) strategic agility, (4) balancing digital portfolio, (5) navigating the innovation ecosystem by transforming distribution sales processes , and (6) redesigning internal structures and improving digital maturity (see Table 02).

Third, we moved on to look for the dimensions underlying these categories to understand how different ones fit together into a coherent picture. We analysed how these categories related to each other and established conceptual frameworks that captured these links. Following Warner and Wager (2019) we then aggregated these dimensions as digital sensing, digital seizing, and digital transformation (see Table 02). After compiling and identifying the findings and practices, we sent the concluding report to the participants for final review and feedback. Such feedback, which became the validation basis, enabled us to extract implications for managers. Table 02 exemplifies the key themes that appeared in the interviews.

Table 02. Overview of the Data Structure

Aggregate dimension *(Digital dynamic capabilities)*	**Second-order themes**	**First-order concepts**
Digital sensing	**Digital mindset crafting**	- Providing training aimed at enhancing employee digital literacy and managing technostress
		- Making employees comfortable by ensuring job-person-fit
		- Promoting a long-term digital vision
	Digital scenario planning	- Adopting strategies aimed at mitigating cyber threats and ensuring security controls
		- Training employees to deal with digital risks
		- Training employees to use more modern technologies in future
Digital seizing	**Strategic agility**	- Relocating resources
		- Convincing and training employees to accept the change
		- Ensuring digital transformation at the right time without delaying
		- Acquiring the ability to quick business model innovation
	Balancing digital portfolio	- Acquiring resources from the lead firm
		- Sharing resources with other distribution firms

		- Ensuring the effective and speedy execution of the business model
		- Ensuring that employees at all levels were compatible and aligned with a new strategy
Digital transformation	**Navigating the innovation ecosystem by transforming distribution sales processes**	- Revamping omnichannel Findings prospects
		- Qualifying leads
		- Sales interaction
		- Addressing complaints
		- Sales demonstration
		- Closing sales calls
		- Follow up
	Redesigning internal structures and improving digital maturity	- Procuring software and hardware components
		- Adapting online platforms
		- Employing the right digital talent to cope with digital business requirements

4.1.Digital sensing

Firm's sensing capabilities to scan the external environment for unexpected trends that could disrupt the organization (Birkinshaw et al., 2016). Teece (2007) notes that sensing and shaping new opportunities and threats is very much a scanning, creation, learning, and interpretative activity that analyses diverse information about trends in the business ecosystem. Therefore, sensing should take place at all levels of the organization, with lower levels helping to provide information about and insights into external trends to middle and top managers (Teece and Linden, 2017). However, firms face significant challenges in building sensing capabilities that can predict the latest digitalization trends (Warner and Wager, 2019; Matt et al., 2015).

Firms need to develop sensing capabilities that use technologies to generate and test multiple hypotheses to help firms explain uncertain events (Dong et al., 2016). Literature reports that firms in pursuit of digital innovation require digital sensing capabilities to gather information through new digital technologies, channels and emerging user behaviours (Nylén & Holmström, 2015).

4.1.1. Digital mindset crafting

Digital mindset crafting, which enables the development of digital DCs by facilitating digital sensing, refers to promoting a long-term digital vision and mindset among employees (Warner & Wager, 2019). During the interviews, the respondents affirmed that technostress management fell outside the distributors' current capabilities. Our sample distribution firms

were crafting a digital mindset among their employees by improving the latter's digital literacy, thus reducing technostress. Brod (1984) explained technostress as a modern disease of adaptation caused by an inability to cope with new computer technologies healthily. Our findings highlight the technostress generated by the abrupt digital change caused by a pandemic and by the induction of massive IT equipment into the distribution infrastructure. Our respondents argued that they were providing their employees with specialized training aimed at improving their digital literacy and reducing technostress. One participant stated:

> *"Digital literacy is crucial for employees to align with the growing need of IT knowledge; that is why we started to train our employees to avoid distribution failure. We compared the use of software and selected the one that was more efficient and easier to adopt; that is, user-friendly."* [Informant ID #18]

Technostress is likely to explain the internal causes of failure. We argued that a lack of digital literacy leads to poor sales performance and failure at both the individual and organizational levels. Apart from IT knowledge and skills, our respondents also highlighted that a shift in focus from educating teams to implementing these tools had enabled the agile management of technostress to speed up distribution operations. The distributors had also taken care to introduce computer applications that were more user-friendly.

Our respondents also argued that they had been emphasizing the job-person fit to reduce the stress caused by the sudden adoption of digital technologies. One participant mentioned:

> *Previously, making personal calls was not a practice during office hours, but we now allow our employees to talk to their loved ones in comfort ... We also managed to place the right person to the right job, and handled IT-related tasks for those employees who had previous IT knowledge or who felt comfortable using various digital tools*[Informant ID #14]

Furthermore, we found that our respondents were trying to craft a digital mindset among their employees by informing them about the future gains made possible by the use of these digital technologies and the ambitious growth plans enabled by them. It was about promoting a long-term digital vision. For example, a participant argued:

> *To encourage our employees to accept new digital ways of working, we tell them about the future benefits of these technologies and inform them of why it is important for our survival and their future. We inform employees that our plans depend on these technologies, so it is necessary for our work routine to include the use of these technologies and to gradually move away from the conventional style of work* [Informant ID #24]

4.1.2. Digital scenario planning

Digital scenario planning, which is an important element of digital sensing, refers to the formulation of digital strategies suited to prepare for the future digital environment by addressing any threats and opportunities (Warner & Wager, 2019) such as cyber security risk and new customer trends. DCs dedicated to scenario planning are crucial for sensing unanticipated trends. This is particularly challenging in a context, where organizations are using digital infrastructures such as the IoT platforms to collect and analyse big data (George et al., 2014; Sebastian et al., 2017).

We found that those distributors that manage their data and cyber security risks during crises are more successful and confident in their businesses. The sudden implementation of digital technologies, work-from-home policies, digital payments, and bring your own device (BYOD) schemes had put distributors at risk of possible cyber-attacks. This risk was addressed using a cyber security risk management strategy. One participant argued:

> *We need to be vigilant in mitigating possible cyber threats due to the pandemic to avoid disruption of delivery because now we use digital channels for orders and payments, and any cyberattack can ruin our business [Informant ID #09]*

As part of continued successful business, a strong cyber security awareness culture could help distributors succeed and makes it less likely for them to be affected by serious incidents resulting from attacks, such as data leaks. This is consistent with the digital DC scenario planning dimension, whereby firms need to design strategies for their digital future (Warner & Wager, 2019). Distributor cybersecurity may appear to be complex and daunting; however, distributors need to take systematic and collaborative approaches suited to respond to security threats and assess the resources required to mitigate them in a structured way. We suggested that these approaches contribute to protect security information flows and to promote a healthy cyber security awareness culture in organizations. Few distribution processes are designed to support the extensive adoption of work-from-home practices, and most of the related processes lack the right implanted controls. For example, a participant explained:

> *We ensured the implementation of processes with complementary security controls to reduce the risk of cyberattacks. This helped those employees who had never done remote work and had never set up a VPN, and those employees that did not know the in-person requirements for VPN initiation.* [Informant ID #13]

Consequently, in relation to the failure to manage risk, data security management is recommended to ensure data transparency regarding sales and the log management of devices. Regarding the support of secure remote-working tools, a participant argued:

> *It was crucial to provide first-line support by temporarily deploying a security team in call centres. The security and IT desk had been added with the capacity to handle a large number of calls from those employees who were working from home, because these employees were setting up and installing the basic security tools—i.e., VPNs and MFA.* [Informant ID #18]

The reporting of and response to a cyberattack can efficiently be handled when employees work under a single roof, and IT officers are there to fix it. However, during a pandemic, when employees work from home, the only rule is to clarify the incident response protocol. Several training sessions were conducted in order to understand the digital risks and the suitable actions. A respondent argued:

> *Our IT team runs several sessions for employees on what to do and how to report in the event of a cyberattack threat. They build redundancy options into response protocols in order to avoid the stalling of responses. This made us confident in operating smooth distribution processes with high digitalization speed.*[Informant ID #15]

4.2.Digital seizing

To address opportunities and mitigate threats, firms need seizing capabilities to avoid hubris, deception, bias, and delusion and to allow businesses to experiment with new business models (Teece, 2007). Seizing refers to the experimental capability that supports action and commitment by using techniques such as rapid prototyping and real options logic to effectively balance risk and reward (Day & Schoemaker, 2016). Digitalization has encouraged entrepreneurial firms to seize opportunities by experimenting with the decoupling, disintermediation, and the generativity of existing value chains, which has created radical business model innovations (Autio et al., 2018)

4.2.1. Strategic agility

To seize the opportunities and address any environmental threats, organizations need strategic agility. This refers to their ability to implement new strategies quickly and decisively when necessary. A firm can anticipate environmental changes and conduct strategic experiments with new business models or approaches to launch innovations in response to market dynamics (Lee, 2017). According to Warner and Wäger's (2019) framework of digital dynamic capabilities, strategic agility is an important element of digital seizing. Warner and

Wäger (2019) explained strategic agility in the context of dynamic digital capabilities, such as rapidly allocating resources, accepting redirection and change, and pacing strategic responses. We found that those distributors that were successfully operating through new digital business models were strategically more agile. Some of the common practices found to have been enacted among agile distribution firms were: reallocating resources, convincing employees to accept change, training employees to adapt to new systems, implementing timely digital transformation, avoiding delays in adopting new digital technologies, and quickly adapting to business model innovations. For example, one respondent argued about the relocation of resources:

> *Considering the urgency of the situation, we had to reallocate our resources—including human, financial, and physical ones—to address the challenges of the pandemic. We suspended our annual budget plan and came up with a contingency plan to address the new requirements and ensure the availability of the required resources.* [Informant ID # 23]

One participant added about convincing and training employees to accept the digital change:

> *It was not easy for us to convince our employees to accept the new working system, we made it happen through continuous and rigorous training to improve their digital literacy. This training was very useful in encouraging our employees to quickly adjust their work routines according to the new system.* [Informant ID # 18]

One respondent argued the timely decision of digital technology adoption:

> *The best thing we did was adopt these modern sales technologies well in time. Right at the beginning of the pandemic, when the government announced the first lockdown, we were ready to work with these technologies.* [Informant ID #22]

Another example of a supporting argument reflecting the importance of quick business model innovation was:

> *It was a tough and risky decision due to the uncertainty caused by COVID-19, but we had to quickly transform our business model. We changed it by adopting digital tools to contact, serve, and manage our customers and markets before many of our competitors. This is one of the reasons we not only survived during the pandemic, but maintained our competitive position.* [Informant ID #19]

4.2.2. Balancing digital portfolios

The balancing of digital portfolios, which is crucial for digital seizing, refers to scaling up innovative business models, setting the appropriate speed of execution, and utilizing internal

and external options (Warner & Wager, 2019). Our findings reveal that the balancing of digital portfolios plays a crucial role in preventing business failure. Our respondents reported that they acquired resources from lead firms that were utilizing external options and sharing their resources, including digital talent, with other distribution firms. For example, one respondent reported:

> *Due to the pandemic, our business was on the verge of failure, but our lead firm came to the rescue by offering financial support and helping us to set up a digital infostructure. IT experts from the lead firm worked with us to train our employees to adapt to the new digital environment.* [Informant ID #20]

Another participant argued:

> *We have good relationships with other industrial distributors in the region. This helped us greatly in acquiring new knowledge and insights and in sharing resources with each other. We took a collaborative approach with other industrial distributors selling different products; for example, by sharing online platforms to sell products.* [Informant ID # 18]

This ensured the fast and effective execution of new business models and ensured that employees at all levels were aligned with the new business models and strategies. In this way, our sample distribution firms ensured that their digital portfolios were balanced, leading to digital seizing.

One respondent reported:

> *As a business leader, I knew that buying these technologies was only the beginning of transformation, and the biggest challenge was to make our employees compatible with the new business model. We involved our employees in the planning process to give them a sense of ownership of the new plan. This helped us to successfully execute our new business model and avoid pandemic-driven business failure.* [Informant ID #21]

4.3.Digital transforming

Sensing and seizing capabilities enable firms to create and discover opportunities, but to execute a digital strategy, firms need transforming capabilities to realize the full potential of strategic change (D. J. Teece & Linden, 2017; Warner & Wäger, 2019). Firms with transforming capabilities are those where an agile, entrepreneurial mindset is actively

623 cultivated within, with a broad expansive approach to external network-building as well
624 (Day & Schoemaker, 2016). Thus, transforming capabilities support incumbents with the
625 continuous strategic renewal of assets and organizational structures to ensure responsiveness
626 in rapidly changing business environments (D. J. Teece, 2014). Digital transformation is
627 more challenging and firms must try to balance, building innovation capabilities alongside
628 existing product innovation practices; process and product innovations; collaborative
629 tensions between employees and external stakeholders; and governance structures that
630 ensure strategic agility (Svahn et al., 2017). Firms need to design digital strategies for rapid
631 innovation and responsiveness to instigate novel value propositions and operational
632 effectiveness (Matt et al., 2015; Warner & Wäger, 2019).

633 ***4.3.1. Navigating innovation ecosystems by transforming distribution sales processes***

634 Navigating innovation ecosystems involves joining new digital ecosystems and exploiting new
635 ecosystem capabilities (Warner & Wager, 2019). The pandemic has changed business
636 innovation ecosystems, and B2B distributors are navigating them by transforming their
637 distribution sales processes. B2B distributors are not just moving to the omnichannel, rather
638 they have arrived. The term omnichannel refers to all the available touchpoints of a company
639 (Verhoef et al., 2015), which, in an omnichannel context, are integrated and work
640 simultaneously and seamlessly to provide a uniform experience (Hossain et al., 2020). The
641 abrupt requirement of a digital business model suited to meet the needs of retailers during the
642 COVID-19 pandemic forced B2B distributors to go omnichannel. Our research shows that, for
643 B2B distributors, the omnichannel approach is not a trend; it is a pandemic turnaround that is
644 a critical fixture for B2B sales. Our participants viewed omnichannel selling as the most
645 effective way to secure business revenues during the pandemic. One respondent stated:

The shift in our sales development from face-to-face to online seems to be a more successful way to prevent our businesses from failing as a result of the pandemic restrictions. It mitigates the hurdle of acquiring and accessing new customers during lockdowns. [Informant ID #13]

In distribution setups, omnichannel sales enabled the creation of a hybrid model in which sellers interact with their customers through apps, phones, and video, rather than in-person. The participants affirmed that in-person sales may return to being the norm in the post-pandemic era. During the interviews, one of the distributors argued:

The first key to business success during the pandemic was to change our sales mode to a hybrid one. As purchasing went omnichannel, we increased the number of our hybrid sellers. Interacting with retailers through phone apps and videos is even cost-effective because it reduces travel and other operating expenses as well. [Informant ID #16]

The B2B distributors had firmly anchored e-Commerce in the omnichannel mix. One of the participants stated:

Due *to the increased interest of buyers in digital sales, we selected e-Commerce as the most popular route to the market. It is the most effective sales route, beating in-person visits and promoting video interactions.* [Informant ID #04]

At the same time, our sample distributors had overcome specific omnichannel pain points to capture growth and avoid business failure. A B2B distributor responded:

A *sudden increase in remote and digital sales is a learning curve for us. Our sales team had never worked from home in the past, and that is why the pain points were the sales team working from home and making remote interactions feel like original in-person practice. We continually innovate our sales practices by giving video demos to retailers to ensure smooth sales operations to avoid business loss.* [Informant ID #01]

The omnichannel approach seems to have become a permanent fixture of B2B business operations. Those B2B distributors that have embraced this change and facilitated the buying and selling interactions among their business partners have turned this learning curve into a new path for business growth.

The findings pertaining to the hybrid sales model adopted for the current B2B distribution processes prompted us to explore its impact on sales strategies and practices. Specifically, we explored how the threat of business failure enabled hybrid sales processes and changed the traditional face-to-face sales strategies of our sample B2B distributors. To understand the change in sales processes, we used the B2B selling steps suggested by Dubinsky(1981) and asked our sample distributors how they had transformed their sales processes to prevent business failure.

The first step to generating sales involves finding and reaching sales prospects and points of sales (Thaichon et al., 2018) through an ideal sales force that comprises both internal and field sales teams (Sharma et al., 2020). We found that the ways in which prospects are found and leads are generated had changed during the pandemic. Before the pandemic, the distribution sales team used to prospect customers through, for example, personal visits, exhibitions, referrals, fairs, and inbound and outbound marketing. However, due to the pandemic and changing business needs, our sample distributors had adopted new strategies suited to prospect customers even in the presence of strict government pandemic restrictions—i.e., social distancing, lockdowns, etc. Our respondents believed that the current prospecting and lead-generation techniques would persist even in the post-pandemic era. One participant stated:

> *Before* the *pandemic, we were organizing fairs and exhibitions to reach our prospects, and also looking at other pre-approach strategies such as customer annual reports, prior relationships with customers, and company repute. However, this pandemic has reduced the budget for outdoor sales activities. Now we use webinars, social media*

searches, and social listings to reach prospects and lead customers. [Informant ID #14]′

Another distributor argued:

Previously, our sales team used to pre-plan a sale, such as asking relevant suppliers about customers, discussing with other sales representatives, and sometimes reading their reports. But now, to prospect and pre-approach, the sales team uses more sales engagement tools than the old traditional ones discussed. [Informant ID #12]

The pandemic crisis increased the need for advanced technology-enabled tools for the sales team to enhance its ability to perform. The interviewees highlighted the importance of the adoption and usage of blended technology by the B2B sales teams in order to generate higher sales volumes. Visiting customers face-to-face was no longer possible due to the government's COVID-19 restrictions; it had therefore been crucial to train the sales team to use technological tools. Various social media sites and platforms enabled our sample B2B distributors to interact and communicate. The distribution sales team had been trained to communicate with their prospects and customers using social media platforms, shifting from face-to-face interactions to online ones, and our sample distributors stated that this would most likely remain a fixture of the sales processes in the post-pandemic era. A respondent stated:

Although we had already been working to avoid any unnecessary visits of the sales team to retailers, the pandemic made it essential. Now, we meet our customers virtually, and we recommend using WebEx. We experienced it, and it is the best platform for virtual interaction. [Informant ID #11]

Another distributor affirmed:

Many of our business partners are now shifting to virtual interaction. The pandemic has put into question the need for face-to-face interactions even after it will have

passed; that is, will it be important to continue making face-to-face visits after the pandemic or will a blended approach involving face-to-face and virtual visits be required? Our answer is yes … we may need a blended approach, and we may prioritize face-to-face visits if necessary. But I assume that major sales operations will remain virtual. [Informant ID #07]

Salespersons are the ideal resources able to take organizations out of crises. Epler & Leach (2021) highlighted the importance of a salesperson's ability to utilize any available resources to create business value during the COVID-19 pandemic. Those salespersons who, before the pandemic, used to make sales calls through brochures, handouts, and printouts had started to adopt digital tools. Similarly, in relation to handling sales complaints, they had begun to refer to used cases in a storytelling way. Likewise, sales deals were previously finalised through face-to-face visits; however, the distribution sales team had started to use e-signature software to close deals. Some interview participants added:

We think that the presentation of brochures and handouts will become history. Our sales team has begun to operate in this digital environment, and we believe that this digital change may persist even after the pandemic." [Informant ID #09]

"There is an increasing trend of storytelling of successful customers and used cases, which is helpful to digitally bring prospects to a practical solution. We have started to upload success stories on our web pages to keep our customers upbeat and passionate about business development. [Informant ID #15]

Although we were already using online platforms to communicate with our customers, the pandemic has sped up this activity. Now, our sales team uses the "DocVerify" e-signature software to close small deals, but still personally visits customers for large

ones, which we think will completely change virtual deals in the next few months. [Informant ID #17]

The findings of our study indicate that our successful sample B2B distributors had rapidly changed their sales team's modus operandi according to the environmental needs and had enabled them to act digitally to generate revenues to prevent business failure.

The B2B sales teams had been following up on sales by phone or face-to-face visits before the pandemic. The abrupt digital change in distribution sales processes and practices prompted them to engage in account-based marketing, whereby digital tools highlight any potential customers. In the presence of large numbers of customers, it is practically difficult to visit them in person (Hochstein et al., 2020). Therefore, a recurring theme in our interviews was reaching existing customers virtually. The B2B sales teams had been making sales calls via platforms like Zoom and had adopted a subscription model to the customers under the same interest. The subscription-based model and account-based marketing approach had proved to be effective tools in managing customer relationships during the pandemic, and the interviewees expected them to persist even in the post-pandemic era. An interviewee argued:

Our sales team used to personally approach existing customers for sales growth; however, but due to lockdowns and other government-imposed restrictions, we first checked and then started to use those models that were being adopted by other distributors around the world. Now, we contact existing valuable customers through account-based calls, and we are receiving positive feedback from retailers, it is encouraging. [Informant ID #07]

Another respondent argued:

We realized that we could create value from existing customers more easily than by approaching new ones, which we didn't have the time to pursue anyway. The pandemic

left us no choice but to generate revenue as quickly as possible. We set up a six-member sales team designed to interact with potential existing customers and generate instant value. We know, this is what a need of the time is. [Informant ID #05]

These findings suggest that, in the context of the pandemic, distribution firms have been navigating the innovation ecosystem (Warner & Wagner, 2019). Following the digital DC view, this contributes to the digital transformation that gives rise to digital DCs.

4.3.2. ***Redesigning internal structures*** *(Transforming the infrastructure****) and improving digital maturity***

In relation to digital DCs, the redesign of internal structures refers to the digitalization of the business model and infrastructure, which contributes to digital transformation (Gosh et al., 2021). The digital infrastructure refers to the digital technology tools and systems that provide communication, collaboration, and/or computing capabilities in support of innovation (Nambisan, 2017). Previously, our sample B2B distributors had only planned to adopt digital technologies. However, the sudden pandemic shock pushed them to accelerate the digitalization process to avoid business failure. The IT skills of all distribution networks emphasized the importance of a digital infrastructure suited to communicate with the new business landscape.

For example, one distributor argued:

While we were working to add a digital infrastructure to our distribution processes, we had made a procurement deal with IT service providers on hardware and software components, enterprise allocation software solutions, servers, data centres, etc. Usually, such infrastructure takes a lot of investment, power and space, so the digitalization process was a bit slow. However, COVID-19 forced us to speed up the introduction of a digital infrastructure because we had to save our business from falling. [Informant ID #17]

We argue that a digital infrastructure plays a critical role, with its successful evolution depending on the flexibility of the distribution and scaling mechanisms of effectuation. Under conditions of uncertainty, unique circumstances make it impossible to draw inferences to estimate how much revenue a specific action will bring in the long run.

However, given the novelty and innovative nature of the work climate in industrial networks, most of our respondents emphasized the importance of digital platforms for

procurement purposes. Research has highlighted the need to explore the dynamic nature of the impact of digitization on networking opportunities to foster existing B2B relationships (Pandey et al., 2020). These quotes illustrate how our B2B distributors were not ready for this digital change, but the pandemic urged them to adopt digital tools to prevent business failure. Another interviewee added:

> *Our sales team used to generate orders from visiting retailers; however, due to the pandemic lockdown and social distancing, all sales team members had to limit physical interaction. Furthermore, the retailers had also requested to use an online platform for all procurement purposes. With the consent of our business partners, we introduced a central online application to streamline sales and purchases. This was connected to their inventory, suggesting possible orders of the products. This action not only reduced our go-to-market time, but also supported our business in generating revenues during the pandemic.* [Informant ID #03]

The COVID-19 pandemic has digitally changed the practices and processes of B2B distributors, which project this change to become a permanent part of the business model. As the economy continues to change and markets evolve, the pace of IT investment changes necessitates a more holistic approach to achieve their business objectives (Cao et al., 2012). A participant argued:

> *"We extended our offer to present our business on all digital platforms and for all ... online banking, communication, apps, and digital presence ... most people use it, but some of them refuse it ... but we need to do both. The development has been tremendous, as all of us could easily check the progress of the transformation."* [Informant ID #09]

According to the digital DCs framework, it is referred to as digital transformation, i.e., redesigning internal structure by digitalizing the business model.

The improvement of digital maturity is a prerequisite of digital transformation that contributes to DCs. It refers to identifying, recruiting, and leveraging the knowledge of employees with suitable digital skills (Warner & Wager, 2019). By focussing on the causes of failure and re-aligning their distribution processes, our study participants realized the need for digitally mature and skilled employees (i.e., digital capabilities) brought about by the changing business requirements during the pandemic. Our respondents highlight that how digital skills are crucial to avoid any misalignment of operations during the pandemic. A participant stated:

> So, *as a business, we asked ourselves whether we had the right people to detect any significant business improvements during the pandemic. We hired team members who*

834 *were digitally talented to cope with the digital business requirements and to align our*
835 *resources to fully avoid misalignment*. [Informant ID #19]
836 As a result, our sample distributors were able to address the distribution needs and problems
837 associated with any unanticipated quality issues as quickly as possible. Our participants also
838 outlined the scope of the new skills within the transformed distributor business model and
839 highlighted the importance of appropriate digital capabilities to run a smooth business and
840 prevent losses. They highlighted how they were less likely to adopt and understand the
841 importance of digital DCs, take control of the information in the changing pandemic
842 environment, provide collective rationalisation, avoid stereotypes, and apply alternative
843 solutions that would avoid the magnitude of disruption and synergy. One participant stated:
844 *We need to know where we are headed and what immediate steps we need to take in*
845 *this difficult business scenario. Naturally, we need technologists who can implement a*
846 *digital infrastructure as quickly as required to mitigate the distribution process.*
847 [Informant ID #02]
848 Considering the importance of digitalization, most of our respondents stated that
849 understanding data analytics technologies were becoming necessary to develop smart sales
850 solutions for customers. Building digital DCs and transferring new IT skills to distribution were
851 also identified as needs.

852 **5. Discussion and implications**

853 The deterministic view literature has enhanced our understanding of external dangers
854 (Amankwah-Amoah et al., 2021b); however, there is a paucity of insights into the unexpected
855 and intense environmental shocks and other natural disasters that can bring about the failure of
856 businesses (Damle et al., 2021). Many previous B2B marketing studies have identified the
857 factors that contribute to failure in customer relationship management (King & Burgess, 2008),
858 explored and recognized the failure recovery strategies employed by industrial suppliers (Wu
859 et al., 2013), explored the determinants of key account sale failures from the buyers' perspective
860 (Friend et al., 2014), and underlined the causes of failure in technological innovation
861 (D'Attoma & Ieva, 2020). However, scholarly attention is still needed to understand how
862 industrial distribution firms meet unprecedented customer demands and efficiently operate to
863 prevent failure during a pandemic (Crick & Crick, 2020). We took a qualitative approach to
864 explore how B2B distribution firms prevent business failure due to the abrupt shock of a
865 pandemic and bounce back. In our study, we collected and analysed qualitative data drawn
866 from the top managers of B2B industrial distribution firms and provided evidence of how B2B

distributors avoided business failures by developing digital DCs in response to the abrupt pandemic impact.

5.1.Theoretical Contribution

There are three key theoretical contributions to our study. First, in understanding the business survival strategies of B2B distribution firms during crises, we provide intuitions into the role of digital DCs (Warner & Wäger, 2019). Although the B2B literature is becoming increasingly popular, research on how B2B distribution firms prevent business failure during sudden exogenous shocks is still scarce (Kang et al., 2021); specifically, there is a need for research on the key action needs of distribution firms under a pandemic-driven pressure (M. Wang et al., 2021) and on the capabilities required by B2B distribution firms to prevent business failure in response to unprecedented environmental shocks like COVID-19. We therefore conducted this study during COVID-19 and highlighted the development and importance of digital DCs in the design of firm resources through the perspective of digital sensing, digital seizing, and digital transformation, which helped to respond to any sudden exogenous shocks and prevent business failure. Our findings provide exploratory evidence (Ghosh et al., 2021). We suggest that, when pandemic crises hamper customer access, aligning with a firm's human resource capital and IT infrastructure becomes necessary to avoid failure by developing greater digital DCs. More specifically, we reveal that after sensing a sudden exogenous shock of COVID-19, our B2B distribution firms transformed their several activities through digital seizing and reconfiguring. Those include a swift digital row-back; digital infrastructure, digital talent pool, technostress management, cyber security risk management, revamping omni channels, and digital transformation of distribution sales processes. Sensing and seizing business opportunities is indispensable to smoothly operate business operations, particularly in uncertain environments caused by pandemics like COVID-19 (Y. Wang et al., 2020). In addition, B2B distribution firms re-organized and reconstructed resources and capabilities to continue business operations during the uncertain business environments (Cannas, 2021; Zahoor et al., 2022).

Second,the current literature is scant to report the fact that organizations need digital sensing capabilities in the digital age (Nambisan, 2017; Sebastian et al., 2017). The study results reveal the importance of building new capabilities in digital mindset crafting and digital scenario planning to prevent business failure in uncertain business environments like COVID-19. Digital mindset crafting is a subset of strategic thinking (Mintzberg, 1994), and supports recent research that shows the requirement of strategic thinking to avoid business threats (Kane et al., 2017). Our findings are consistent with the existing research that emphasises the building of

digital mind-crafting capabilities and digital scenario planning capabilities to cope with business challenges (Dong et al., 2016; Matt et al., 2015; Monteiro & Birkinshaw, 2017).

Third, our study reveals the agile practices that are facilitated by digital seizing capabilities and thereby adds new knowledge to the strategic agility literature in the context of B2B distribution business failure prevention due to a pandemic. Exogenous shocks like COVID-19 not only threaten the business survival but also come up with opportunities (Klyver & Nielsen, 2021). Our study shows that these opportunities are retained by those B2B distribution firms that demonstrate strategic agility (García-Vidal et al., 2020). B2B distribution firms are in a position to prevent business loss by following agile practices like, relocating resources, convincing and training employees to accept the change, and ensuring digital transformation at the right time without delaying. Previous literature on strategic agility signifies decision leadership to stimulate market dynamism in agile firms (Pereira et al., 2021; Shin et al., 2015). Our study extends this line of research and shows that strategic agility helps B2B distribution firms in building strategic alternatives and making timely business decisions during a pandemic period like COVID-19.

Finally, the study suggests an adaptive and hybrid sales force and contributes to the literature on digital dynamic capabilities by transforming the sales capabilities of B2B distribution firms. The current literature is scant on how the sales teams of B2B distributors respond to sudden exogenous shocks by adopting digital DCs aimed at business success (Guenzi & Habel, 2020), and on what type of sales activities are more likely to become permanent fixtures of business in the post-pandemic period. Our findings highlight the digital transformation of B2B distribution sales operations and point out the business sales strategies that have been adopted by the B2B distribution firms to prevent business failure, which is likely to become permanent in post-pandemic distribution setups. By studying the transformation of distribution sales processes, we demonstrate that distributors are likely to adopt an IT infrastructure and digital sales processes in response to the sudden exogenous shock caused by pandemics. Furthermore, we stipulate the importance of building adaptive B2B distribution sales teams that improve sales methods to generate business value and prevent failure during pandemic crises. The study provides a comprehensive perspective on building digital dynamic capabilities through a digital transformation at each step in the B2B sales funnel during an uncertain business environment. The article offers new insights into the existing B2B sales literature in the context of pandemics and crises (Rangarajan et al., 2021).

5.2.Management implications

Our findings suggest that those distribution firms that consider improving their customer experience need to adopt flexible and connected technologies and to gain the ability to quickly scan the technological environment and develop the managerial capabilities suited to support deliveries. Importantly, distributors need to navigate the innovation ecosystem by transforming their sales processes by adopting digital sales technologies, online platforms, and taking an omnichannel approach. Aligning employees with a new digital system is crucial; firms can do so by creating a digital mindset, improving digital maturity, and achieving strategic agility.

A collaborative approach to the ecosystem can help businesses in balancing their digital portfolios, which is essential to avoid failure amid a pandemic. Acquiring resources from the lead firm and sharing them with other distributors—i.e., utilizing external options—is useful to ensure the rapid and effective execution of a new business model. Relocating resources, convincing employees to accept change, and training employees to adopt new digital technologies enable firms to achieve swift business model innovation and enhance strategic agility to prevent failure. Suppliers and lead firms need to implement such triadic strategic alignment efforts to cope and perform better in the distribution market. Organizations have been forced to use their existing crisis management capabilities and technical assets to face possible business drops during a pandemic. B2B distributors should build adaptive sales teams capable of modifying and diversifying their sales methods to bring business value during pandemic crises.

5.3.Limitations and avenues for further research

Our qualitative study has various limitations that offer potential directions for future research. First, in our study, we focussed only on a B2B distributor network located in central east EU countries and a few non-EU countries. Therefore, it would be insightful to investigate how digital infrastructure and digital DCs affect the strategic investment decisions of both suppliers and distributors in other countries of the EU and also Asian countries, particularly in developing economies. Second, our study provides basic information on the process of avoiding B2B distribution business failure and bouncing back during a pandemic from the distributers' perspective. It would thus be pertinent to perform more fine-grained and detailed analyses to explore the perspective of manufacturers focusing on the interaction between the distributors and manufacturers and how such interactions can shape the appropriate digital DCs, specifically to develop omnichannel strategies. It would be fruitful to examine the effect of supplier and distributor human capital traits on the sensing, seizing, and reconfiguration of external resources in the value chain through quantitative research where scholars can gather large sample data from distributors of many other manufacturers. Another avenue of future

research would involve identifying the specific unforeseeable events that may cause the large-scale success and failure of distribution businesses. Lastly, this study put greater attention on the distributors themselves, rather than the relationship dimensions between the distributors and manufacturers. The future studies can examine the value of the relationship dimensions, and the given information can be analysed to discuss the success or business failure in the perspective of digital dynamic capabilities.

5.4.Conclusion

This study focuses on and highlights the key digital changes occurring in B2B distributor business operations along with revolutionary changes in sales practices and processes. The study sets out to explore digital DCs that enable industrial B2B distribution firms to react to abrupt pandemic-driven challenges and prevent business failure. Using the exploratory study of 24 B2B distribution firms, we find that distribution firms enacted digital sensing, digital seizing, and digital reconfiguring activities to develop DCs, and survived during a pandemic crisis like the COVID-19. We argue that capitalizing on digital DCs—i.e., improving digital maturity through a digital talent pool, crafting a digital mindset, planning digital scenarios, achieving strategic agility, balancing digital portfolios, and navigating the innovation ecosystem by transforming distribution sales processes, redesigning the internal structure, that helps to prevent distribution business failure. Following Warner and Wäger (2019), the aggregate theme for the crafting of a digital mindset and planning digital scenarios is digital sensing. The achievement of strategic agility and the balancing of digital portfolios are aggregated as digital seizing (Warner & Wäger, 2019). The aggregate theme for navigating the innovation ecosystem, redesigning the internal structure, and improving digital maturity is digital transformation (Warner & Wäger, 2019). Together, these dimensions form the digital DCs (Gosh et al., 2021) that help avoid business failure.

We also find that DCs (i.e., digital transformation) enhance distribution agility by altering traditional sales processes towards an adaptive B2B distribution sales model that is capable of modifying and diversifying sales methods to sustain distribution business. These findings are partially consistent with those of Gosh et al. (2021), (Zahoor et al., 2022) and Tabaklar et al. (2021); however, our study has focussed on the unique context of industrial B2B distribution firms. Taken together, digital DCs strengthened the internal infrastructure of B2B distribution firms, transformed traditional sales processes, and aligned employees to the ongoing digital transformation within distribution networks to compete with uncertain business environments.

Appendix-1: (Interview script)

1- How do you plan the quick business model transformation to avoid business loss in these days of lockdown?

2- In the time of pandemic and lockdown, what is the most effective way to secure your distribution business revenue?

3- How do you manage your sales? Have you made any specific changes in sales operations?

4- As most of the firms have introduced work-from-home for their employees. Does it apply to your distribution sales team as well? If yes, then how did you train your sales team to respond to a such sudden change in working conditions?

5- How does the distribution sales team reach to prospects in this pandemic period?

6- Do you think that the need for virtual interaction with customers and suppliers will last in future as well?

7- How did you gain capabilities to work through new digital technologies

8- Could you please share some examples of how digital technologies enabled you to survive amid the pandemic.

9- How do you close the sales call on distribution setups? Is it the same way or a bit changed?

10- How do you approach your customers in these pandemic days?

11- Do you think that the sudden pandemic shock expedites the digitalization process in your business models? Please share some examples.

12- How and what kind of digital tools you have started to use in this lockdown days to prevent your business fall?

13- How does your distribution team prepare for any digital change?

14- How do you manage to prepare your staff for digital change?

15- Do you think that managing technostress is important in these

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