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# 1.0 Introduction

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*This section presents the background of the rapidly changing e-commerce market. Research problem, research purpose and research question are introduced and explained in order to create an understanding of the concepts discussed later on.*

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## 1.1 Background

The pace in which the business world is currently changing does not only cause ambiguity in terms of how the future will look like, but it does also pose challenges for organisations in how they are supposed to cope (Kotter, 2014). As of right now, the established ways in which companies have been operating, can be argued not to be dynamic enough in order to capitalise on the windows of opportunity, that are now opening and closing faster than ever. Kotter (2014) further claims that, because of this, it has become more important to spot opportunities and threats quickly, and a company that does not reconsider its long-term strategy continuously is running the risk of falling behind. Moreover, this is clearly seen within the development regarding e-commerce as it has caused a major change within the global market since its establishment and has the potential of further redefining how both customers and businesses operate in the market (PostNord, Svensk Digital Handel & HUI Research, 2018). Furthermore, this development can be argued to not be slowing down with the amount of technology-based companies that are valued at \$1 billion dollars are increasing every year (Erdogan, Kant, Miller & Sprauge, 2016). This argument is reinforced as companies are, to a large extent, favoured by investors, as capital invested in tech companies rose from \$13,4 billion in 2010 to \$75,3 billion in 2015 (Erdogan et al., 2016). In addition, there is a similar development on a bigger retailing scale, as e-platform based Amazon has increased its market cap from \$182B in January 2014 to \$726B in February 2018 (Macrotrends LLC, 2018a), whereas the biggest retailer in the world of 2017 - Walmart (Forbes, 2018), has had a smaller growth from \$229B to \$278B in the same period (Macrotrends LLC, 2018b). With this in mind, it is however possible to argue that Walmart are doing relatively well compared to other, well established, retailers as e.g. Macy's, which began downsizing in 2016, messaging that they will close down 100 stores while Sears Holdings are closing down 64 KMART stores and 39 Sears between March and April 2018 (Graham, 2018). Still, although the total value of e-commerce is less than the brick-and-mortar retailing value (PostNord, Svensk Digital Handel & HUI Research, 2018), the trend is clear with the total market value in Sweden for goods purchased online evolving from 17,7 billion SEK in 2007 to 67,7 billion SEK in 2017 (PostNord, Svensk Digital Handel & HUI Research,

2017), which is an increase by 382% over 10 years. Moreover, this observation can be, to a large extent, explained through the development within technology, both in terms of the technological advancements, but also in regard to the increasing usage of it (Choshin & Ghaffari, 2017). Because of these changes and developments, MNCs based on brick-and-mortar are now not only being forced to adopt electronic solutions, but also to be/become more dynamic in order to satisfy the constantly changing consumer behaviour, and as a result, businesses are operating through various channels instead of one (Daniel & Wilson, 2003; Wilson & Daniel, 2007).

Consequently, research has focused on the issues relating to the number of channels in which businesses operate for an extended amount of time (e.g. Cui & Pan, 2015; Daniel & Wilson, 2003; Verhoef, Kannan & Inman, 2015). Moreover, as the technology is developing, new possibilities appear for companies to reach their customers. These new channels are developed in order to ensure that the availability increases for the customer and with that, new profits and marketing opportunities arise (Neslin et al., 2006). Although there is a vast understanding of both multichannel retailing and even on the relatively new, utopian, concept of omnichannel retailing, which Rigby (2011) describes as retailing where organisations can interact with their customers through integrated multiple channels seamlessly, the actual integration process within MNCs in order to strive for omnichannel retailing can be argued to be relatively unexplored in the context of the dynamic market development.

## **1.2 Problem**

As changes in consumer behaviour and the degree of convenience that customers require increases, using solely one touchpoint/channel-system is no longer sufficient in order to meet the customer preferences (Rigby, 2011). Furthermore, Rigby (2011) continues to argue that customers want the benefit of accessibility and always being able to interact with retailers while saving themselves the trouble of managing the logistics of browsing, selecting and purchasing goods. Nevertheless, while the trend shows for an increase in online shopping, physical store visits that provide the possibility of touching and feeling, are still of importance in terms of customer preferences (Herhausen, Binder, Schoegel & Herrmann, 2015). With this in mind, combining traditional touchpoints such as a brick-and-mortar store with e-platform solutions into a synergised process has shown to be key for future success (Herhausen et al., 2015). Therefore, instead of operating through silo-structured multiple channels i.e. that the different channels are not integrated to any larger extent (Gallino & Moreno 2014; Verhoef, 2012), retailers are wise to prioritise the process of integrating their business units in order to remain

dynamic, strive for omnichannel retailing and thus sustain a competitive advantage in the long-term perspective. Further, with Herhausen et al. (2015) arguing that an increased amount of integration between the channels of traditional brick-and-mortar organisations brings numerous benefits in terms of overall outcomes, one might argue that companies still operating through silo-structures face an issue in terms of not utilising their channel capabilities to their full capacity compared to an integrated system.

Furthermore, and as aforementioned, previous research has also shown that MNCs, traditionally based on brick-and-mortar, are facing challenges in terms of how to adapt and develop their current strategies in a rapidly changing environment (e.g. Herhausen et al, 2015; Gallino & Moreno, 2014). Moreover, one can argue that this issue, although not exclusive to MNCs, is particularly important for them to consider, seeing that small and medium enterprises (SMEs), to a larger extent, have learning advantages of newness and therefore have the opportunity to be more flexible in terms of e.g. routines, business models and entrepreneurial mindset (Autio, Sapienza & Almeida, 2000; Kotter, 2014). Thus, in order to sustain their competitive advantage, organisations, and especially MNCs who are traditionally based on brick-and-mortar, are no longer wise to stick to their traditional business model completely. Instead, with the increasing ambiguity in mind, having a sense of urgency towards creating, managing and developing valuable resources with the purpose of being dynamic will be increasingly vital for companies' survival in the future (Kotter, 2014).

### **1.3 Purpose**

With the mentioned problems in mind, as well as research showing that in order to keep up with ambiguous and developing markets, MNCs must work consistently with their capabilities in a dynamic fashion i.e. attaining, keeping and developing resources specifically designed for the purpose of maintaining a competitive advantage in a dynamic market (e.g. Daniel & Wilson, 2003; Teece, Pisano & Shuen, 1997; Wilson & Daniel, 2007), this study aims to, by the assistance of theory, investigate the practice of how MNCs can utilise their capabilities in order to make their cross-channel integration process more dynamic, and thus maintaining their competitive advantage. This becomes of especial importance, not only because of the struggles, but also because of the relative lack of research in regard to the specific topic of cross-channel integration in relation to a dynamic approach within a MNC setting.

Furthermore, most of the research that can be traced to issues within using capabilities dynamically are mainly conducted on a cross-industry or cross-firm basis (Eisenhardt & Martin, 2000; Daniel & Wilson, 2003), and although this has shown to generate valuable insights for

both theoretical and managerial practices, there is a further gap in terms of a deeper investigation into specific companies. Therefore, another complementary perspective for this study is to provide both practices with an in-depth mapping of one MNC's cross-channel integration programme, viewed from a dynamic capabilities lens.

Finally, since the acceleration of e-commerce has also influenced research, scholars such as Johansson & Kask (2017) argue that this proposes a challenge for researchers as well in terms of being able to propose suggestions that will be appropriate over time. With this in mind, one can argue that the concept of dynamic capabilities needs to be revisited in order to provide an adequate, up to date discussion, as it debatably has a vague connection to cross-channel integration in the strive for omnichannel retailing as of today.

*“This study aims to, by the assistance of theory, investigate the practice of how MNCs can utilise their capabilities in order to make their cross-channel integration process more dynamic, and thus maintaining their competitive advantage.”*

## **1.4 Research Question**

**Question:** How can capabilities be utilised dynamically in order to allow organisations to facilitate a transition into omnichannel retailing?

## **1.5 Delimitations**

Although the need for cross-channel integration might affect all different sized companies, this thesis has first and foremost been delimited to focus on MNCs that are originally based on brick-and-mortar retailing. This is done partly in order to narrow down the scope as this sort of research can be argued to be very wide in nature, and partly because of the aforementioned lack of agility compared to smaller companies. Furthermore, although many perspectives could be taken, as this bachelor's thesis is made within the area of international management, it has adopted a management point of view. With this in mind, for the empirical data, the sample has been chosen accordingly. Moreover, because of the intended size of the thesis, this study has been delimited to collect in-depth empirical data on a single corporation. As a result, almost no generalised conclusions can be made across companies or industries. Instead, this study aims to provide generalities of how a cross-channel integration process can look like in practice as well as to provide guidelines for future research.

## 2.0 Frame of Reference

*This section presents a literature review of cross-channel integration and dynamic capabilities, followed by a theoretical framework that will serve as the foundation for this research and be based on the literature review.*

### 2.1 Literature Review

#### 2.1.1 Cross-Channel Integration

Cross-Channel integration is the practise of developing synergy and compatibility between different channels and business units within an organisation (Cao & LI, 2015). Cross-Channel integration is defined by Yan, Wang & Zhou (2010, p. 434) as “the extent to which online and traditional channels interact with each other and, cooperate with advertising and promotion”. These definitions indicate that two areas within cross-channel integration becomes underlined. Firstly, there is a customer-centric view that aims to handle customer connections, increasing cross-channel shopping i.e. engaging customers in more than one channel. Also, the biggest factor to offer customers is a seamless familiarity in between various channels (Verhoef et al., 2015). Secondly, there is a perspective within channel interaction that focuses more on the welfares for the company (Neslin et al. 2006). Some of these important benefits that the companies must achieve are symbiosis between channels, which increases profitability for the MNC, as well as creating a common goal for the entire organisation as different units start working as a single unit thriving towards the same objectives (Neslin et al., 2006). With these aspects in mind, cross-channel integration changes its definition somewhat with e.g. Cao & Li (2015, p. 200) defining it as “Cross-channel integration is the degree to which a firm coordinates the objectives, design, and deployment of its channels to create synergies for the firm and offer particular benefits to its consumers”.

Researchers have divided the concept of cross-channel integration into subdivisions. However, how to divide it differs among different studies. For example, Bendoly et al. (2005) defines two dimensions of cross-channel integration. Firstly: physical integration, which refers to the possibility provided of making purchases across channels. Secondly: informational integration, which refers to the exchange of information that different channels can provide each other. Furthermore, informational integration is sometimes referred to as reciprocity (Bock, Lee, Kuan & Kim, 2012), store locator, or information management (Pentina & Hasty, 2009), but the fundamental sense of the term is, to a great extent, the same despite different

names. Lastly, Pentina & Hasty, (2009) states that companies must engage in two types of investments in order to successfully integrate their channels. First, on a marketing level, meaning to spread awareness of the brand across the entire set of channels. Secondly, operation and information management levels, which refers to the integration of customer databases and logistical processes. In order to facilitate the terminology, this thesis will refer to the aforementioned as information integration, with two subcategories, internal and external. Internal, referring to information integration that improve corporate logistics and processes, and external, involving aspects and processes that generates customer loyalty, customer satisfaction and customer retention.

### **2.1.2 External Effects of Cross-Channel Integration**

The external factors in this case refers to influences on the corporation that is the result of the cross-channel integration process i.e. factors such as e.g. customer relations, customer satisfaction and brand awareness. Furthermore, research have shown that cross-channel integration and implementation of omnichannel retailing is effective in terms of external factors. This, since customers operating through multiple channels spend more money, than customers preferring a single channel (Saunders, 2002). Moreover, when measuring the positive effects of cross-channel integration on customers, research has identified three primary variables: customer satisfaction, customer loyalty and customer retention (Frasquet & Miquel, 2017). The first variable i.e. customer satisfaction, can be defined as the accumulated affective response that a customer experiences (Oliver 1980), and has shown to have a tendency to be affected by the degree of customer empowerment. In turn, customer empowerment refers to the level of control that the customer perceives itself to have regarding decision-making when making purchases. With this in mind, as increased accessibility and product availability are two outcomes of cross-channel integration, researchers such as Wallace, Giese & Johnson (2004) as well as Frasquet & Miquel (2017) argue that the consumer empowerment also increases, which in turn affects the satisfaction in a similar manner. However, there is a flip-side to that coin as contradictory opinions have been presented in previous research as well, with e.g. Mick, Broniarczyk & Haidt (2004) saying that cross-channel integration and implementation of an omnichannel might actually cause choice paralysis and Broniarczyk & Griffin (2014) claiming that it can cause decision difficulty instead, which would not necessarily decrease the level customer empowerment, but might cause the customer satisfaction to decrease due to complexity. Finally, this has shown not to be exclusive for products as a broad multichannel portfolio of services has also shown to increase customer satisfaction in a similar manner.

Secondly, customer satisfaction tends to drive customer loyalty, meaning that the beneficial effects of implementing omnichannel retailing in terms of customer satisfaction, indirectly improves customer loyalty as well. Furthermore, as previous research has shown, there is a strong correlation between customer loyalty and profitability (Wright & Sparks 1999; Zeithaml, Berry, & Parasuraman 1996), and as customer loyalty emerges as a result of a positive perception regarding a product over time, resulting in a clear positive correlation to maintain a sustainable customer base in the long run (Oliver, 1997), it also becomes an important aspect to consider in the cross-channel integration process (Frasquet & Miquel 2017). In addition, cross-channel integration has been proven to benefit both online and offline channels in terms of increased customer loyalty, which in turn can result in further benefits for retailers in terms of word-to-mouth marketing and a greater willingness among customers to pay higher prices (Frasquet & Miquel, 2017; Schramm-Klein, Wagner, Steinmann & Morschett, 2011). Moreover, although Neslin et al. (2006) have identified that it is more difficult to increase customer loyalty on an online platform than an offline platform, if the offline channels experience high degrees of customer loyalty and trust, these values will most likely be automatically reflected on the online platform as well as a result of a halo effect i.e. the cognitive perception being influenced by previous actions within relatable contexts (Frag, Schwanen, Dijst & Faber, 2007). Hence, retailers with wide presence of physical stores and offline platforms tend to have higher degrees of customer loyalty than solely online retailers (Cao & Li, 2015). Therefore, Cao & Li, (2015) argue further that well-established brick-and-mortar retailers, with an already high customer loyalty, will benefit relatively less from cross-channel integration than retailers with either low physical presence, or low degree of customer loyalty. Furthermore, Grewal, Iyer, & Levy (2004) list several benefits of integrating different channels, e.g. customised and personal customer interactions, greater accessibility, availability and gratification. However, it has also shown to be possible to question the positive effect of cross-channel integration on customer loyalty and customer retention by discussing the concept of switching costs i.e. the barriers of seeking for other alternatives when considering a purchase (Wallace et al., 2004). As retailers adapt to omnichannel retailing and facilitates all processes regarding searching and buying products, customers switching costs decreases. As a result, the customers become less attached to specific retailers, and in general, price transparency increases (Wallace et al., 2004). In turn, this can lead to an overall decrease in customer loyalty and customer retention as well, i.e. retailers' ability to retain customers over time (Bendoly et al., 2005). Therefore, Bendoly et al., (2005) argues that product availability affects customer retention to the largest extent when the switching costs are low and that inadequate availability,

therefore, can have both short-term and long-term effect on retailers, from the perspectives of customer retention and brand reputation.

### **2.1.3 Internal Effects of Cross-Channel Integration**

Integration between different channels in an MNC creates many opportunities. Ultimately, the objective is to create a better customer experience, increase customer loyalty as well as ensuring a high customer retention rate (Cao & Li, 2015). Although cross-channel integration provides many advantages to MNCs, internal conflicts easily emerge in a multichannel stage as well as the development occurs. Conflicts in between channels can be explained as states that appear as different stakeholders within different channels are in some way preventing the other channel of achieving its goals, or as goals of different channels are in conflicts with each other as well as competition amongst different channels (Balasubramanian, 1998). Further on, when integrating brick-and-mortar companies with e-commerce existing customer information needs to be transferred within the different channels in order to enable customers to use different channels for purchasing goods. This however, becomes an issue as brick-and-mortar companies use older systems and implementing these with new systems is a major challenge and expense for MNCs (Du, Cui & Su, 2018). As the cross-channels integration process is ongoing, a coordination strategy needs to be implemented between the channels in order to create understanding, identify various capabilities in the different units and of that information create an effective portfolio to implement in order to achieve additional value for consumers (Sirmon, Hitt, Ireland & Gilbert, 2010). As the coordination policy is in action, it creates the opportunity for MNCs to integrate resources as well as creating a synergy among the units (Du et al., 2018). As MNCs achieve these objectives, defining capabilities within different units as well as finding concepts and procedures to implement these capabilities within an entire organisation, the online and offline will be complementing each other and performing simultaneously in synergy. It is of importance to clearly define the coordination policy and make employees aware of it and encourage them to take action in the pursuit of omnichannel. This since, employee empowerment has been proved to positively affect retailers' performance and effect on customers (Ugboro & Obeng, 2000).

Further on, as the strengths and capabilities within the different units have been identified, they need to be implemented within the additional channels added in the organisation. As MNCs implement new channels these have to be able to align and be compatible with the current resources of the company (Du et al., 2018). Another reported issue as brick-and-mortar companies aim at implementing an online channel is the lack of knowledge

regarding how to operate online and a culture reflecting this within the company is still present (Lewis, Whysall & Foster, 2014). Therefore, Lewis et al. (2014) discusses that companies of this kind, that go through a channel transformation, also need to conduct a cultural transformation in order to be able to adapt the brick-and-mortar organisation with the newer system.

### **2.1.4 Multichannel**

According to Hübner, Wollenburg & Holzapfel, (2016), one can describe a single channel as the classic standpoint, operating only within one channel and with a supply chain approach that is focused on e.g. solely brick-and-mortar or an electronic platform. In turn, when online shopping rose as a phenomenon, the single channel business model developed with it and businesses got the opportunity to enter people's everyday life. As some entrepreneurs started their businesses online, developing a new type of single channel system, brick-and-mortar businesses got another opportunity to establish additional channels, in order to both communicate and sell to customers, becoming so called "bricks-and-clicks" retailers (Herhausen et al., 2015; Hübner et al., 2016). Furthermore, As Neslin et al., (2006 p. 96) defines multichannel as "the design, deployment, coordination and evaluation of channels to enhance customer value through effective customer acquisition, retention and development" it can be further argued that when companies started adopting a multichannel structure, they were making sure that their availability towards the customers increased and that they further built connections with the market. This opened up for customers to always be able to interact with companies and order goods, not only when the store is open, but also at the customers' convenience. Further, research argue that creating, maintaining and developing multiple channels became a vital part of traditional MNCs growth and survival with the evolving markets (Wind, Mahajan & Gunther, 2002). However, the multichannel system is based on the idea that customers interact with a single channel whether online or offline, and although multiple options exist, they do not appear to be integrated from the customer's point of view (Beck & Rygl, 2015). Furthermore, as the number of channels grow and as the markets' digitalisation develops further, researchers have been arguing that it is no longer a question of whether or not multichannel is a necessity, but rather how to approach it in the most efficient way (e.g. Gallino & Moreno, 2014; Hübner et al., 2016). With this in mind, it is argued that interacting with the market through separated, non-interactive channels has developed into not being a sustainable business model any longer (Herhausen et al., 2015; Oh, Teo & Sambamurthy, 2012). Moreover, as the multichannel systems have grown larger within corporations, flaws and fears within the

systems arise: Firstly, the fear of channel cannibalisation i.e. that revenue only transfers between channels instead of creating new streams, which in turn has been a topic that researchers have been divided within (e.g. Herhausen et al., 2015; Verhoef et al., 2015). Some claim that without a synergy between the multiple channels within a corporation, a risk arises in that it is vital for MNCs to make sure that the channels can grow in symbiosis without one challenging the other but instead allowing the different channels to grow simultaneously (Verhoef et al., 2015). At the same time, studies have claimed that this cannibalisation generally does not necessarily have to be an issue, but can instead result in a complement and a tool to increase sales (Neslin et al., 2006). Nevertheless, researchers generally agree on that when there is a functional synergy between these channels, this is no longer an issue as it has been shown that this can increase the company performance through e.g. enriching the value proposition (Gallino & Moreno, 2014; Frasquet & Miquel, 2017).

Secondly, a risk with the multichannel system is the diversity, lack of collaboration and the lack of integration between the different units. As the different units are under different departments there might arise e.g. differences in pricing, promotion, marketing as well as funding towards the various units (Piotrowicz & Cuthbertson, 2014). Early on, the lack of integration was not necessarily regarded as negative, but rather as positive, seeing that it gave the customers an opportunity to do their work on various fronts. For example, Balasubramanian, Konana, & Menon (2003) discuss that for example traders, thanks to the multichannel approach, now could divide their assets into multiple online-offline components. Nevertheless, as the electronic commerce platform has developed and gotten more established into most people's daily routine, the demand for being able to combine different channels more smoothly without losing any data rose accordingly, which has left the multichannel system as an unmodern model that has provided more problems than solutions (Verhoef et al., 2015). It is therefore of high importance for companies to start considering how to prevent this and make sure that the different channels complement each other instead and make sure that the entire business works as one instead of through silo-structured channels (Gallino & Moreno, 2014; Hübner et al., 2016; Verhoef et al., 2015).

### **2.1.5 Omnichannel**

The issues within the multichannel system have now raised the subject of cross-channel integration seeing that the new channels have given customers the opportunity to go beyond traditional barriers such as geographical borders (Verhoef et al., 2015). Furthermore, this has later evolved into that retailers need to reevaluate their entire customer interaction in order to

remain competitive (Verhoef et al., 2015), where a clear parallel can be drawn to Kotter's (2014) aforementioned reasoning of hierarchical corporations taking great risks if this is not done. As a result, as the multichannel system is being argued to no longer be sufficient as a sustainable business model (e.g. Herhausen et al., 2015; Verhoef et al., 2015; Cao & Li, 2015), Rigby (2011) debated that the retailing business in regard to electronic trade is instead evolving, and morphing, into something which he calls omnichannel retailing, referring to it as retailers being able to connect with customers in various channels simultaneously. Underlining the issues of providing a descriptive accurate definition, Rigby (2011) defines omnichannel as an integrated sales experience where the customer is provided with a combination of the advantages of physical retailing and the information-intense online commerce. Moreover, others have developed this further. For example, Verhoef et al. (2015, p. 1) defined omnichannel as "Taking a broader perspective on channels and how shoppers are influenced and move through channels in their search and buying process." whereas Beck & Rygl (2015, p. 175) define omnichannel retailing as the "set of activities entailed in selling merchandise or services through all widespread channels, whereby the customer can trigger full channel interaction and/or the retailer controls full channel integration". With this in mind, an omnichannel retail structure could be described as multiple search- and sales-channels, both online and offline i.e. both e.g. electronic- and brick-and-mortar retailing, which are fully integrated with each other. Furthermore, the main difference between a multichannel and an omnichannel structure could, hence, be described as the level of cross-channel integration.

### **2.1.6 Omnichannel Management**

Omnichannel management refers to the management of the different channels that a company operates through. More precisely, "the synergetic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized" (Verhoef et al., 2015 p.176). Furthermore, this would entail that when managing the channels to the best possible standard, customers are allowed to change channels seamlessly, without any difficulties, such as loss of data (Piotrowicz & Cuthbertson, 2014; Verhoef et al., 2015). This in turn has been argued to give the opportunity to expose the customer to one large experience, both in terms of communication and in terms of purchase, rather than multiple ones and therefore increasing the customer satisfaction (Mosquera, Olarte Pascual & Juaneda Ayensa, 2017; Piotrowicz & Cuthbertson, 2014). Because of this, researchers are further arguing that proper omnichannel management has developed into one of the most integral business aspects that a retailing company can focus on

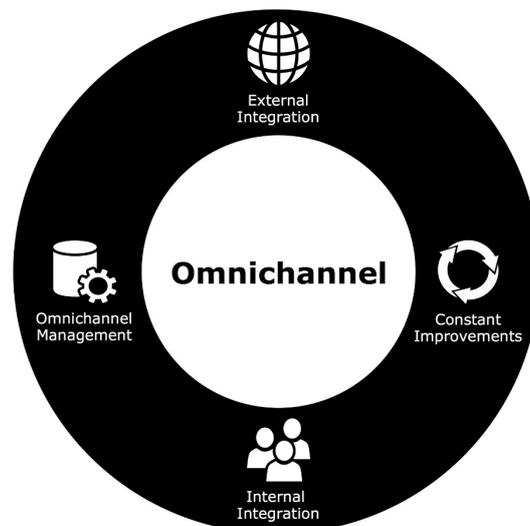
in order to maintain a competitive advantage (e.g. Beck & Rygl, 2015; Verhoef et al., 2015). However, although researchers are in agreement regarding that proper management is key in order to retain a competitive advantage in a fast-moving market (Beck & Rygl, 2015; Kotter, 2014; Verhoef et al., 2015; Wilson & Daniel, 2007), there has at the same time been acknowledged that there is a difference in what research says and what business do (Müller-Lankenau, Wehmeyer & Klein, 2006; Wilson & Daniel, 2007). Aforementioned, most businesses today operate through various channels, any integration between these are seldom found to any larger extent in accordance with a multichannel system. Therefore, Wilson & Daniel (2007) argue that in order to respond to a constantly changing market, firms need to reevaluate their resource base in order to gain a dynamic edge and to sustain a competitive advantage. Finally, in order to obtain this, research regarding competitive advantage has described the process of creating, maintaining and developing dynamic resources as the concept of dynamic capabilities (Teece et al., 1997; Wilson & Daniel, 2007). With this in mind, the role of dynamic capabilities can be argued to become significant in terms of omnichannel management and cross-channel integration.

## **2.2 Theoretical Framework**

### **2.2.1 Cross-Channel Integration towards Omnichannel Retailing**

Throughout the literature, it is possible to conclude that for a company to achieve an omnichannel structure from a multichannel, there are elements that are characterising the transition. As a starting point, it is arguably clear that for an omnichannel structure to function, a corporation needs multiple channels (Gallino & Moreno 2014; Rigby, 2011; Verhoef et al., 2015). Although this also signifies a multichannel structure, in an omnichannel structure, knowledge and information is supposed to transfer seamlessly across all these channels. For this to happen, the channels need to work as a single unit instead of being separated (Beck & Rygl, 2015; Rigby, 2011; Verhoef et al., 2015). More specifically, what this means from a customer's point of view are two things: Firstly, it does not matter which channel to choose in order to interact with the chosen retailer at hand (Verhoef et al., 2015). Secondly, once the interaction has been initiated, it is possible to switch channels without any difficulties whatsoever (Verhoef et al., 2015). With this in mind, it is clear that cross-channel integration is an ongoing process that is both a major part of what distinguishes a multichannel structure from an omnichannel structure as well as being a part of the omnichannel structure itself. Moreover, because of this, constantly looking for opportunities in order to improve also

becomes an integral part of an omnichannel structure. Furthermore, in order to make this type of synergy possible, proper management is needed. As the operations within a multichannel is, to a large extent, operated through a siloed structure, the channel management is not necessarily integrated either. Nevertheless, for an omnichannel structure to exist, this type of management needs to be synergised across the different channels in order for a company to attain a sustainable competitive advantage (Verhoef et al., 2015). However, what makes a successful omnichannel management in order to maintain a synergy and a competitive advantage over time, in practice, is an area that still needs additional research (Mueller-Lankenau et al. 2006). Furthermore, an omnichannel structure is not only characterised by cross-channel integration and its synergy, but also its ability to deliver value to the organisation using it. For example, companies who operate through omnichannel retailing are not only able to retain customers to a larger extent, but are also, through the synergy of the channels, able to gather more information and form a better knowledge of the customer. To summarise, the main components of an omnichannel structure i.e. which components that need to be obtained and managed in order for a functioning omnichannel retailing, can be seen in Figure 1.



**Figure 1**

### **2.2.2 Dynamic Capabilities**

Developing an omnichannel structure can assist organisations in obtaining, or reinforcing, a competitive advantage. However, due to the high-pace market conditions, it has not only become key for companies to utilise its resources and capabilities in order to create strategies, which in turn, results in sustainable competitive advantage i.e. a company's resources and capabilities that can be used to outperform competitors (Porter, 1985), but also to sustain this in the long run. Therefore, it becomes relevant to use the concept of dynamic capabilities as a

theoretical lens to shed light on the phenomenon of cross-channel integration, resulting in an omnichannel structure.

The traditional theory resource based view (RBV) builds on the foundation that companies' competitive advantage is based on different resources (Barney 1991; Wernerfelt, 1984). However, not every single resource is a basis for a competitive advantage. According to Barney's (1991) VRIN theory: For resources to be regarded as a source of competitive advantage, they have to be valuable, rare, imperfectly imitable and non substitutable. However, with researchers such as Lin & Wu (2014) and Wilden & Gudergan (2014) arguing that in situations where the foundation of the competitive environment is shifting as a result of increasing market speed, RBV is no longer sufficient due to the fact that it does not describe how these resources can be created or how they can be changed and updated as time goes on. This, i.e. how companies cope with uncertainty in regard to the market pace, has been a relevant subject for many years, with e.g. Teece et al. (1997) and Eisenhardt & Martin (2000) together laying the foundation for what researchers today are referring to as dynamic capabilities: A theory which in turn is based on RBV. However, as the traditional view implies that a company should select a strategy which utilises its internal resources to the fullest, in relation to the external environment, the theory of dynamic capabilities rather encourages that although a firm's fixed resources can grant you a competitive advantage in the present moment in correlation with VRIN, "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997 p.516), is what is going to make competitive advantage sustainable (Teece et al., 1997). In order to understand this concept further, there are two perspectives with different assumptions. In the first perspective, two assumptions have been presented in regards to the theory. Firstly, resources are heterogeneously distributed among firms. Secondly, resources are immobile, meaning that they cannot be transferred out of a firm (Wernerfelt 1984; Barney, 1991). Therefore, by utilising its internal resources and capabilities, a company can achieve a sustainable competitive advantage. Further, in the second perspective, the assumption is rather that resources can be, to a large extent, homogeneously distributed organisations, meaning that there are similarities between capabilities across firms (Eisenhardt & Martin, 2000).

Teece (2007) has presented a framework of dynamic capabilities, suitable for multinational companies operating within business environments characterised as followed: Firstly, the marketplace is compatible with international trade and entirely exposed to possibilities and risks that are connected to the changes within technology. Secondly, in the rapidly changing markets in terms of technology, inventions are created systematically and

must be compatible in order to be able to create goods and services that cater the customers' needs. However, what decelerates this process is that the business setting is plagued by poorly established platforms of where to trade technological and managerial know-how (Teece, 2007). The e-commerce market can be argued to be aligned with all of these characteristics, seeing that it is highly dependent on technological advancements which development is hard to predict. With this in mind, this framework becomes adequate in the observation of the e-commerce platform as a whole, while also giving the possibility to observe cross-channel integration more narrowly. In terms of a firm's dynamic capabilities, Teece (2007) presents three different general, but key, abilities: Firstly, the difficult ability to anticipate, or sense, changes, obstacles and opportunities in the market, whenever it is moving. To do this, it is argued that firms need to scan constantly for opportunities and threats. Secondly, once opportunities or challenges have been identified, it becomes crucial to seize it. Furthermore, it is argued that in order to do this, the ability to constantly be up to date regarding e.g. technological advancements and complementary assets are debatably most important. Finally, as firms seize more opportunities with the ambition grow as a result, it has to manage more assets while at the same time remain flexible in order to sense and seize further opportunities. Because of this, it is argued that a firm needs to be able to constantly reconfigure itself and be open to change, especially when operating in a dynamic market (Teece, 2007).



**Figure 2**

In terms of e-transformation, Daniel & Wilson (2003) identified eight different dynamic capabilities. In turn, these eight are categorised to be of either innovative or integrative nature, meaning that the capabilities either develop, and discover new ways of conducting business, or integrate the new business aspects with the already existing business-model. In turn, Wilson & Daniel (2007) identified seven dynamic capabilities for channel transformation in relation to IT, organisational structure as well as measurement and rewards. These dynamic capabilities have also been identified as either innovative or integrative.

	<b>Daniel &amp; Wilson (2003)</b>	<b>Wilson &amp; Daniel (2007)</b>
<b>Innovative</b>	<p>A rapid cycle of strategy development and implementation</p> <p>The skill to develop and critically evaluate business cases incorporating substantial alterations to the business model with uncertain information</p> <p>The ability to build commitment to a strategic change both within the organisation and with other stakeholders</p> <p>Iterative development of customer value propositions melding planned and experiential approaches</p> <p>Ability to reconfigure the sales/service process to exploit new channel capabilities</p>	<p>Active review of the route to market in a cycle of strategy development and implementation</p> <p>The alignment of route to market with different segment and product characteristics</p> <p>The creation of innovative channel combinations</p> <p>Iterative development of customer value proposition melding planned and experiential approaches</p>
<b>Integrative</b>	<p>Ability to integrate new and existing IT systems without stifling innovation</p> <p>Tightly coupled e-business and corporate strategy formulation</p> <p>Ability to integrate new and existing channels to offer multi-channel service</p>	<p>Integration of processes and IT to support multi-channel customer relationships</p> <p>An organisational structure which balances the need for innovation and integration</p> <p>Metrics and rewards which reflect multi-channel customer behaviour</p>

**Table 1**

As these three frameworks together provide a holistic view of dynamic capabilities, e-transformation and cross-channel integration, they have been integrated into a single framework in order to gain a profound understanding of a MNC's transformation process.

Aforementioned, Teece et. al (1997) denotes dynamic capabilities as heterogeneously distributed across firms, a view used in the framework by Teece (2007). However, with Daniel & Wilson (2003) and Wilson & Daniel (2007) presenting explicit dynamic capabilities, arguing that they are required to successfully implement cross-channel integration as "best practice", this rather support the assumption presented by Eisenhardt & Martin, (2000) regarding a homogeneous distribution. Therefore, this inconsistency between research makes the discussion of whether it is possible, through research and theory, to provide further insight whether dynamic capabilities are distributed homogeneously or heterogeneously across firms in order to integrate a successful omnichannel structure, relevant. This relationship makes it even more reasonable to combine as Teece's (2007) sensing and seizing could be linked to Daniel & Wilson (2003) and Wilson & Daniel (2007) innovative aspects, while the integrative capabilities can be linked to Teece's (2007) reconfiguration. Also, the merger of these frameworks is relevant since the concept of cross-channel integration and omnichannel retailing

are relatively undiscovered areas of research and therefore, it becomes of importance to add a critical perspective where contradictory assumptions are examined.

### 2.2.3 Theoretical Lens

As the purpose of this paper is to observe how capabilities can be utilised dynamically in a cross-channel integration process, it becomes, as aforementioned, relevant to combine the already existing frameworks within dynamic capabilities in order to fulfil the purpose of this research and answer the research question. This is partly because the general perception across previous research is that a successfully developed omnichannel structure can be seen as a competitive advantage in itself (e.g. Verhoef et al., 2015), and partly because cleverly utilised dynamic capabilities can be described as necessary in order to sustain this competitive advantage over time (Daniel & Wilson, 2003; Wilson & Daniel, 2007). Furthermore, in order to fulfil the purpose, this combined framework has also been applied as a theoretical lens to the different identified concept-elements of omnichannel retailing as can be seen in Figure 3. Consequently, this framework has guided the empirical research, both in terms of general areas of interest in order to delimit the study and in terms of the analysis of the case.

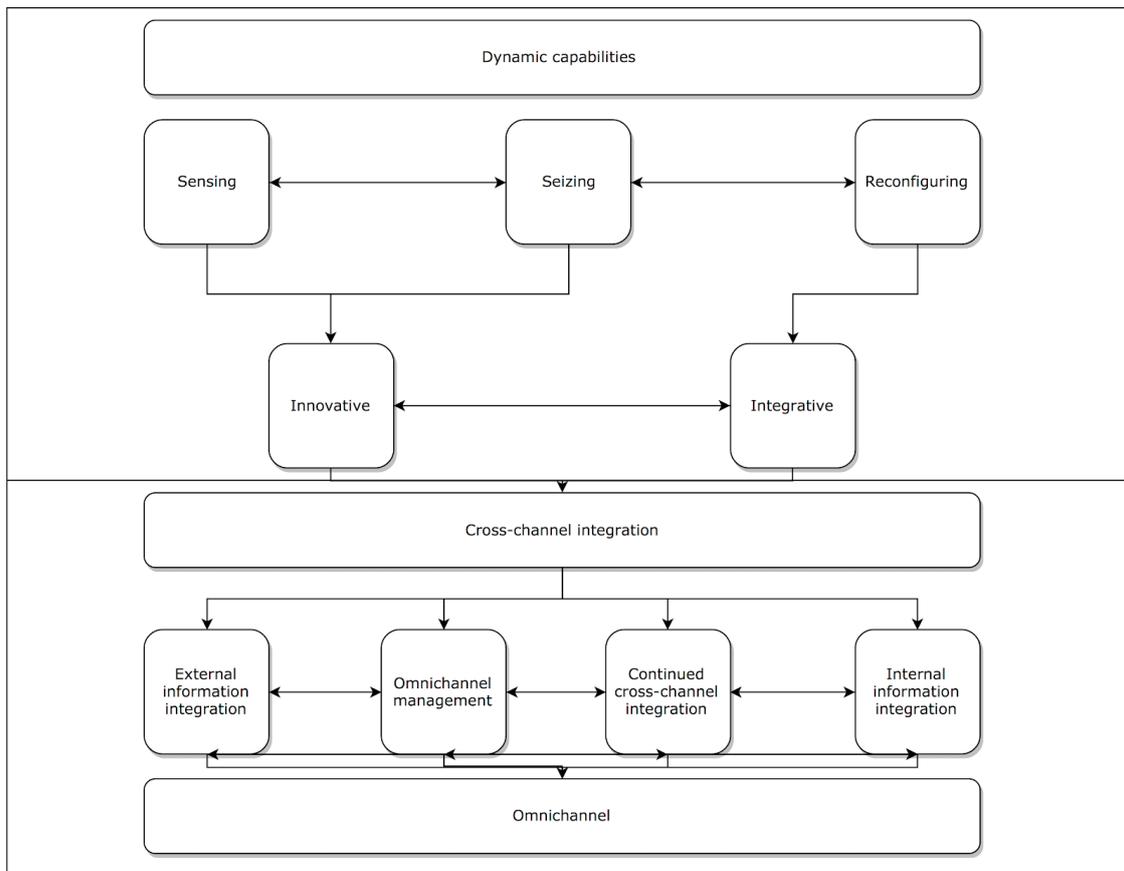


Figure 3.



## 3.0 Methodology

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*This section presents this study's research philosophy, research purpose, research approach, research strategy as well as the methodological techniques used to gather and analyse data. Lastly, credibility and trustworthiness is elaborated on.*

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### 3.1 Research Philosophy

The research philosophy implies sets of values and beliefs of the nature of information and knowledge and how it is developed, analysed and understood. Identifying an appropriate research philosophy eases the selection of methods of how to develop and collect data in order to propose answers to the research question of the study (Saunders, Lewis, & Thornhill, 2012).

Research philosophies are often presented in the form of paradigms. One is positivism, which implies an objective view of the world. Research is mainly conducted through testing, with the incentive of either confirming or refuting a hypothesis. This binary process is independent from the influence of values and credible data can only be developed through research on observable phenomena. Positivism is the general philosophy used for natural science (Saunders et al., 2012).

However, as a counterpart, the interpretivist paradigm has emerged as a philosophy suitable for social science. The interpretivist paradigm imply that social reality cannot be perceived as binary and law-like as positivism promotes, but researchers must understand that perceptions and interpretations differ between humans, as social actors (Saunders et al., 2012). Also, completely relying on data when answering research questions and hypothesis is not achievable in practice, since values and beliefs of the researches will influence the research (Saunders et al., 2012). The interpretivist paradigm promotes a more subjective view of social reality and take the human aspect into consideration to a larger extent (Saunders et al., 2012). This research philosophy promotes the use of small samples and qualitative research as methods of generating rich data (Saunders et al., 2012). As the concepts of cross-channel integration and omnichannel retailing are relatively unexplored in terms of research, an interpretivist philosophy is hence suitable for this research. Therefore, as both Saunders et al. (2012) but also King & Horrocks (2010) state that small samples sizes are preferred in this type of research, this research has been performed accordingly.

### **3.2 Research Purpose**

Saunders et al., (2012) differentiates between the various research approaches as descriptive, explanatory and exploratory. With this in mind, descriptive research is described as portraying profiles of either situations, people or events with an adequate, previously established, perception of the phenomenon. Furthermore, it is argued that this method is more of a forerunner to other types of research and is not necessarily striving to end up in a discussion. In contrast, explanatory research can be described as a causal research, studying and explaining the cause-and-effect relationship between variables. As a result, this could play an important role into identifying underlying causes into processes, consequences and the like, resulting in useful tools for e.g. forecasting. Finally, exploratory research is argued to be trying to explore a situation, a phenomenon or a problem from a new angle. Hence, as the purpose of the exploratory research is not necessarily to conclude any final solutions to a problem, one might claim that the ability to change the direction in shed of new light is of high importance.

As this study aims to provide insight into how MNCs are affected by the current market pace, and what is currently being done about it, it is possible to argue that the nature of the study becomes to explore the relationship between the problems and try to identify a discussion regarding solutions to the challenge. Because of this, the overarching purpose of this study could be defined as exploratory in that it aims to observe a current situation from an unexplored perspective.

### **3.3 Research Approach**

The research approach defines what method is used when it comes to various approaches in research. Mainly, there are two types of approaches that can be used when collecting data. Firstly, the deductive approach, also referred to as the testing theory. When applying a deductive approach, the authors develop a theory as well as a hypothesis, and then plans for an enquiry to be able to test the aforementioned hypothesis (Saunders et al., 2012). Collins & Hussey (2013) explain the deductive theory as the foremost research method in natural sciences in which laws present the basis of reason. Secondly, the inductive approach allows the authors to collect data and then use the data in order to develop a theory as a result of the research. When conducting the inductive approach, a practical example would be to collect information about a company through interviews, shadowing employees or researching documents about the company (Saunders et al., 2012). The next step would be to analyse the data in order to identify an issue or phenomenon within a company. The analysis would then result in the formulation of a theory (Saunders et al., 2012). Further, there is a third approach, called

abduction. Abduction is meant to have the role as the middle ground in between the deductive and inductive approaches. The difference between the three is that a deductive theory seeks to test various theories and hypothesis, while the inductive method seeks to prove or establish new theories, whereas the abductive method often results in creating a new hypothesis or elaborating on existing theories (Burks, 1946; Ketokivi & Choi, 2014). As this study is performing an exploratory research, that not only seeks to determine how dynamic capabilities can affect a firm's performance through the cross-channel integration process, but also aims to establish a hypothesis for future research, one could argue that parts of an abductive approach is used. However, this research does not only comply with the abductive method, but also with the inductive as this study is performing an exploratory research, that seeks to determine how dynamically used capabilities can affect a firm's performance through the cross-channel integration process, as well as aims to establish a hypothesis for future research (Burks, 1946).

As elements from both inductive and an abductive approach are utilised for this research, the possibility of contributing with complementary insights rather than purely relying on existing theories opens up. In accordance with Ketokivi & Choi's (2014 p.233) definition of a qualitative research "examines concepts in terms of their meaning and interpretation in specific contexts of inquiry", this research becomes of qualitative nature. Finally, in alignment with duality criterion presented by Ketokivi & Choi (2014), this study has been situationally grounded throughout the data collection process and there has been an aim to seek a sense of generality from the start of the empirical data collection rather than finding a general conclusion.

### **3.4 Research Strategy**

An important aspect when conducting research is to develop a strategy that defines how the research of the thesis will be conducted, as well as defining how the research purpose will be fulfilled (Saunders et al., 2012). In order to present an answer to the research question, the method of a case study has been selected. This, due to the fact that case studies are considered appropriate when qualitative research approaches are selected, and when the purpose of the research is of exploratory nature (Saunders et al., 2012). In regards to relatively unexplored research areas, such as cross-channel integration and the concept of omnichannel retailing, Saunders et al. (2012) suggests single case studies as an adequate strategy.

However, Saunders et al., (2012) mentions the disadvantage related to single case studies, underlining its lack of scientific proof. Nevertheless, case studies are described as an appropriate strategy to use when doing research on existing theories (Saunders et al., 2012). In

addition, with Flyvbjerg (2006) correcting several misunderstandings about case studies, for instance that it is not possible to generalise conclusions based on a single case study and that case studies tend to be biased towards verification, the chosen method is provided with additional support. In addition, Morris & Wood (1991) claim that a case study enables the researchers to get a profound insight and understanding of the processes being enacted. Therefore, in accordance with the research philosophy of this research and with the discussion regarding the duality criterion, this research will be conducted through a single case study, since this research strive for in-depth and profound understanding of the identified phenomenon.

### **3.5 Previous Literature Collection**

Since the researched phenomenon is relatively new and because of the rapid market development, research dating back to maximum twenty years has been considered regarding the phenomenon in order to gain an understanding of both present time and its recent development. However, studies that has been considered in order to gain e.g. fundamental understandings of older concepts and definitions of terminology has not necessarily been within this time frame. When searching for relevant literature, the databases JU Primo and Scopus were used, since they enable efficient customisation of the searching process. Initially, the search for literature was conducted through the use of the keywords “cross-channel integration”, “dynamic capability\*”, “omnichannel” & “e-commerce”. Furthermore, the different forms of each keyword were examined, for instance “e-commerce” versus “e-business” and “omnichannel” versus “omni-channel”. In turn, these keywords provided the study with some adequate literature, which in turn has provided additional resources through relevant citations. In terms of the research, more weight has been put on research that has been frequently cited, as it is an indicator of high quality research (Serra, 2015). As an example, notable research by Teece, Barney & Eisenhart within the area of dynamic capabilities are widely cited. Moreover, the same goes for research citing Rigby, Verhoef and Herhausen within the topic of cross-channel integration and omnichannel retailing. Furthermore, when conducting the literature review, literature was analysed to determine the level of relevance and credibility based on critical review questions presented by Wallace & Wray (2006). These review questions highlight aspects concerning, e.g. purpose of literature and how the literature can be used in this specific research.

## **3.6 Method**

### **3.6.1 Primary Data**

Through a single case study, focusing on one specific situational context, combined with the interpretivist philosophy, this research holds the characteristics for research of qualitative nature. When conducting a case study, it is important to get a nuanced understanding of the company through different departments with various perception of how a phenomenon affects a company (Saunders et al., 2012). Therefore, the home furnishing company IKEA has been chosen as one of the researchers currently has employment in the corporation. This has enabled deep access and insight to information and key personnel regarding our selected phenomenon. Also, since IKEA is implementing a cross-channel integration programme at the same time as this research is conducted, there is a possibility to follow and analyse the process in-depth simultaneously as it is implemented, instead of in retrospect.

When conducting a case study, decisions regarding the selection of data collection methods must be made. Saunders et al. (2012) presents numerous methods for case studies, e.g. focus groups, employee shadowing and interviews. However, due to potential scheduling difficulties in the case of focus groups and the potential lack of perspectives in the case of employee shadowing, these methods were not chosen for this research. Consequently, as in-depth interviews can provide both perspectives and are easier to schedule, this method was deemed to be the most appropriate in accordance with the purpose.

Furthermore, the degree of structure in the interviews must be selected. A structured interview is characterised by a formal approach with standardised questions, while an unstructured interview is characterised by an informal approach and a more ad hoc questionnaire. A compromise between these two types is referred to as a semi-structured interview and is the most conversational interview type. By adopting a semi-structured interview approach, the researchers have more flexibility regarding follow-up questions. This, as well as the interviewee gains the possibility of further elaboration and the ability to let values and beliefs shed light on the answer, which can provide more in-depth answers. In turn, this also provides the opportunity for a more nuanced analysis in accordance with the interpretivist philosophy of the research. Finally, even if the questionnaire is the same, follow-up questions are spontaneous and in regard to the interviewee's specific knowledge. However, worth mentioning is that spontaneity can also be considered as a disadvantage, since it might lead to that the researchers might lose track of the original research problem (Saunders et al., 2012).

### **3.6.2 Sample Selection**

Due to the phenomenon investigated and as this study is applying a qualitative framework when conducting the case study, it was decided to use non-probability sampling. A non-probability sampling method is the logical choice seeing how a random sampling would include the risk of getting a non-relevant sample. Using a non-probability sampling technique, it is recommended when conducting case studies with small sample sizes (Saunders et. al, 2012).

The non-probability sampling technique can be divided into subcategories, where one subcategory is snowball sampling. Snowball sampling refers to initiating contact with subjects in a population to interview, and enable the interviewee to recommend further possible subjects, which in turn, recommends further subjects (Saunders et al., 2012). This creates an exponential increasing effect, similar to a rolling snowball. The main difficulty in conducting snowball sampling is to find and initiate the first contact with the population (Saunders et al., 2012). However, since the researchers have significant access to IKEA, and that a MNC is considered as a limited population to sample from, this was an obstacle possible to overcome in an early stage in the research process. Furthermore, Saunders et al., (2012) identify a risk concerning interviewees' tendency of recommending further cases of similar nature, values and beliefs, which might result in a biased and homogenous sample.

### **3.6.3 Interview Process**

In order to perform the case study, a questionnaire with open-ended questions was constructed on the basis of insights from previous literature, the chosen theories, the research purpose as well as the research question. However, as a result of the first interview, this questionnaire developed naturally as the process prolonged. During the interview process, the developed questionnaire, which can be found in Appendix 1, was divided into three categories: Cross-channel integration, dynamic capabilities and culture.

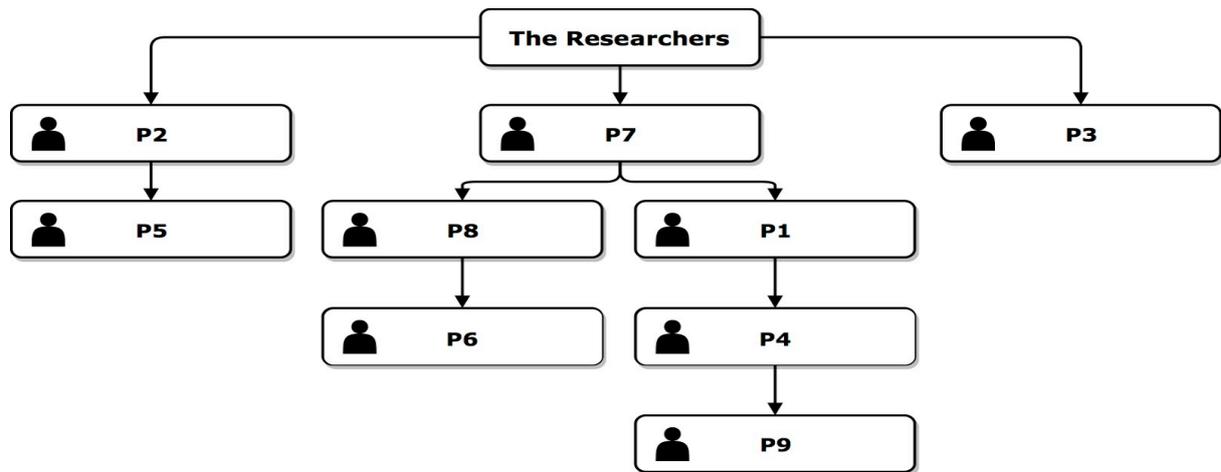
The snowball sampling resulted in nine semi-structured interviews, which is presented in Table 2, with various IKEA employees. The outline of how the sampling occurred can be seen in Table 3. The interviews were held face-to-face at IKEA offices in Jönköping, Helsingborg, Älmhult, Stockholm and Arlandastad, with additional two that were held as audio conferences over Skype due to logistical and schedule related obstacles. The interviews lasted on average 57 minutes, and all but one were audio recorded with approval from the interviewee, to facilitate the transcribing process. Also, by audio recording, the researchers could focus on the information presented by the interviewee rather than solely taking notes. In the case of the

interview not recorded, this decision was made on the basis of particularly sensitive information. Hence, eventual quotes have been verified by the person in question in retrospect.

As a first option, all interviews were conducted in the interviewers' and interviewees' native language i.e. Swedish, in order to obtain as insightful answers as possible. However, when the interviewee did not have Swedish as their native language, the interviews were conducted in English. As each interview was divided into three different parts, where the researchers were responsible and led the interview for one part each. All researchers were responsible of asking relevant and deliberated follow-up questions.

Acronym	Position at IKEA	Technique	Meeting place	Date of interview	Lenght of Interview
P1	Country Rollout Manager Multichannel Sweden	face-to-face	Jönköping	2018-03-14	01:05:12
P2	MCDN Implementation Manager	face-to-face	Älmhult	2018-03-15	00:59:06
P3	Flow And Capacity Planner	face-to-face	Älmhult	2018-03-15	00:47:13
P4	Customer Knowledge Manager	face-to-face	Helsingborg	2018-03-16	00:38:47
P5	Process Developer MCDN	face-to-face	Älmhult	2018-03-16	01:04:29
P6	Regional Change and Communication Manager	electronic interview	Jönköping	2018-03-20	00:58:32
P7	N/A	face-to-face	Stockholm	2018-03-22	01:00:28
P8	Regional Rollout Manager Multichannel Nordics	face-to-face	Arlandastad	2018-03-23	01:17:29
P9	Customer Experience Manager	electronic interview	Jönköping	2018-03-26	00:43:21

**Table 2**



**Table 3**

### 3.6.4 Secondary Data

Secondary data can be defined as data that has been already been collected for another purpose, such as raw data and published summaries (Saunders et al., 2012). For this study, secondary data such as information collected from IKEA in addition to the interviews will be used in order to gain further understanding of the company beyond the individual perception of the interviewees. With this in mind, most of the secondary data such as written materials of documentary nature (Saunders et al., 2012), has been collected from IKEA.

### **3.6.5 Data Analysis**

It is of importance to be able to understand, interpret and analyse the data collected. In order to be able to understand the data collected, one must first determine how, why and what is to be investigated and gather data about. Talking about the “how” moment, there are two distinct types of methods that can be used, qualitative and quantitative data (Bryman & Bell, 2015). When adopting a quantitative approach, a large amount of raw data is collected. This data could be everything from simple counts, to data from more complex tests (Saunders et al., 2012). However, this data is almost useless to anyone if it is just shown without having been analysed and broken down into meaning. The second approach is the qualitative research, which discusses non-numeric data that has been collected in a more selected manner, through interviews or by researching the culture within a company. It can be very demanding, when using the qualitative approach to handle and interpret large quantities of data. Many times, the information is very valuable and has the potential to give a very precise result, however, this only if the data is managed and analysed correctly (Saunders et al., 2012).

As it comes to understanding data collected by the qualitative approach, the raw data is not as difficult to read, and the information gathered is often self-explained. Although, as there is a more clearly developed guideline for interpreting the data, it can be somewhat complex finding a strategy apt to manage the data collected (Bryman & Bell, 2015).

In order to ensure that the empirical material is analysed correctly, this research will apply a pattern matching method i.e. the coding process will first be conducted individually among the researchers, through the developed theoretical framework, before matching the patterns into one merged analysis. When using this method, a comparison between different interviews is made in order to find patterns for the empirical data in order to simplify the evaluation towards the empirical findings and to raise legitimacy of the study (Saunders et al, 2012). According to Yin (2014), the pattern matching method is one of the preferred methods when conducting a case study.

### **3.7 Credibility and Trustworthiness of Research**

Shenton (2004) discusses four appropriate criteria to consider when doing qualitative studies in regards to credibility and trustworthiness of research: credibility, transferability, dependability and confirmability. These four criteria deal with the concerns regarding validity, reliability and objectivity of qualitative research.

According to Guba (1981), credibility is the most important factor to consider regarding trustworthiness of research. Also, credibility deals with internal validity, aiming at ensuring

that the study is aligned with the researchers' initial research purpose (Shenton, 2004). Similar to Flyvbjerg (2006), Shenton addresses the risk of searching for verification, arguing that researchers might tend to modify the research question until it aligns with the findings.

Next, the concern regarding how the results of one study can be applied to other situations is referred to as transferability (Shenton, 2004). This criterion is arguably the most affectable on this study, seeing that solely one case study is conducted, which makes it difficult to prove its applicability on other MNCs. However, as this research seeks to provide generalities, the effect of this obstacle is mitigated (Ketokivi & Choi, 2014).

Nevertheless, as the interpretivist philosophy suggest (Saunders et al. (2012), further reinforced by the frameworks of Daniel & Wilson (2003) and Wilson & Daniel (2007), dynamic capabilities can to some extent be imitated, proving that these findings are beneficial in other situations as well. However, contradictory beliefs are presented by Teece et al., (1997) and Teece (2007), which needs to be taken into consideration.

Next, the third criterion is dependability, which have the objective of ensuring reliability, by present and describe the method of how the research was conducted in detail. The method should enable other researchers to conduct the same type of study, under the same conditions and gain the same results (Shenton, 2004). The fact that one of the researchers is employed by IKEA at the time when this study is conducted has been a dependent factor in terms of access and availability to relevant subjects. Also, as this study is conducted during a temporary programme at IKEA, it complicates eventual future studies within this specific topic. However, as all information is disclosed in this thesis, and the method of the process is constructed in a detailed and clear way, it is arguably possible to conduct a similar study in retrospect, even when the programme at IKEA is terminated.

The final criterion is confirmability, which involves the researchers' intention of being objective when conducting the research. Absolute objectivity is complicated, in accordance with the interpretivist philosophy (Saunders et al., 2012), seeing that the gathering of data is executed with a specific purpose in mind (Shenton, 2004). Also, as earlier discussed, as one of the researchers is employed by IKEA, this might affect the degree of objectivity as well. However, as no direct colleagues were interviewed, and the study focuses on other units than concerned here, it was possible to minimise potential biased values and beliefs. Also, as all criteria discussed was taken into consideration throughout the research process, it is possible to minimise potential affection, ensuring credibility and trustworthiness of this research.

## 4.0 Empirical Findings

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*This section presents the data collected from the single case study. Quotes will be presented from the interviews in order to elucidate the material presented.*

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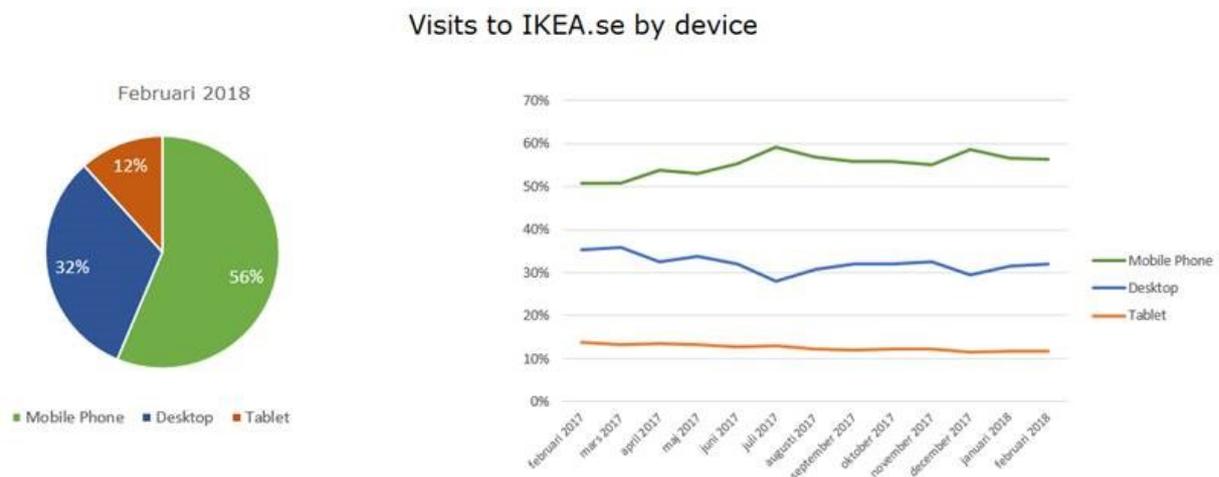
IKEA is currently in the process of transforming their organisation from a multichannel structure towards an omnichannel structure. Historically, IKEA has been a multichannel organisation for decades, as the first area of business was a mail-ordering company, they became a multichannel organisation as the first IKEA store opened in Älmhult. Further, IKEA has been active within e-commerce in different meanings for some time. The customers have been able to interact with the company through the internet since the millennial shift to get a first insight in what range the stores could offer (P1, personal communication, March 14, 2018). As the e-commerce developed, the Nordic countries initially started the development of an e-commerce structure and the possibility for customers to order goods online (P7, personal communication, March 22, 2018). As the e-commerce continued to develop, a research initiative was taken in 2006 to get a better understanding of what this area could result in (P5; P6; P7, personal communication, March 16-22, 2018). The investigation showed good prospects for the future, and the matter was further discussed on whether investments should be done within this area, however the top management within IKEA was of the opinion that e-commerce was not what IKEA is. Instead, IKEA wanted to have the customers close by, seeing that it was what the traditional cash & carry concept i.e. store retailing where customers serve themselves, was based on. It was therefore decided that all further development within e-commerce was put on hold and the already established sectors where do proceed as they were. However, as time prolonged and the development within e-commerce started experiencing big growth, it was decided to put all efforts in and bring IKEA from “1.0 to 2.0” (P8, personal communication, March 23, 2018).

As of when the case study was conducted, IKEA’s customers have the opportunity to connect with, and buy from the organisation through various channels: From their classic touchpoints of calling them by phone, brick-and-mortar stores retailing, and the IKEA catalogue, to the relatively recent channels of internet trade through various devices with home delivery, a click & collect option i.e. that they purchase online and collect in at a designated collect-point and showrooms i.e. smaller, strategically placed, physical touchpoints where customers can get both inspiration and guidance in their interactions with IKEA. Furthermore, social media has an important role in terms of communication. However, it is not perceived as

one of the main sales channels, primarily since no direct sale occur in this channel. Instead, the touchpoint serves as an effective bond-builder with customers, building trust and relationships, that in turn leads to increased sales. P4 (personal communication, March 16, 2018) put it like this:

*“It’s about creating bonds with people before thinking about any sales strategies [...] Selling is kind of step two, possibly step three.”*

Moreover, interaction by mobile phone is also the touchpoint that is most common channel that customers choose when interacting with IKEA, as can be seen in Graph 1 and Graph 2.



**Graph 1**

**Graph 2**

## 4.1 Multichannel Transformation Programme

As the decision was taken to move into “IKEA 2.0”, the Multichannel transformation programme was initiated in 2012, with the objective to integrate IKEA’s various sales channels and touchpoints in order to create a seamless shopping experience for the customers (P4, personal communication, March 16, 2018), and to get closer to them (P2, personal communication, March 15, 2018). In fact, P2 (personal communication, March 15, 2018), defines channels as:

*“The way to reach to the customers”*

Furthermore, as the Multichannel transformation programme started, it was also initially a programme for commencing the start and further development of e-commerce, however this quickly grew larger with the ambition of making IKEA available anywhere, anyhow, anytime

(P5, personal communication, March 16, 2018). This is the process of IKEA transforming into an omnichannel structure, with the goal of reaching the customers on the customer's own terms, while demolishing the silos within the corporation (P5, personal communication, March 16, 2018). In the long-run, the ambition is to terminate the programme, in order to institutionalise it. Or as P1 (personal communication, March 14, 2018) put it:

*“This is not supposed to stay a programme, but rather be our ordinary policy.”*

## **4.2 Fear of Cannibalisation?**

The cannibalisation within IKEA reveals itself in terms of stagnation of growth in physical stores, while the e-commerce platforms continuously increase in terms of visitors and sales. According to P6 (personal communication, March 20, 2018), this might be an area of concern seeing that the sort of work that is performed with the cash & carry concept has been the source of their competitive advantage for a long time.

*“Our business-model is de facto based on that people goes [...] and picks up the products at our storages themselves and drives home [...] the expansion that IKEA is doing, the additional sales generated by expansion, is almost exclusively generated through e-commerce sales.”*

(P6, personal communication, March 20, 2018)

## **4.3 External Aspects**

### **4.3.1 Consumer Behaviour**

During recent years, there has been a stagnation in the growth regarding numbers of visitors in the physical stores of IKEA (P2; P8, personal communication, March 15-23, 2018). At the same time, the electronic platforms increase in terms of visitors and sales (P1, personal communication, March 14, 2018). According to P4 (personal communication, March 16, 2018), this is a general pattern across industries. This shift in usage of channels affect the consumer behaviour, since it is a fact that customers shopping behaviour differs depending on which channel they use (P6 personal communication, March 20, 2018). There is a clear perception among the interviewee's that there has been changes in consumer behaviour during the last years. P2 (personal communication, March 15, 2018) argue that the reasons for this are a more digitised world and a more developed e-commerce in general, where convenient services are provided, e.g. front door delivery. P8 (personal communication, March 23, 2018) reinforces this by meaning that after experiencing convenience from a competitor, the same level of

convenience is expected when interacting with IKEA. According to P2, P6 and P8 (personal communication, March 15-23, 2018), this has resulted in a higher demand of convenience. In turn P6 (personal communication, March 20, 2018), claim that customers demand this convenience from IKEA as well, but to the same low price.

*“If they are shopping online, they expect us to provide all the services to the same price as if they were shopping in the physical stores.”*

(P6, personal communication, March 20, 2018)

According to P9 (personal communication, March 26, 2018), this increase in the demand of convenience is partly due to change-of-generation. Further, it was argued that the younger target market of today does not necessarily pay attention to the same extent as previous generations in terms of the traditional cash & carry concept. Instead, P9 (personal communication, March 26, 2018) argues that this generation today does not reflect whether they buy offline or online, they just buy. Also, as urbanisation results in more people living in large cities, the access to cars and the possibility of access physical stores decreases as well (P1; P7; P8; personal interviews, March 14-23, 2018). P2 (personal communication, March 15, 2018), further argues that the physical stores can be considered as misplaced today, since the giant buildings often are located in the outskirts of cities.

### **4.3.2 IKEA’s view on Competitors**

According to P7 (personal communication, March 22, 2018), another reason for initiating cross-channel integration within IKEA is due to competition. IKEA strives to maintain their competitive advantages, even if that means that the advantages are not the same as they used to be. However, there is a lack of direct competitors to IKEA, in terms of company size and industry (P5, personal communication, March 16, 2018). Nevertheless, companies today can consider cross-industry actors as competitors. This, even if the products provided differs, the companies are argued to compete for the largest share of the customer's income (P8, personal communication, March 23, 2018).

### **4.3.3 The Imitation Game**

Next, discussing imitating competitors and being imitated by competitors, IKEA does not perceive it as an issue. P2 (personal communication, March 15, 2018) mentions examples of companies that have adopted the self-service warehouse area and according to him, IKEA might benefit of this, since customers becomes familiar and agreeable with the concept. According to

P8 and P9 (personal communication, March 22-23, 2018), it is obvious to stay updated with one's competitors. P2 (personal communication, March 15, 2018) means that competition is good, since that pushes the company to constant develop and improve.

*“We have never been afraid of competition and ultimately I think that competition has got a lot of good meanings which basically means that it challenges you and pushes you to be creative and of course, if someone is doing a good thing, then you could copy and paste, why not?”*

(P2, personal communication, March 15, 2018)

P1 (personal communication, March 14, 2018) provides a similar opinion regarding competition and imitating competitors in terms of strategies. By imitating strategies from competitors, you can ensure its efficiency since the strategy have already been tested. However, it is always possible to modify strategies to be more suitable to IKEA (P1, personal communication, March 14, 2018).

*“We are always, in every possible way, looking at it (a strategy) and asks how this can be done with an IKEA twist. “*

(P1, personal communication, March 14, 2018)

## **4.4 Internal Aspects**

### **4.4.1 Culture and Vision**

*“To create a better everyday life for the many people”*

This is the vision (P8, personal communication, March 23, 2018), that characterises every decision and crossroad that IKEA is choosing. What all of the interviewees unanimously agree with is that the unique culture within IKEA is one of the foremost strengths. When enquired about the culture many examples are named in areas in where the IKEA culture, values and demands has been something that has given IKEA success as well as a competitive advantage (P6; P7; P8, personal communication, March 20-23, 2018).

One of the most important cultural values experienced is that the employees always are being put as the first priority. Making sure the employees feel confident to perform in their work and being heard in the organisation. The core value of 2018 is to

*“Dare to take and give responsibility”*

(P1, personal communication, March 14, 2018).

According to P1 (personal communication, March 14, 2018), this is a value that translates into trusting one's colleagues to do the right thing but also more importantly, it's okay to make mistakes. What was constantly repeated was that is encouraged to make mistakes, as long as they result in learnings.

*“This is something that Kamprad was repeating. If you don't make mistakes you don't learn. So we are not afraid of taking bold decision and doing something different, taking big investments and then naturally we have an incorporated learning process to our business model.”*

(P2, personal communication, March 15, 2018)

The mistakes were also something that will help IKEA shape its future, as of now in this change some of the old cherished models will have to be redefined and redeveloped in order to be able to become compatible in today's society. This means that new ideas are welcomed and encouraged, which is why it is so important to give as well as to take responsibility. However, something highlighted regarding the culture is that it is in some aspects too clearly defined, meaning that as these changes now occur in the company, some resistance is being met among the employees of changing functions from the way it is supposed to be into something new. Another aspect of being so set in the culture as well as the values that IKEA represents is that at some levels, change almost feel impossibly slow. The amount of steps a new product has to go through in order to become accepted are many and execute new ideas is something that goes slowly due to the fact that there are numerous processes an idea needs to go through in order to be accepted but also because it needs to be secured that it follows the IKEA-way throughout the value chain. This is also a strength, although it is a complex process to get things executed (P2; P5, personal communication March 15-16, 2018).

Another value appreciated is the responsibility IKEA is taking. As many companies have chosen to get different accreditations for their products, this is something that IKEA has chosen not to fully concentrate on. As P7 (personal communication, March 22, 2018) said:

*“Some companies choose to get these accreditations, but we don’t, we do IKEA. IKEA stands behind the same things, and make sure that there is full control of the entire supply chain.”*

When further discussing the culture within IKEA, the testament that founder Ingvar Kamprad wrote many years ago is still present. The genius of it, as P8 (personal communication, March 23, 2018) explains, is that as one goes through these “rules”, they are just as current today as they were when they were written. He further states that:

*“I mean, one’s home will always be the central point of one’s life. I have a very hard time believing that the home would just disappear and something would come in and replace it. We still have a family that is the centre of our lives.”*

(P8, personal communication, March 23, 2018)

#### **4.4.2 The Financial Situation**

As further discussing advantageous capabilities, a recurring subject is the fact that IKEA doesn’t have to answer to shareholders, i.e. that IKEA is not listed on the stock exchange. As this opens up for an entirely different climate of taking risks because of no demands of publishing quarterly figures, numbers or paying dividends. Because of this, IKEA can make long-term decisions in which may burden the report sheets in the end of a year. What specifically characterises this, according to P6 (personal communication, March 20, 2018), is that IKEA has the possibility of investing within areas that has no direct connection to furniture retailing. An example of this is that IKEA has invested substantially in clean power and will be self-sufficient within a few years, something which was argued to would have been difficult motivating if they were listed on the stock exchange (P6, personal communication, March 20, 2018).

*“We can make decisions based on a long-term strategy. We do not need to show a result every quarter that is positive, and we do not have to give out dividends to anyone.”*

(P6, personal communication, March 20, 2018)

Another aspect that is unique and special about IKEA is the fact that very few investments are made with external investment of financing or with lending monetary means. Most investments are paid up front, which mean that IKEA have the possibility to make quick investments without the need of taking external financiers into account and serving their interest.

What gives IKEA control and an advantage towards its competition is the range of products and control of the supply chain when it comes to the IKEA range. The extensive range within IKEA that stretches from fully operational kitchens to beds, office supply as well as electric bicycles is something that no other competitor has. This is an advantage for IKEA, that the customers know that they can get whatever they need in the stores and at the same time can purchase with a good conscience that all the goods come from a well-controlled value chain, completely owned by IKEA (P7, personal communication, March 22, 2018).

*“Anyone can sell LEGO better than their competition, but not when it comes to IKEA because we are the only ones who can sell the products in our range.”*

(P6, personal communication, March 20, 2018)

An internal struggle identified among the interviewees is the differences in between various units of IKEA. As the structure within IKEA has been separated in functions such as Retail in one end and Distribution in the other, communications, understanding and even language have been off track. Previously, understanding between the different units has been missing and the various functions have had different objectives and sometimes been in the way of each other. As retail is concerned with sales, the main objective has been to sell as much as possible. However, this without syncing with the colleagues in Distribution Service (DS) with the result of DS not being able to fully cope with stocks, capacity or preparation. As one function talks sales figures, the other has been talking volume, and these two measures have not always been compatible. An example is explained by P8 (personal communication, March 23, 2018), when saying that Retail could set a campaign without notifying the distribution central and all of a sudden, orders came in without any preparation. However, this was before a restructuring of the organisation, now retail and DS work under the same roof and are starting initiatives to transfer knowledge between the units. As the development within e-commerce evolves, understanding between the units increase and an urge to help each other being better and ultimately create the best experience for the customer (P8, personal communication, March 23, 2018).

## **4.5 Channel Development**

In terms of the development, not only has the cross-channel transformation, that is going on, resulted in more convenience for the customer, but it has resulted in changes for the workers of IKEA as well as in how they work and on what they are putting focus on. Moreover, it seems

as if the importance of the transformation has also grown in size with its prolonging, with one interviewee claiming that it has grown into one of the two foremost priorities within the organisational development (P5, personal communication, March 16, 2018). Furthermore, this becomes of extra significance as the growth opportunities for the physical stores are observed as slim with for example P2 (personal communication, March 15, 2018) saying:

*“If you want to have a growth, as I said, we cannot achieve it in the stores anymore.”*

Moreover, at the same time, there is a shift in consumer behaviour, where some customers are described as needing to still touch and feel (P6, personal communication, March 20, 2018), whereas other customers are instead after the convenience of ordering and waiting in a location of their choosing. The latter argument is further strengthened by the clear e-commerce trend (P3, personal communication, March 15, 2018), which in turn would suggest that the notion of some interviewees, that the further growth opportunities are within convenience-based touchpoints is true (P2; P4, personal communication, March 15-16, 2018). Nevertheless, the stores are still the main touchpoint and although P1 (personal communication, March 14, 2018) says that:

*“There is an agreement that although the growth opportunities are low, it is important to prevent the income from the stores to stagnate for as long as possible.”*

With this consumer behaviour shift in mind, it is arguably no surprise that the ultimate, ongoing goal with the cross-channel integration is seen by some as coming as close to the customers as possible (P5, personal communication, March 16, 2018), and providing them as personal service as possible, although it takes many forms. For example, P8 (personal communication, March 23, 2018) talked about IKEA being a lifestyle brand that reaches the many in terms of a better every-day instead of being tied down to a single type of product. In contrast, P2 (personal communication, March 15, 2018) talked about initiating strategic partnerships and acquisitions, such as the one of TaskRabbit, which he compares to the dating application Tinder and as a result describes as a tool.

*“[...] for matching people who have offer the carpentry skills, assembly skills basically, so it's more of a social platform for people who offer services.”*

(P2, personal communication, March 15, 2018)

Finally, P1 (personal communication, March 14, 2018) talked about that it is becoming more crucial to have the entire product-range available online, where the limit is in terms of things such as logistics packaging and distribution instead of physical capacity in terms of e.g. storing in warehouses and stores. Moreover, while some benefits were the purpose of the integration, such as developing a better internal synergy, the development has also shown that the integration between the channels has shown a development in terms of interesting consumer behaviour. For example, as a result of the integration, customers in Stockholm with a summerhouse on Öland has now shown to order products for their summerhouse online to the pickup point in Kalmar, which they pick up on the way instead of buying the products in Stockholm and bringing them to Öland from there (P6 personal communication, March 20, 2018). This example shows two things: Firstly, that the integration is developing a way to observe how the customers are interacting with IKEA on a new level, which enables further improvements. Secondly, it shows a practical example of the effects of what integrated channels, in this case ‘click & collect’, does for the customer at hand i.e. increasing the convenience (P6, personal communication, March 20, 2018).

The increased convenience for customers is also shown in a touchpoint that multiple interviewees describe as one of the most significant channels in the future: Showrooms. As of now, there is a showroom located in the Stockholm city centre focusing on kitchens. The reason behind this is two-fold, as it is focusing on both of the shifts in the consumer behaviour i.e. urbanisation and the increasing demand for convenience. As with the observation that customers are demanding more convenience and that fewer people in the big cities own cars, getting out to the physical stores becomes a more difficult project. At the same time and as aforementioned, some customers are still, however, in the need of touch and feel before making the decision. Because of this, the showroom in Stockholm is enabling the urbanised audience the opportunity to view and obtain IKEA kitchens in a way that suits them the best.

## **4.6 Omnichannel Management**

Although IKEA has progressed in their programme, with some of the interviewees arguing that they are ahead in terms of cross-channel integration with e.g. P4 (personal communication, March 16, 2018) claiming:

*“I can’t think of one single retailer [...] the size of IKEA and even bigger, even the smaller, that has been successful in this transformation [...]”*

There is a unanimous understanding that there is still a lot to be done. In terms of culture, although there has been progress with a sense of collective sense of urgency towards this type of change, there are still palpable signs that the divisions have been working in a silo-structure for a long time. This is clear as one of the key aspects for the company in this transformation has been to satisfy customer demand in the aforementioned shift, and a clear benefit of this programme has been described as getting the different divisions to “speak the same language” (P3; P7, personal communication, March 15-22, 2018). Nevertheless, although a goal, it has not yet been fulfilled completely with e.g. P7 (personal communication, March 22, 2018) describing that the prognosis process, one department might be speaking in currency, while the other speaks in terms of cubic, which, in turn, sets the prognoses up for some translation errors. At the same time however, it is also clear that this sort of integration problem is acknowledged as e.g. P8 (personal communication, March 23, 2018) describing that previously to this programme, DS had little focus on the customer directly, but since it has become a part of the customer fulfilment section, they have had little choice but to integrate a customer mind-set into their operations in cooperation with other divisions. Furthermore, it was apparent that this in turn created a further sense of urgency for change, as employees started to realise that:

*”Oh, we need to work together [...] why on earth haven’t we done this before?”*

(P8, personal communication, March 23, 2018)

With this in mind, there is an understanding in that although the programme might officially end together with FY18, its main objective of cross-channel integration is not something that has a definitive end but is instead an ongoing process and that the operations as a whole might not ever become completely in sync as there is a constant development (P4; P8, personal communication, March 16-23, 2018). This was reinforced with P4 (personal communication, March 16, 2018) claiming that

*“If you start thinking you are good then you are already out of the market.”*

and following it up by claiming that even if the idea only lasts for six months, the company needs to grab that opportunity and continuously create, test and interact with the market. In turn, P8 (personal communication, March 23, 2018) claimed that there has been a massive transformation in the increased urgency and the internal culture aspects coming closer together

in e.g. that the responsibilities of the middle managers are now on a primary market area basis, or that the establishment of control group is no longer on a DS and Retail perspective, but rather on a e.g. Swedish perspective in order to provide not only a sense of urgency, but a sense of collaboration as well.

#### **4.6.1 IT Landscape**

Further on, in terms of the process of managing the cross-channel integration in the future, current and previous IT capabilities have not been sufficient enough in terms of both operations and maintenance. As P5 (personal communication, March 16, 2018) says:

*“It is often a quick fix that in the short term creates value, but IT has perhaps forgotten to think long-term”*

Because of this, IKEA has started developing new systems with the help of strategic partners in order to better handle issues such as making sure e.g. stock information is updated, improve the communication. With this development, the ambition is to make sure that IKEA globally will share the same platform and that the customer satisfaction will be the same independently of when, how or where they connect with IKEA (P9, personal communication, March 26, 2018).

#### **4.6.2 Change Management**

Moving on from the management issues in terms of culture, while the organisation internally develops, so does the market, which is one of the key initiators for this process. Moreover, while there seems to be a general agreement in terms of the development of culture with the different departments moving closer together, contrasts can be observed in questions such as how the channels of today are supposed to be managed in the future, which becomes even more significant with P1 (personal communication, March 14, 2018) claiming:

*“There are many aspects that have been completely no goes that are now possible to question. There are holy cows that are, sort of, going to be slaughtered”*

One example of this could be the role of the physical stores which both started the multichannel era and has played a significant role ever since. As aforementioned, the shift in consumer behaviour might affect the physical stores badly, although not a certainty. Nevertheless, the stores are still the main touchpoint and P1 (personal communication, March 14, 2018) says that:

*“There is an agreement that although the growth opportunities are low, it is important to prevent the income from the stores to stagnate for as long as possible.”*

Because of this, although agreed upon as a massive strength and opportunity if utilised appropriately, it is also viewed as difficult to predict what this shift will entail. Or as P2 (personal communication, March 15, 2018) put it:

*“You are trying to change something, you are trying to improve something, but ultimately you don’t know where you are going.”*

In this process of developing and redefining touchpoints for customers, different roles within different functions of IKEA are considered. This could be e.g. regarding how the key points of where goods get shipped out from are placed (P1; P2; P5; P6; P8; P9, personal communication, March 14-26, 2018). Another initiative is the new showroom in the centre of Stockholm. According to the interviewees, this showroom has exceeded their expectation and it is likely that these showrooms will play a bigger role in the future, not only with kitchen but also other parts of the IKEA range (P1; P2; P7; P8, personal communication, March 14-23, 2018).

At the same time, the channel that has grown the most and is described as the one with the most potential i.e. e-commerce, also has its opportunities and problems. On the one hand, with the increasing data stream, it has become easier to track, and test, the consumers’ behaviour and preferences (P4, personal communication, March 16, 2018). On the other hand, this has also shown some problems on an international basis as although the e-commerce trend is seen across borders, there are various problems e.g. data laws in countries such as Russia and China, underdeveloped electronic platforms and logistics issues (P2, personal communication, March 15, 2018). Finally, in addition to the issues as well as the encountered opportunities, the speed of the change in the market has been described as substantial with P2 (personal communication, March 15, 2018) saying that:

*“It is very difficult to catch up with the market as it is constantly spinning. IKEA is like an elephant, it’s a large animal that is moving, and it takes one step at a time. We have big possibilities, good financial position, but maybe this speed is not there. Because it’s difficult to move an entire company and embrace so many functions. So that’s what we see as our*

*challenge. How do we take everyone on this journey and ensure that this is the right way to do it”*

With this in mind, it is clear that change within IKEA takes time due to various reasons such as great many employees and numerous fixed assets. Furthermore, with e.g. P5 (personal communication, March 15, 2018) saying that:

*”We are not particularly dynamic. I cannot sit here and claim how good we are, because we are not“*

And P7 (personal communication, March 22, 2018) saying that in the initiation stage, IKEA basically told the project manager:

*“[...] You get X millions, go. Speed is what it is all about now, money is not an issue [...]”*

There is an understanding internally that the speed is not the company’s strongest suit. Nevertheless, as P2 (personal communication, March 15, 2018) also mentions in addition to the issues, IKEA have big possibilities going forward in terms of their management, which can be seen in aspects such as their financial position, their clear company values which provides multiple guidance benefits in terms of not being bound to a singular product (P6; P8, personal communication, March 20-23, 2018) as well as hiring the right people (P2, personal communication, March 15, 2018). Furthermore, in order to maximise speed and innovation, IKEA also works closely with e.g. the innovation hub Space10 in Copenhagen in order to work creatively with future opportunities in mind (P1, personal communication, March 14, 2018). Moreover, when asked about what the biggest strengths of IKEA in order to grow and make progress over time was, P5 (personal communication, March 16, 2018), claimed that he thinks that not shifting quickly, but rather sticking to a clear brand, is what is going to win in the end.

## 5.0 Analysis

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*This section analyses the findings from the empirical data through the lens of the theoretical framework.*

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### 5.1 Dynamic Capabilities in Cross-Channel Integration

#### 5.1.1 Sense

As Kotter (2014) explains, when the market is evolving in the pace that it does, organisations such as large brick-and-mortar retailers, are failing to exploit the new opportunities rapidly enough. In terms of IKEA, although not necessarily a missed opportunity, a similar pattern can be seen as the business model did not prioritise e-commerce before it was an already established market. Nevertheless, a claim that this would have been because of the company's original business model, their size or even an eventual inability to recognise opportunities can be argued to not be correct. One can say that by recognising that IKEA did spot a possible opportunity in the millennial shift in terms e-commerce, the problem is rather that they, with the results in hand, could have invested even more in the opportunity rather than sticking faithfully to their traditional business model of e.g. cash & carry. With this said, it is instead possible to argue for that IKEA has more than fair capacities to spot opportunities and establish initiatives to capitalise on them. An example of this is that the Multichannel transformation programme, which purpose is to transform IKEA closer to an omnichannel retailer, was established in 2012, whereas Rigby (2011) which, according to Mosquera et al. (2017), coined the term, wrote the article in December 2011. Arguably, this suggests that although many interviewees say that speed is not something that they are sufficient at, there is not an issue in terms of capacity for recognising trends and opportunities in the market at hand. Similarly, Kotter (2014) explains that this sort of ability is common for large organisations, but that they struggle still, not because they could not observe the need for change, but rather that a traditional, established procedure for change is not sufficient any longer. Nevertheless, what it is that enables large organisations as a general to be, or become, sufficient opportunity-spotters is still unclear. However, looking at IKEA, it is without any doubt that the consequences of their size in terms of brand and credibility plays a significant role. Because of this and as an example, in those areas that IKEA does not have the foremost competences, they instead have the resources to form strategic alliances with market leaders all over the world such as within technology at the same time as they are able to work with projects like innovation hubs. As a result, not only is it possible to capitalise on eventual knowledge spill overs, but also making sure that the results of the

collaborations are of the best quality possible. Finally, having the institutionalised cultural norm that mistakes are encouraged with an educational purpose can motivate employees to seek out new business opportunities and also pursue them. In turn, further parallels can be drawn to the financial position which enables new pursuits without any demand for short-term financial gain.

### **5.1.2 Seize**

Even in cases where MNCs have sufficient capabilities in terms of sensing, the literature suggests that there is a contrast in what the research say and what businesses do in terms of cross-channel integration and omnichannel management (Mueller-Lankenau et al., 2006; Wilson & Daniel, 2007). Furthermore, with Kotter's (2014) reasoning in mind that hierarchical structures and the resulting processes causes corporations to fall behind, one can argue that this contrast is visible in terms of seizing opportunities as well. For IKEA, this is mainly where the issue of speed is visible. Even though the opportunities within e-commerce were spotted early, IKEA chose to wait for a long time before pursuing any larger initiative towards that direction with the argument that it did not align the business model. Furthermore, the same arguably goes for the transition towards an omnichannel structure. As the opportunity was identified early and the initiative was launched accordingly, with one of the main objectives being speed (P7, personal communication, March 22, 2018), the interviewees are still claiming that speed in particular is something that IKEA lacks. Nevertheless, one can argue for that this problem was seen mainly in the initiation stage of the project, seeing partly that P1 (personal communication, March 14, 2018), described that the first major task she faced was to raise urgency, and partly that as the project has progressed, it has become a bigger priority and that the speed of the process of going from sensing to seizing has increased. In turn, this suggests that the perhaps largest speed-hindering aspect within IKEA would be the culture. This, although mistakes are encouraged, the clear values and the testament provides clear guidelines as to what opportunities can be sought after, and as a result, there is an informal process between the sensing stage and the seizing, where the proposition needs to get support. On the other hand, this has, as P5 (personal communication, March 16, 2018) mentions, positive aspects as well seeing that it ensures that the quality of the project in terms of the values, which in turn simplifies the commitment to change throughout the rest of the organisation. Nonetheless, as the market keeps demanding more convenience and better experiences when shopping (Mosquera et al., 2017), one can argue that although this process has provided distinct benefits, it needs to be sped up without tampering with the quality of it. However, when the process itself has been initiated and the urgency for change has been established, the mixture between IKEA's

values promoting constant innovation and their broad, but yet distinct, vision can be seen as the sort of complementary asset that Teece (2007) puts emphasis on being important in terms of seizing opportunities. Finally, Teece (2007) also puts emphasis on that being aligned with technological advancements is key in order to being able to seize opportunities. While one can argue that those sorts of capabilities has not been present in-house within IKEA, this can be argued to be achieved through of their collaborations instead, which therefore also could be claimed to be a complementary asset.

### **5.1.3 Reconfigure**

IKEA is currently in the process where they change the entire structure of the company as they have identified new trends within the retailing market, of always being available to the customer and offer seamless transitions between different channels. However, as IKEA currently are in the progress of making these changes, it is evident that obstacles arise. Du, Cui & Su (2018) argue that as companies go through processes, a major difficulty, but something crucial for completing this change, is to transfer knowledge between different functions as they are to be integrated with each other. For a MNC that work with a multichannel structure, it is common that the different channels and units work together but often experience that they are working towards different objectives. As different goals are set for the units, difficulties arose when working together as one of the units might be interfering with one of the other unit's goals. In the case of IKEA, the communication between the different units has been an issue, with e.g. units speaking different languages in terms of money versus volume. What Retail needed to sell to reach their goals, DS couldn't manage in volume. A natural consequence in terms of frustration occurred as neither of these units could understand each other but still had to achieve the goals set. As the Multichannel transformation programme went into action, an important task became to transfer this knowledge, and synchronise the different units in order to make sure that the units can reach their individual but also common goals that are and needs to be set in order for the different units to need to work together. In order to achieve a knowledge-transfer it is important to firstly identify the different capabilities within the units (Sirmon, Hitt, Ireland & Gilbert, 2010). When different capabilities are identified the progress of transferring it between units can begin. As the transition from a multichannel structure to an omnichannel is in the progress, it doesn't only create issues regarding integration, but also possibilities to improve the different units and create the possibility to learn from each other.

However, as an MNC is in this sort of transition, it is not only the functions that change but an emphasis needs to be put on informing the employees in the MNC of what is happening

while also creating a commitment for the transition (Ugboro & Obeng, 2000). As changes are made, uncertainty always occurs, and in IKEAs case, as the transition from the stores to e-commerce is ongoing, one could logically assume that there will be less to do in the stores. However, as this is a planned change it is critical for companies to inform all the employees of what changed are in action and how that will affect the company's employees. From the management's view of IKEA, many routines are deeply integrated within the company that now changes as the company is going through this change. Some almost previously untouchable functions are being altered and removed, which creates some discomfort as well as uncertainty with the employees of whether there is still a work place for them to come to in the future. However, from the management perspective, it is more about assignments that might change, rather than people losing their jobs. Where the flaws might occur is in the process of informing the employees of this and explaining the background to why changes are happening, something that scholars such as Ugboro & Obeng (2000) argue strongly for in order to make the transition as successful as possible.

#### **5.1.4 Innovative**

By studying the findings from this case study and analysing it through the framework referenced in Figure 3. It is noticeable that IKEA creates new, innovative combinations of their channels to exploit new channel capabilities, e.g. click & collect and showrooms. As the results of the showroom in Stockholm has performed above expectations, it is reasonable to consider this change as a new exploited channel capability, as several of the interviewees' general perception is that the range of showrooms will increase in the future. Furthermore, they reconfigure their sales/service processes, e.g. with the acquisition of Taskrabbit and express delivery. "Iterative development of customers value propositions melding planned and experimental approaches" is a dynamic capability presented twice in Table 1 as required in order to successfully integrate business channels. Since both frameworks include this capability, one might further argue the importance of constantly reconsider and update the value proposition and the business model in general, as Herhausen et al. (2015) suggest, in times of changing market conditions. This view is reinforced by what Teece (2007) define as sense, as well as by Kotter (2014). The findings show that the fundamentals of the value proposition of IKEA remains the same, despite changing market conditions. However, there is a presence of awareness regarding the increased demand of convenience, requiring IKEA to redefine their approaches to deliver their value proposition. As IKEA is executing these changes in order to get closer to the customer, satisfying their demands, it is reasonable to align these changes with

the results of cross-channel integration presented by Grewal, Iyer, & Levy (2004), e.g. personal customer interaction and greater accessibility.

As identified in the findings, the management in IKEA decided not to further develop in e-commerce development as it, at that time, was believed not to be the IKEA concept. IKEA then ignored the e-commerce concept and continued with the cash & carry concept which has characterised IKEA's business model. One might argue that IKEA misinterpreted the importance and impact of e-commerce, and its potential support to the traditional business model. Therefore, it is possible to identify a lack of the ability developed by Daniel & Wilson (2003) to “develop and critically evaluate business cases incorporating substantial alterations to the business model with uncertain information”. However, the decision to ignore cross-channel integration and e-commerce was made in a time before the concept was well-established, the decision was made based on an uncertain future. Nevertheless, Cao & Li's (2015) research regarding brick-and-mortar companies claim that advancements through cross-channel integration might not be as advantageous, seeing how these MNCs already have an established brand, concepts, as well as a high customer loyalty. Therefore, IKEA's decisions of prolonging the process can be considered justifiable.

Not only Daniel & Wilson (2003) & Wilson & Daniel (2007) but also Teece (2007) and Ugboro & Obeng (2000) emphasises the importance of building commitment to change as an important dynamic capability. With this in mind, observing IKEA, as of right now, there is a clear commitment to this implementation process. However, it is, at the same time, observable that the task of uniting the employees behind the change, creating the sense of urgency which Kotter (2014) speaks of, has been challenging and time consuming. This, can be further linked to the silos, resulting in e.g. “speaking different languages” and having different objectives, which in turn has been described as preventive of change in the first place (Balasubramanian, 1998). With this in mind, one can draw another parallel to that the ability to either sense or seize an opportunity within an MNC is not necessarily hindered, but the process in between is. Finally, regarding innovative dynamic capabilities, as mentioned, IKEA lacks the rapid implementation cycle. IKEA may have capabilities of sensing opportunities, however, as the MNC are slow to establish initiatives accordingly, one might say that the description of IKEA as “*an elephant*” (P2, personal communication, March 15, 2018) i.e. moving slowly but powerful, is not only accurate but is also, from a dynamic capabilities perspective, perhaps their biggest obstacle.

### **5.1.5 Integrative**

When comparing the empirical findings of this research with the integrative capabilities that Daniel & Wilson (2003) and Wilson & Daniel (2007) present, focus on IT systems becomes relevant. IKEA has fallen behind within IT, both in terms of external integration and internal integration (Bendoly et. al., 2005). As the development within e-commerce is dominated by technical upgrades, as well as new ways of ordering, packing and delivering, the IT landscape of a company becomes vital. There are contradictory opinions between Daniel & Wilson (2003), which suggest approving a combination of new and old IT solutions, while (Du, Cui & Su, 2018) means that combining new and old solutions in MNC often causes trouble. The findings of this study support the latter, as IKEA has historically integrated their system with local quick-fix, rather than facing the issue and solving it in a manner that would have taken a longer time but would have been better in the long-run. Old and insufficient IT solutions have been one of the initiatives of the Multichannel transformation programme in the pursuit of successful cross-channel integration. As of now, IKEA is remodelling its entire programme to fit the development of the market in order to increase the convenience of the customer, which will generate better customer relationship. Furthermore, as IKEA is currently elaborating with social media to improve customer relationship, studying how the organisational structure couple with e-commerce and balance innovation and integration, it is reasonable to argue that IKEA balance innovation and integration in a better way than before the Multichannel transformation programme was initiated. As an innovative mindset, in terms of encouraging employees of trying new ways of doing things and not fear mistakes, have been a part of the corporate structure since the beginning. Previously, this has been the dominant focus within IKEA, however, as the Multichannel transformation programme was initiated, a more equal allocation of the two dimensions is identifiable.

Regarding the capabilities presented as “ability to integrate new and existing channels to offer multichannel services” and “integration of processes and IT to support multichannel customer relationships”, it is clear that IKEA has operated through silo-structures. However, as the Multichannel information programme was initiated, these silo-walls are on their way to be demolished. Therefore, these capabilities relating to several integration are not necessarily established yet, but are instead being developed. Also, initiating the integration as a structured programme, further integration is facilitated (Du et al., 2018).

## 6.0 Conclusion

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*This section presents a summary of the significant findings of the analysis as well as answers to the research question.*

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This thesis has conducted a single case study on a MNC, combined with a review of previous research, investigated about how capabilities can be utilised dynamically in order to strive for omnichannel retailing. Based on the analysis of both literature and case study, it is clear that a well-functioning omnichannel process i.e. constant integration and proper management of the result of the integration, can be argued to be a necessity for a continued competitive advantage for MNCs as the consumer behaviour keeps developing. Because of this, it can be further argued that although corporations such as IKEA can still progress through a slow process, the ability to be dynamic and speed it up when necessary without losing quality is highly advantageous. As a result, an identification and analysis of one's dynamic capabilities becomes important in the process of cross-channel integration. In terms of IKEA, the corporate culture is almost tangible, and it has provided both positive and negative aspects in terms of their dynamic ability. For example, in the short run, the process between sense and seize might be slowed down because of their values, but in the long run, the values and culture has played an integral part in the process of creating both urgency and commitment to the change. With this in mind, one can argue for that the culture plays as an integral dynamic capability and that in terms of the process, that dynamic capabilities therefore can simplify the process tremendously if utilised efficiently. In turn, one can argue for that through the usage of dynamic capabilities, not only is it possible to both speed things up and slow things down when necessary, but it can be argued to also contribute to quality as well. As aforementioned, the capability of IKEA to be able to initiate advantageous co-operations can not only be seen as highly dynamic as it enables IKEA to utilise advanced solutions, which has shown to be integral in the process, even without the resources to develop the same solution in-house. In this sense, not only is the process sped up in comparison to if the co-operations would not have been there, but the quality is enhanced as well.

The frameworks suggest that dynamic capabilities are distributed in one of two ways: Either heterogeneously i.e. that they are firm specific and that companies cannot observe the competition and copy capabilities in order to try and achieve a competitive advantage or experience the same development. The opposing perspective suggest that dynamic capabilities can be attributed to a best practice, which implies that they are instead homogeneously and can

be imitated i.e. are not firm specific, meaning that other firms can take advantage of the competition's methods in order to achieve a competitive advantage or, in the case of this thesis, achieve a successful development towards an omnichannel structure. Extracted from the research, it is possible to conclude that some capabilities within a firm are rare and difficult to imitate. One example is the culture within IKEA that the company has modelled itself around for decades. Every decision and action taken is being viewed through the lens of the IKEA-values, which is difficult for other companies to imitate. However, other capabilities IKEA possesses are abilities that other firms can copy and imitate. One of these abilities can be to take control of the entire supply chain and build a sustainable framework that suppliers have to adapt from. Moreover, not being listed on the stock exchange is something companies could adopt in order to better be able to make decisions based on a long-term perspective rather than in the short term satisfying shareholders.

IKEA values competition and if they identify an idea among the competitors that would improve IKEA's business, they are not afraid to implement the idea and modify it with an IKEA twist. It is this twist that makes the research interesting, as all companies are unique, it is difficult to copy and decide a "best practise" due to the fact that all other circumstances regarding a company is a big part that determines how dynamic capabilities are applied. One can therefore conclude that copy-paste does not necessarily equal the same result. Further on, the conclusion can also be made that the resources companies use in order to achieve a competitive advantage can be homogeneous. However, the result of the actions can be seen as heterogeneous as the outcomes are affected by more factors than just the dynamic capabilities.

## **7.0 Discussion**

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*This section presents how the findings contribute to existing literature, the limitations of the thesis and suggestions for future research.*

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### **7.1 Implications**

#### **7.1.1 Theoretical Implications**

Based on the analysis of both case study and literature, the biggest implication that this thesis has suggested is the existence of a connection between cross-channel integration, omnichannel retailing and dynamic capabilities, which in turn encourages further research within similar topics. Furthermore, in terms of the discussion of whether dynamic capabilities are heterogeneously or homogeneously distributed, this study has not been performed on such a scale that a definite conclusion can be drawn. Nevertheless, as this case study provides examples that could be interpreted as contributing both sides of the argument, it has contributed to the discussion, suggesting that dynamic capabilities, although far-fetched, could be seen as homogenous while there is nothing suggesting that through the application of the same capabilities would end up with the same results.

#### **7.1.2 Managerial Implications**

As the research in this thesis is delimited to one MNC, it is difficult to motivate a generalised conclusion regarding the findings connected to the topic. However, it is still possible to make remarks that are based on the analysis of both the literature as well as the case study. There are three patterns that have been implied in terms of what makes a successful cross-channel integration process from a managerial point of view.

Firstly, it can be argued to be of great importance to be up-to-date in terms of trends and development. Having e.g. the latest technology is suggested to assist managers in not only make the corporation work more efficiently in terms of communication, but also to serve the customers more appropriately. Furthermore, as a corporation grows larger, being up-to-date can help the organisation to identify which aspects of the business model that needs to be reconfigured. As the market is continuing to change, there is a need for managers to be able to make decisions faster and for companies to realise that these changes also need investments in order to become lasting, rather than making a quick short-term solution. Secondly, the values of the company can play a significant role. As the need for change is identified within a company, a clear set of institutionalised values can not only guide the decisions made towards

the change, but also justify the change itself as well as create a sense of urgency throughout the entire corporation. Finally, as long-term investments can be seen as necessary in order to not having to make quick short-term solutions, it is implied that although consumer behaviour can be the source as to why the change is needed, investing in the employees and making sure that they are encouraging and committed to the change is of importance. This because, in the end, the employees are the ones that are carrying out the change, and those who are providing the service towards the customers. Therefore, in order to serve the customers and in order to provide them as much convenience as possible in the long run, the employees need to not only be informed, but actively promoting and carrying out the decided agenda.

## **7.2 Limitations**

During this research, limitations arose that is required to take into consideration. The major limitation of this thesis is the selection of the method, to conduct a single case study. By limiting the research to a single case study, it is unlikely to present a generalised conclusion, but rather present a generality of how MNCs can utilise their capabilities dynamically in order to strive for omnichannel retailing. The decision to conduct a single case study was taken due to the time factor and the pursuit of going in-depth in the investigation in order to create a profound and adequate understanding of the how the concept of dynamic capabilities and the theories of cross-channel integration as well as omnichannel retailing interact. Also, as the concept of cross-channel integration and omnichannel retailing to this date are relatively new phenomena, a limitation is the lack of previous research combining the two concepts enlighten in this study. Furthermore, because of secrecy reasons, certain numbers and figures in the findings are not disclosed.

Finally, although the majority of the interviews have been conducted in the preferred method of face-to-face, because of the size of the organisation that has been studied and schedule restraints of the interviewees, some of the interviews in the case study has been performed through electronic interviews instead. As a result, factors such as body language and personal connection are diminished compared to fact-to-face interaction. These limitations have been taken into consideration during the research, and writing process, in order to mitigate the effects of them to the largest extent possible.

### **7.3 Future Research**

As discussed, due to the limitations, further research is needed in order to make further conclusions regarding the topic. Furthermore, as this is a relatively unexplored research area, suggestions are made to conduct similar studies on a greater scale with different perspectives, in order to broaden the literature and knowledge within the concept of cross-channel integration. Finally, seeing that both this and previous studies have implied that being in the forefront of trends and developments is preferable, further research could focus on whether there are any significant differences if solutions are developed in-house or through strategic alliances.

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## 9.0 Appendix

### Appendix 1 Interview Questions

When did IKEA begin its usage of electronic sales platforms?

What types of channels do IKEA use today?

How do these channels cooperate?

When did IKEA initiate the Multichannel transformation programme?

What were the underlying reasons for initiating the Multichannel transformation programme?

How did the channel setup look like twenty years ago?

How has the development within the channel setup been?

How can existing channels be further developed?

Has there been some point in time when IKEA did a misjudgement? How was this discovered? How does IKEA use the knowledge received by this misjudgement to benefit today?

How does IKEA manage deficient channels?

How will the corporate structure change when the Multichannel transformation programme is completely implemented?

Which type of benefits does IKEA expect regarding this implementation? Both internal and external.

How will this implementation benefit/affect customers?

What comes after Omnichannel?

Which are IKEA's most beneficial strengths?

How are these strengths identified within IKEA?

How are the strengths used in order to maximise benefit?

Does IKEA compare to competitors and try to imitate competitors' strengths?

Does IKEA possess any strengths and capabilities that are non-imitable? If so, what are the strengths and capabilities, and how does IKEA maintain these imitable?

What capabilities does IKEA possess that facilitate developing?

What is unique about IKEA's Multichannel transformation programme?

How are they kept being unique?

Is there any statistic figures showing what IKEA is better on than the competitors?

Is the ambition at IKEA to be pioneers within their market?

If yes, what capabilities are used in order to maintain that position?

How is the process of transferring and integrating knowledge, special abilities within each channel as well as integrating goals between different channels?

Are there any significant differences culture wise in the channels that is now being integrated?

Have there been conflicts or goals that previously have forced the channels to work against each other?

What does the synergies between the channels look today?

How has the management group been assembled during the Multichannel era?

Will the setup change now as there is a restructuring for an omnichannel?