Digital Channel Integration –

The Process of Handling Tensions Internal to the Firm

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Abstract

Offering customer a seamless shopping experience through its multiple channels is imperative for retailers to be competitive in the 21st century. To allow the customers to switch freely between the channels, both practitioners and academics highlight the importance of retailers integrating its different sales channels. The reality does however tell a different story, in which internal organizational dynamics prevent the integration to happen smoothly.

The aim with this study is to investigate the integration of the digital- and physical sales channels, by describing the tensions occurring among the groups and individuals responsible for each channel. By also describing the handling of the tensions and subsequent effects, we outline the channel integration in terms of a process. We utilize a research approach consisting of in-depth case studies with three of the largest retailers in Sweden. The study takes the standpoint from a managerial perspective at different levels within each retailer.

By analyzing the empirical data, we identify five main sources of tensions to be of certain importance in channel integration. Results further indicate that there exists interconnectivity between the tensions occurring, in the sense that when one tension is solved, another one emerges. We propose a processual model for channel integration, composed of three phases, in which the retailers move forward due to internal and external factors.

Keywords: Tension; Channel conflict; Digital channel; Channel integration; Process; Customer-focus; Marketing organization; Case studies; Qualitative research method

CONTENT

Special Thanks to…

1. Introduction

1.1 Background

*"I buy online because it's easier since I can shop whenever I
want. It is also much cheaper than in regular stores. I wouldn't
do it however if the delivery would take longer than 3 days."*

> *"I always visit the store first to get more information from the
> store staff and to try out the product. If I find a cheaper
> alternative online, I buy it there."*

These quotes are obtained from *Postens e-barometer,* released May 8th 2012, and clearly illustrate that the consumer of the 21st century expects a totally different availability and rapidity than the traditional retailers are used to (Posten et al. 2012). The advent of the Internet has changed the way consumers shop, and thereby caused disruption in the retailing industry (Rigby 2011). Looking at Sweden, where e-commerce is expected to grow by 13% to reach 31 billion SEK at the end of 2012 (Posten et al. 2012), the retailers are surprisingly weak in the digital area.

Arne Andersson, Expert in E-commerce, Posten Nordics, Jan 25th 2012

*"Relating Swedish retailers to retailers in the UK and the US, they are clearly behind. It is important
for Swedish retailers to show a faster development toward multiple channels."*

Steve Nylund, Head of Global Sourcing, Ericsson, Feb 15th 2012

*"The general challenge for Swedish retailers today is to realize how the world actually looks like. In
the long run, e-commerce will correspond to the larger share within these companies. And that is
something they already now have to start adjusting to."*

For retailers that have initiated online channels, there is a struggle to implement the new channel into their long history of brick-and-mortar (i.e. physical) retailing. The quotes above that are extracts from our pre-study[1], clearly supports the importance of this struggle. When managing multiple channels, Chatterjee (2010) suggests the retailer to have two strategic options to follow: either they can operate the multiple channels as independent entities where the channels work as separate firms, or they can integrate the multiple channels allowing cross-channel movements of products, money and information. The basic rationale for managing the channels as separate units is that online sales still corresponds to such a small percentage of the retailer's total sales that the extensive work that the integrative process entails for the retailer, is not worth doing (Bain 2011; Deloitte 2010). The counterargument here is twofold; 1) as e-commerce will continue to rise,

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[1] A more thorough description of the motivation, method and findings of the pre-study can be found in chapter 2

those retailers that do not find a way to make online collaborate with their traditional business will see hard time competing in the future (Bain 2011), 2) the customers are demanding faster, easier and more convenient shopping as technology advances, thus, the channels need to collaborate (Aberdeen 2010). Also, consumers do not see the different channels of the retailers as separated entities as they switch between the channels (Deloitte 2010).

Matthias Pihlström, CEO, Brightstep[2], Feb 28th 2012

"No retailer in Sweden today has managed to cross the barrier to implement a multichannel strategy that actually works operationally. This is mainly due to their long history of brick-and-mortar retailing."

As the quote indicates, integrating channels is certainly not an easy task, and in particular not for retailers. However, in order for conventional retailers to exist in the future, it is crucial to integrate the disparate channels into a single channel experience, adopting an entirely new type of perspective (ibid.). With basis in such dilemma, the focus of this thesis is to study the managerial challenges associated with the integration of digital- and physical sales channels.

1.2 Is this a problem worth studying?

Despite the fact that both practitioners (e.g. Aberdeen 2010; Bain 2011; Deloitte 2010) and academics (e.g. Chatterjee 2010; Kotler et al. 2009) stress the urgency for retailers to integrate their sales channels to stay competitive in the future, Müller-Lankenau et al. (2006) highlight the absence of retailers taking such approach. As mentioned, an important factor inhibiting the integration is the long history of brick-and-mortar retailing. Since the new channel involves a totally different technology that imposes changes upon the retailer's way of working (Rigby 2011), there is an apparent clash when this channel suddenly is supposed to be embraced by the whole organization. Another challenge hindering the channel integration, involves the cooperation between the channels, and is highlighted by one of the consultants at Brightstep.

Sïmon Saneback, E-commerce strategist, Brightstep, Feb 27th 2012

"One of the biggest challenges for retailers today is how to utilize the different channels so it's a give and take. In most cases do one channel just benefit the other channel. Very few retailers in Sweden have succeeded to create a good multi-channel strategy where the channels work together."

Rosenbloom (2007) argues that this lack of cooperation stems from that; rather than seeing each other as part of the same company, they look at each other as competitors, in which one channel has to loose customers in order for the other one to gain customers. This creates a lot of internal conflicts that prevent the channels from integrating: *"Perhaps the most significant obstacle to build successful multi-channel strategies is the emergence of conflict between the different*

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[2] Brightstep is Sweden's largest multi-channel, and e-commerce consultancy firm

channels used for reaching customers". (Ibid, p. 7) If these conflicts or tensions are not handled but rather escalated, the organization will experience higher levels of frustration and disagreement between the channels, which in the long run will harm the organization substantially (Coughlan et al. 2001).

As of today, there is a general lack of research for how firms practically handle the tensions when integrating their multiple sales channels in existing literature (Berry et al. 2010; Webb & Lambe 2007; Zhang et al. 2010). This is alarming given the detrimental effects tensions can have on a retailer and its channels. In this study, we outline how the management handles the tensions associated with channel integration. Thereby, we do not only contribute to research, but also shed light to the practitioners in Sweden struggling with these issues.

Last but not least, despite the many efforts devoted by companies to adapt and re-organize their organizations to better serve their customers, there is a general tendency in the marketing field to overlook such organizational aspects. As late as in May 2011, the special issue "Marketing and organization theory: opportunities for synergy" in *Journal of the Academy Marketing Science* stressed the need to fuse the fields of marketing and management. The marketing scientists Ketchen and Hult further call for papers that *"shed greater insights into how organization theories can help describe, explain and predict marketing phenomena"* (Ketchen & Hult 2011, p. 481). Consequently, we suggest an increasing need to study internal organizational work and processes even in the field of marketing.

1.3 Purpose

The main purpose of this study is *to investigate the integration of the digital- and physical sales channels for three of the largest retailers in Sweden*. More explicitly what we mean by investigating the integration, is to describe and analyze the tensions that occur when merging the digital channel and the physical channel within an organization. We further decompose the analysis of the tensions to the following four research questions:

- What is triggering the tensions?
- When do the tensions arise?
- Where in the organization do the tensions occur?
- How do the organization handle the tensions?

To achieve this purpose, we conduct in-depth interviews with three Swedish retailers together with theory and literature studies.

1.4 Delimitations

We narrow our analysis to intra-organizational channel integration. Thus, we do not intend to study the channel integration between the retailer and other stakeholders' channels. Important to notice is also that we study the integration between the digital- and physical sales channels, hence not the integration between particular functions such as logistics or marketing. However, since the two channels span over different functions, the study will look at the channel integration within particular functions. Also, this is not a normative study in the sense that we aim to find specific guidelines on how retailers should integrate their sales channels. Instead we intend to give a descriptive analysis to compare and understand the similarities and differences of tensions in the retailers' integrative work. We further choose to delimit the scope of the thesis to look at three retailers in Sweden, since we reason that case depth is favoured given the purpose and selected methodology. As a last note, we take a management approach to the research topic, by interviewing managers at different levels of the company.

1.5 Definitions

Channel Integration

Kotler et al. divide channel integration into two fronts: the external and internal front. In the scope of this thesis, when referring to channel integration we mean the integration of the internal front i.e. *"the breaking of the inward-facing boundaries"*(Kotler et al. 2009 p. 632). The external integration refers to the handling of customers in an integrated way, which is not the main focus in this study.

E-commerce

We define e-commerce as the act in which the consumers purchase an item from (in this case) a retailer via a digital device (computer, mobile phone or tablets).

Intra- versus inter-organization

The expression intra-organization refers to events occurring *within* a company, while inter-organization incorporate issues *between* companies.

Sales channel

In this thesis, our definition of sales channel incorporates the acts of selling and marketing products to the end consumer. All activities of the sales channel happen within the company of study, and do not include any external actor.

Tension

Previous literature looking at integration often uses the word conflict to describe the internal oppositions. Even though scholars such as Coughlan et al. (2001) argue that the word conflict

should be seen in a more neutral light when discussing distribution channels, we believe it has a negative connotation. We therefore choose to use the word tension throughout the thesis, which is the same to the concept of conflict but more neutral.

1.6 Disposition

From now on, the study is structured as follows; chapter 2 presents the results from the pre-study and a slight redefinition of our research question, chapter 3 summarizes the existing literature within our research area, chapter 4 lays out the theoretical framework needed in order to analyze and develop new theory, chapter 5 tells the stories of our three Swedish case studies: Sporty Ltd, Electric Ltd and Beauty Ltd. In chapter 6 we analyze our empirical findings, and in chapter 7 we discuss what implications our analytical results will have both in the theoretical and real world and lastly we propose further research. The thesis ends with a conclusion in chapter 8, and theoretical-, methodological-, and managerial reflections in chapter 9.

2. Starting Point: Dynamics of Swedish Retailing

Before throwing ourselves into the actual research study, we conducted a pre-study. The following chapter elaborates on the design and the findings of such initial study. Due to the results of the pre-study, this chapter ends with a discussion of the need to redefine our research question.

2.1 Why did we need a pre-study?

There were mainly two reasons why this study required a pre-study. Due to our limited experience on the topic of retailing and e-commerce operations, the *first* objective was to gain a basic understanding of the dynamics of Swedish retail industry in the context of multi-channels. The *second* motivation was the absence of best practices or scholar work on our topic. The pre-study proved helpful to distinguish some broad intra-organizational challenges in an initial phase, which enabled us to continue to the actual research study with a fairly good idea on where to dig deeper.

2.2 Design, method and process of pre-study
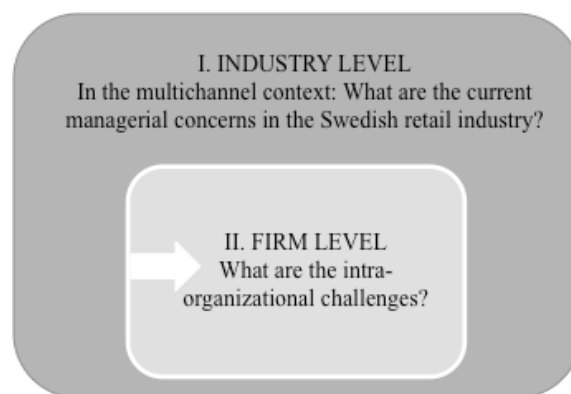
Figure 1: Pre-study process

Figure 1 illustrates the two parts composing our pre-study, which are closely linked to the objectives presented above. While we in the first part asked our interviewees about the managerial concerns in the Swedish retail industry, the second part entailed more questions about the intra-organizational challenges in particular. The findings below are presented in this logic.

We choose to talk to a combination of practitioners, researchers, professors and consultants with connection to our topic. This enabled us to achieve both a multi angled and objective

understanding of the industry dynamics and the intra-organizational challenges. *Table 1* below illustrates such variation.

Date	Name	Position, company	Area of expertise	Location, duration
2012-01-19	Niklas Olsson	CEO, *Internet Retail Holding*	E-commerce operations	Interviewees's office, 1 hour
2012-01-20	Bertil Thorngren	Professor, *Stockholm School of Economics*	E-commerce	Interviewees's office, 40 min
2012-01-23	Arne Andersson	E-commerce specialist, *Posten Nordics*	Multichannel expertise	Interviewees's office, 1 hour
2012-02-09	Andreas Hedlund	Researcher, *HUI*	Retail dynamics	Telephone, 40 min
2012-02-15	Steve Nylund	Head of Global Sourcing, *Ericsson*	E-commerce operations	Telephone, 45 min
2012-02-16	Karl Moberg	Vice President, *Brightstep*	Retail dynamics & Multichannel strategies	Interviewees's office, 1 hour
2012-02-27	Mathias Pihlström	President, *Brightstep*	Retail dynamics & Multichannel strategies	Interviewees's office, 1 hour
2012-02-27	Sïmon Saneback	E-commerce strategist & concept developer, *Brightstep*	Multichannel expertise	Interviewees's office, 45 min
2012-03-02	Mathias Alzén	Project Leader, *Brightstep*	Multichannel expertise	Interviewees's office, 45 min
2012-03-02	Sebastian Heimfors	CIO & business development manager, *Boomerang*	Retail dynamics & E-commerce operations	Interviewees's office, 90 min

Table 1: An overview of the pre-study interviewees

Due to the pre-study's explanatory nature we used unstructured qualitative interviews as recommended in methodology literature (Bryman & Bell 2007). The interviews were 40-90 minutes long and took place face-to-face at the interviewee's offices or via phone due to geographical distance. In total the pre-study consisted of 10 interviews.

Extensive notes were taken after each interview. In line with the qualitative research strategy chosen to approach our pre-study with, the grounded theory framework was used to process and analyze the data (Bryman & Bell 2007 p. 584). A thorough examination was conducted of the collected pre-study observations in accordance with the open coding practice (Bryman & Bell 2007 p. 586). First, we identified *similar citations* frequently used by the 10 interviewees. These chunks of coded interview-sections were then grouped into certain *concepts*, (Bryman & Bell, 2007, p 587) which after some elaboration formed themes and *categories* (Bryman & Bell, 2007, p 587). In the second part, where we present four more theoretical themes emerging from our pre-study data, this methodological process became even more important than in part one. Here, we elaborated on the emerging concepts both in relation to previous theory in research on integration and in discussion with our tutor with expertise in the area. Thus, through the process of coding, conceptualizing and categorizing, we were able to abstract the observations into concepts and the concepts into four more theoretical territories.

2.3 Dynamics of Swedish Retailing

2.3.1 Findings Part I: Industry level

2.3.1.1 The need to deliver a seamless shopping experience to the customers

Andreas Hedlund, Researcher, HUR, Feb 9th 2012
"The 21st century customer will embrace the retailers that evolve with their shopping habits. Or to put it even harsher, today's customers will not accept an inconsistency in the shopping experience much longer. There is an urgent need for retailers to adapt to that."

When discussing current managerial concerns in the context of multiple channels within the Swedish retail industry with our selected interviewees, the increased attention of customer focus within the industry is a recurrent theme. Even though customer focus has been perceived as being a top priority for a long time, it is described as having received an excelled attention and *"real managerial focus just recently"* (Moberg). Even though there is a belief that some consumers always will shop in just one channel (Olsson), majority stresses that today's consumer do not purchase or interact with the companies from a channel perspective anymore (Andersson; Hedlund; Heimfors).

The Swedish customer of the 21st century is portrayed as being constantly connected and far more confident with handling multiple touch points than before. Andersson paints the picture of a cross-channel consumer that now assumes to be able to create or change an order, track it and collect it via any combination of channels. Also, whichever touch point the consumer makes the initial purchase from; she/he expects a uniform and seamless experience with the brand. In other words, the customers do not perceive themselves to be web-, mobile- or store consumers when they shop between the channels. And with a multiple channel consumer much more present, the delivery of a seamless experience is described to have moved further up on the managers' agenda (Moberg).

2.3.1.2 Sweden is surprisingly far behind

While Sweden is mentioned in the interviews to be on the forefront of digital campaigns and innovation (Hedlund), the interviewees suggest that when it comes to solving the cross-channel integration dilemma, we are not as developed in relation to other markets (Andersson; Heimfors ; Pihlström). In fact, Sweden is described as *"behind"* and *"just at the beginning of the journey"* (Heimfors). Andersson further supports the statement with several best practices from the UK and US markets. Retailers such as Nordstroms (US), Moose Jaw (US) and John Lewis (UK) appear to have figured something out that the retailers in Sweden still have not. Pihlström thinks that this phenomenon could be explained by the relative smaller size of the e-commerce market in

Sweden. In line with this, Andersson argues that the absence of local best practices to learn from in Sweden could act as an explanation of the slower development.

2.3.1.3 There is an increased pressure on retailers to understand how to integrate multiple channels

The need to deliver a seamless experience across all touch points, and the advantage of international retail competitors are suggested to stress the retailers to solve the challenge with multiple sales channels. The interviewees agree upon that there is an emerging trend on trying to tie all the channels together (Andersson; Nylund; Philström). This is further highlighted with the rapid increase in the number of Swedish retailers that seek consultancy within the field of multichannel retailing (Moberg). It is the fact that you try to merge two relatively different ways of doing business that causes the challenge. While all of Sweden's largest retailers have high expertise in selling products via their stores or call centres, there is a clear difference to the expertise needed for successful e-commerce business (Olsson). E-commerce operations not only demand technology intense processes but are also argued by the interviewees to depend on a much higher operational speed (Nylund; Olsson; Thorngren). The big hurdle here is to get those two logics to benefit and complement each other. "*1+1 should equal 3*" as Heimfors phrases it when he talks about the potential synergies the two channels can bring. He adds that when it should be solved in practice, it is far more of an internal struggle than expected. Pihlström includes an additional layer; *"the fact that it is a struggle creates an opportunity to gain a competitive advantage in relation to other retailers, which put pressure on the retailers to solve it with speed, which in turn often intensifies the struggle"*.

2.3.2 Findings Part II: Firm level

With insights gained on the retailing dynamics we dig deeper into what happens behind organizational doors in such context. Four recurrent themes emerge in our discussions on intra-organizational challenges. Through the methodological way presented above, the findings were abstracted into four areas; *the organizational structure*, *coordination*, *reward systems*, and *internal knowledge and skills*.

2.3.2.1 The organizational structure

The organizing and organizational structure is agreed to be one of the most critical components when it comes to merging e-commerce with the rest of the retail organization (Moberg; Pihlström). Due to the absence of best practices, very few Swedish retailers have expertise in what the ideal organizational structure would be for their organizations. Pihlström highlights that the accelerated pace of e-commerce business results in that many retailers launch the new

channel too quickly, often without thinking *how, where* and *to what extent* in the organization e-commerce should be integrated. To Heimfors's experience, retailers have different perceptions of what structure and what responsibility the e-commerce channel should have. Lastly, it is agreed that whichever location in the organizational chart, or to what extent the online sales channel is integrated, it will continuously be questioned or changed (Heimfors; Nylund; Pihlström).

2.3.2.2 Coordination

The interviewees argue that the different facets of coordination are a recurring challenge within the multichannel context. Some describe this challenge to be primarily coordination of information, such as customer data or campaign planning (Alzén; Sanebeck), while others indicate it with: *"an absence of planned meetings and collaboration between the different channel responsibilities"* (Pihlström). Nylund however beliefs that the main coordinative challenge that the channel integration brings on is the logistical one: *"Traditionally, logistics was characterized by products in bulk, flexible volume levels, long lead times. Adding e-commerce's characteristics of individual orders, unpredictable demand and a 10 times higher operating speed, priority and coordination among your orders suddenly become a heavy task"*.

2.3.2.3 Reward System

The managerial mission to establish a reward system is discussed to be in need for a revisit in the situation of channel integration (Heimfors; Pihlström). A few years ago, when the web was perceived as mainly a pre-shopping and information gathering tool for the customers, store managers did not perceive the e-commerce as an influencing or threatening factor for their individual rewards and operations. However, given the background in the exponential growth of e-commerce in Sweden, store managers as well as the e-commerce managers care a lot more about this factor now (Pihlström). In most cases the present reward system do not show or even indicate how well you work with the other channels: *"In direction towards integrative and synergistic sales channels the system must take into account total sales"* (Pihlström).

2.3.2.4 Internal knowledge and skills

The last perceived area of concern when it comes to integrating the different sales channels is the internal knowledge and skills (Ahlzén; Heimfors; Moberg; Pihlström). They all agree that e-commerce, and in particular the integration with the rest of the organization, requires new type of knowledge and competence. The most prominent perception seems to be that employees within retail organizations in Sweden do understand the importance of e-commerce (ibid). Yet, majority argues that the internal competency of how to link them together is missing (Ahlzén; Pihlström).

2.4 Summing up pre-study

2.4.1 What do we bring with us?

First, our pre-study helps us to grasp the industry dynamics in the context of multiple channels. It helps us to realize the background and the reasons why Swedish retailers feel a pressure to change in order to solve the integration puzzle. The notion of an increased stress among the retailers to deliver a seamless shopping experience to the demanding customer of the 21st century and the effort to mitigate the global competition, imply a complex and demanding surrounding forced upon the Swedish retailers. However, it is the intra-organizational dynamics that run as the focal theme in this thesis. Hence, the external forces will, at least for now, act as a peripheral element – influencing but not at the core – of further analysis.

Second, our pre-study indicates four themes that seem to embody intra-organizational tensions in the context of integrating the physical and the digital sales channel. Hereafter, these themes form our spectacles, which means that we chose to penetrate the actual research problem from the angles: *the organizational structure, coordination, reward systems,* and *internal knowledge and skills.*
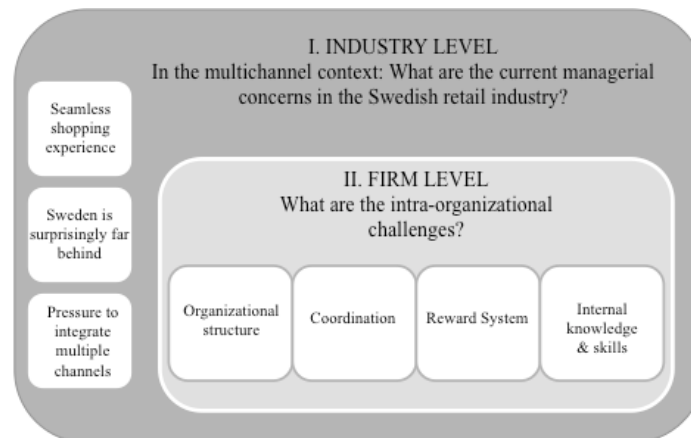
Figure 2: Pre-study findings

2.4.2 Research question redefined

While our main purpose initially was set out to investigate the *integration* of the digital- and physical sales channels for three of the largest retailers in Sweden, summing up the pre-study, we find there is a need to slightly redefine the purpose and the research questions. Hereafter, our purpose is to investigate the *integrative **process** of the digital- and physical sales channels for three of the largest retailers in Sweden.* We find such redefinition important for three reasons. First, our results indicate a far more complex and time consuming work with integrating the different sales channels than anticipated. It appears to be much more than just a planned, set out way of merging them together. Hence, we suspect that approaching the empirical world with a

focus on only the integration per se would not convey the full picture. Second, closely linked to the first point, redefining integration to integrative process lead us to more relevant theoretical frameworks that help us understand and analyse the complex work with the integration. Lastly, by strengthening and redefining the purpose here rather than in the beginning of this study, we want to stress the knowledge gained in the pre-study and the importance of such extensive work for the result in this thesis.

Following our argument on the need to study the process, an additional variable in our analysis of tensions seems necessary as well. The analysis needs to include a component that encompasses the consequences of handling as well. The pre-study suggest that the handling of the tensions differ. Therefore – we add a fifth research question to the analysis of tensions:

- What is triggering the tensions?

- When do the tensions arise?

- Where in the organization do the tensions occur?

- How do the organization handle the tensions?

- **What is the effect of handling the tension in that way**

3. Literature Review

In this chapter, we shed light on previous studies within our area of interest. We start by examining the literature on channel- and function integration within and between companies. Thereafter, we review how scholars have approached internal channel integration in the past. With support in such review, the section ends in acknowledging the gap in literature.

3.1 Integration of organizational channels and functions

Given the scarcity of academic research within our field of channel integration *within* companies, we choose to also look at literature discussing integration of channels *between* companies and integration of *functions* within companies. While the three types of integration might appear different at first, they all discuss tensions to be important aspects when handling integration, which underpin the relevance of reviewing the literature in those fields as well.

Figure 3 below intends to illustrate the different types of channel integration we will refer to in the review.
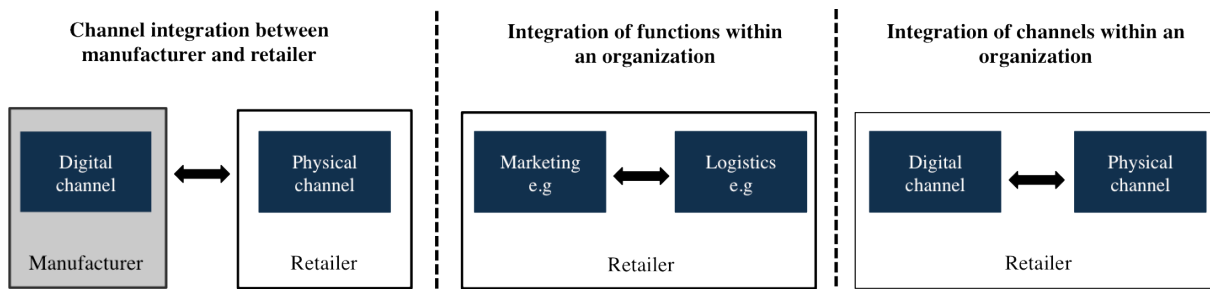
Figure 3: Illustration of the three types of integration

3.1.1 Channel integration between manufacturing and retailing organizations

Given the rise of the Internet, many manufacturers have taken the opportunity to bypass their distributors by opening their own digital channel to distribute from (Siefert et al. 2006). Such development has caused many researchers during the last decade to study the integration between the different channels, digital and physical, of the manufacturer and the retailer respectively. Studies find that the digital channel of the manufacturer creates tensions among the connecting retailers since the channels are perceived to *intensify competition* and result in drop in profits (Coughlan et al. 2001; Sharma & Mehrotra 2007). In order not to worsen the tension between the channels, it is *both* to the retailer's and the manufacturer's benefit to decrease the channel conflict by integrating their way of working and improve the coordination between the two (Yan et al. 2011). This could be done in various ways. While Yan (2010a) suggests the manufacturer to cope with the channel conflict by *differentiating its product offerings* in the various channels, Yan (2011) finds that the differentiated branding strategy is not enough to reach full channel coordination. He suggests, similar to Yan et al. (2011) that *profit sharing* between the manufacturer and the retailer is needed as an additional mechanism to integration. Other suggestions how the manufacturer and the retailer effectively can improve channel integration is through *cooperative advertising* and *strategic alliances* (Yan 2010b), as well as an *information sharing strategy* (Yan & Pei 2011). By paying the retailer a commission for diverting customers towards the direct channel, the manufacturer is argued to benefit from lower channel conflict (Tsay & Agrawal 2004).

By studying the channel integration *between* companies, we can conclude it is important both for the manufacturer and the retailer to handle the integration in order for a functioning relationship. This is however not an easy task, which often requires the manufacturer to introduce certain means to neutralize the intensified competition enforced upon the retailer.

3.1.2 Integration of functions within an organization

Inter-functional collaboration refers to the informal relationships between different functions within a company – e.g. marketing, logistics, sales, R&D etc. (Shrage 1990). Even though being

part of the same company, studies examining the marketing- and sales functions describe the relationship as being very conflict laden (Dewsnap & Jobber 2000). The described tension is both due to *conflicting goals* (Strahle et al. 1996), and due to *different views of the world* (Cespedes 1996). Ellinger et al. (2006) portray the same picture when studying the integration between logistics and marketing. They find that important tensions inhibiting the integration of the two functions are among others *lack of communication, lack of direction from senior management* and *poor working relationships*, such as inability to compromise. Several empirical studies show a positive effect of inter-functional integration on: organizational performance (Spencer & Cox 1994), new product development success (Xia et al. 1998) and integration to external firms (Zhao et al. 2011). However, other scholars state that even though the integration can result in successful outcomes, handling such integration is far from easy (Ellinger et al. 2006; Nunes & Cespedes 2003). Pagell (2004) supports the complexity of the integration process, by showing that factors such as *functional structure & culture, reward systems* and the *amount of formal/informal communication* across the functions are all highly influential when different functions align.

More practically how companies should handle inter-functional integration, Ellinger et al. (2006) stress the role of the senior management to *encourage interaction* between the functions and also to set up *clarifying expectations* between them. While Kotler et al. (2006) propose broad handlings to improve function integration, such as the *merging of activities*, *organizational structures, processes, systems* and *culture*, Homburg et al. (2008) find that the most peaceful relationships between marketing and sales involve *intense structural linkages* and *mutual understanding*.

Despite being the same company, we can conclude from the review of the literature on functional integration *within* a company that the task is far from simple. In order to facilitate functional integration, there is a need for many intra-organizational actions such as top management support, reward systems, improved communication and interaction.

3.1.3 Integration of channels within an organization

Most studies that examine channel integration within a company, are either taking the standpoint of the consumers (e.g. Chatterjee 2010; Verhoef et al. 2007) or the broad perspective describing the main challenges (e.g. Neslin et al. 2006; Zhang et al. 2010) and the opportunities (Berry et al. 2010; Zhang et al. 2010) the integration promises.

Examining what is known about how management copes with the channel integration, we conclude that the investigation of the optimal channel structure – integrated vs. separated – is a popular area of study. This is probably because it is considered the most difficult task for managers to decide upon when going multi-channel (Neslin et al. 2006; Zhang et al. 2010). Gulati & Garino (2000) highlight that the relationship between two channels can take several forms. Some firms might coordinate their digital- and physical channels fully by for instance using the Internet as a marketing window to funnel customers into the store, whereas others may treat their online operations principally as a separate company (Neslin et al. 2006). Important to notice is that the further a company detract the online division from the rest of the organization, the more tensions are assumed to arise between the channels (Zhang et al. 2010). In an initial state of the e-commerce initiative, it is common that management intentionally gives a great deal of independence to the online channel in order to encourage growth and attract great leaders. Later on, as e-commerce grows, the issue of creating better coordination becomes increasingly important due to the emerging conflicts between the channels. (Ibid) Separated channels are considered easier for retailers to pursue than integrated channels, since integration is associated with a phase of internal tumult and large capital investments (Neslin et al. 2006). Therefore, retailers today tend to manage their channels separately (Müller-Lankenau et al. 2006; Zhang et al. 2010), despite the fact that detached channels tend to confuse customers that shop across multiple channels (Berry et al. 2010). Detached channels also create inefficiency internally due to overlapping work, and internal conflicts across channels (Zhang et al. 2010). Webb (2002) suggests that in order to avoid these channel conflicts, it is important for companies to develop strategies for integrating the online channel with their traditional physical channel.

Reviewing the literature on our area of study, we can conclude that existing studies either take the perspective of the consumers (not elaborated on due to irrelevance), the main challenges/opportunities for channel integration or the optimal organizational design. Companies tend to keep their channels separated even though there seem to be many negative effects connected to such a decision. This contradiction is what intrigues us to execute this study in order to shed light on the tensions that exist within a company when integrating the digital- and the physical sales channels.

3.2 Approach to channel integration studies
Several practitioners and consultancy firms have a clear opinion of how the multichannel integration *should* be achieved, such as Aberdeen (2010) that argues for channel coordination and a unified IT-system as important means to integrate the digital- and the physical channels. Even

scholars seem to be very focused to outline ideal to-do-lists of *how* to handle the integration. For example, frequently discussed Gulati (2007) outlines the importance of companies busting the internal silos in order to become more customer-focused. Referring to silos as a rather broad concept of organizational units, he introduces the four C's for silos to become more integrated: *coordination, cooperation, capability* and *connection*. Aaker (2008) takes on a similar approach. He introduces the concept of a *central marketing unit* to counteract the silo thinking of the companies.

While scholars such as Gulati (2007) and Aaker (2008) are successful coming up with guidelines to the organizations, they seldom put focus into understanding the internal hassle and conflict the channel integration entails to the company in reality. Several researchers support such reflection. First, they argue there is a lack in the marketing literature on how management handles the integration of multiple sales channels in general (Berry et al. 2010; Zhang et al. 2010). Also, academic research is surprisingly scarce on what managers can do to cope with conflict in the multi-channel context (Webb & Lambe 2007). This is despite scholars' suggestion that handling conflict is one of the most important aspects when integrating channels (Coughlan et al. 2001). There do however exist a few academic attempts. McDonald (1999) is one example, in which she uses organizations from the mortgage industry to illustrate that employee training and compensation systems could be necessary tools to reduce channel conflict. In connection to our particular area, but in a B2B setting, Webb (2002) looks at the channel conflict between the digital channel and the physical channel both between and within companies. By examining previous literature, he finds that communication, coordination and superordinate goals are crucial in managing channel conflict. Lastly, Webb & Lambe (2007) use four case studies to explain the internal-to-the-firm causes and effects of multi-channel conflict. In that sense, their work is very close to what we study. However, their study is more general in the sense that it concerns several analogue channels, and therefore do not shed light on the particular challenges and effects of the digital channel.

3.3 Conclusion: The gap in research

When examining the research field of integration, we can conclude that the focus has rather been to examine and study the integration of different channels between firms (Webb 2002) or on the integration of different functions within a firm. In other words, looking at the three types of integration we illustrate in *Figure 3*, academic studies on integration of channels within a firm is much more scarce. Our literature review illustrates that the studies looking at channel integration *between* companies and functional integration *within* companies, highlight the need to integrate

the two entities in order for a functional relationship between the two. This is however not an easy task, which leaves the senior management with different strategic options in order to improve the integration. The studies that do exist on channel integration for one particular company, either focus on the consumers' point of view, the main challenges/opportunities for channel integration or the optimal organization design for incorporating a new channel. The fact that management keeps the two channels separated, despite the negative effects from doing so, clearly indicates there is a need to study the challenges they face when integrating. By studying the tensions arising, we believe this study will contribute to the existing knowledge gap.

Furthermore, with support in our review of how scholars seem to approach the area, there is a clear need to investigate and outline how managers *practically* manage the integration process, and what challenges multichannel retailers face in their daily operations. In particular there is a need to shed light on the tensions evoked in such internal work.

Since only a few studies have examined the channel coordination between the digital- and the traditional channels (Yan et al. 2011), we argue there is a clear need to study the integration between the digital channel and the physical channel within an organization in terms of tensions. Furthermore, there do not exist – at least to our knowledge – any study on Swedish retailing market within this area.

4. Theoretical Framework

In this chapter, the theoretical foundation of the study is presented in three steps. First, we introduce and become acquainted with marketing organization, which is the research field that this study builds on. Here we introduce the most frequently cited scholars and sum up their thoughts in the field on organizational change. Then, we dig deeper and elaborate on channel integration in terms of organizational change, tensions and as a change management issue. Lastly, an analytical research model is developed and discussed.

4.1 Marketing Organization as a research field

Marketing organization is not a new research field. For long, organizational theory have been argued to help both managers and marketers to better understand their organizations (Kerlinger 1986). Scholars have for ages used several of the central variables and assumptions from organizational theory to describe, predict or explain marketing systems within marketing research (for reviews of this field see e.g. Harris & Ogbonna 2003; Homburg, Workman & Jensen 2000; Workman, Homburg & Gruner 1998). However, the early thinkers within this field are to a large degree mainly concerned with static forms and structures when they describe and discuss marketing organizations. Therefore, in this study on the *integrative process* we mainly build upon the modern research and in particular the stream of research that is concerned with change and organizational transformations.

Achrol (1991) will be representative for the starting point of the modern research within this field. With his publication in 1991, the contemporary focus and importance of external changes, as well as changes within marketing organizations are established. He predicts, based on the perception of a rapidly changing and turbulent environment, that new organizational forms will be needed. Hence, in contrast to the early thinkers' focus on static structures and importance of hierarchy, Achrol argues for much more flexible and adaptable forms of organizations as a response to the dynamic environment (Achrol 1991). In light of the increased complex external market, he stresses the emergence of network-like organizational forms (Achrol 1991; Achrol & Kotler 1999). However, in contrast to Achrol's predictions, the frequently cited Homburg et al. (2000) suggest that many firms in reality still organize their operations in the traditional hierarchical, hence not so flexible, way. They stress that in reality it is not so simple to become adaptable and flexible. Nevertheless, Homburg et al. (2000) do identify that firms are transforming and shifting organizational structures. They suggest that firms are shifting among different types of

organizational configurations and that the main reason for such organizational change is to come closer to the customers. They sum up their work by stressing a general movement among firms stating: *"the changes in marketing and sales organization are interrelated and are embedded in a general movement toward customer-focused organizational structures"* (pp. 467).

Recent research, eleven years after Homburg et al.'s (2000) work, Day (2011) suggests that organizations are still having troubles with re-organizing or transforming their marketing organizations. Hence, the organizational movement that Homburg et al. (2000) argue for – i.e. customer focus – is therefore highly relevant, but has not developed as far as one would have thought. Day (2011) explains the slow development with two general barriers for organizations to adapt or re-organize: organizational rigidities and lagging reactions. He paints a picture of a market capability gap, where the demands of the markets are changing so rapidly that the capacity of today's organizations is far from enough. Therefore, he stresses the need of adaptive marketing organizations, with adaptive rather than dynamic capabilities and competencies.

To sum up the general introduction to the research field *marketing organization,* we can conclude that the once static view upon organizations has transformed to become a lot more interesting with work from prominent scholars such as Achrol (1991), Homburg et al. (2000) and Day (2011). The focus in the field nowadays rather lies on establishing processes that can be rapidly reconfigured when needed and in general on the need for flexibility when transforming an organization into a new way of being (Day 2011).

4.2 The channel integration as an issue of organizational change

Aaker (2008) points out that integrating two separate channels is almost in all cases going to be difficult, expensive and disruptive to the company. Everyone in the organization, both the executives and the operational staff, ought to be onboard if the change should be possible (ibid). In line with this, Homburg et al. (2000) state that in order for firms to become more customers focused, which is the underlying reason for integrating channels, there is need for a complete structural change within the organization. The characteristic of this new organizational form is that structures, coordination mechanisms, and cultures have to be altered in order to encourage flexibility, adaptability, and cross-functional sharing of information (Homburg et al. 2000). In order to understand the integrative process between the digital and the physical sales channels within an organization, reflecting upon the change management literature therefore becomes important.

4.3 The channel integration as a source of tension

From the pre-study findings we could conclude that four sources of tensions exist when some of the retailers in Sweden try to integrate their digital- and physical sales channels – organizational structure, coordination, reward systems and internal knowledge & skills. When looking at what theory suggests to be the main sources of tensions for channel integration, two main areas appear relevant: the first being product distribution through multiple channels (Coughlan et al. 2001) and the second being the change associated with integrating the different channels. Additionally, since this study concerns the integration of two channels with substantially different technology, a third type of tension becomes relevant to examine. *Figure 4* below gives an illustration of the three different sources of tensions that this study elaborates on. Since the four areas found in the pre-study are on one hand part of our findings and on the other hand rather broad areas, these will not be elaborated on in the theoretical section.
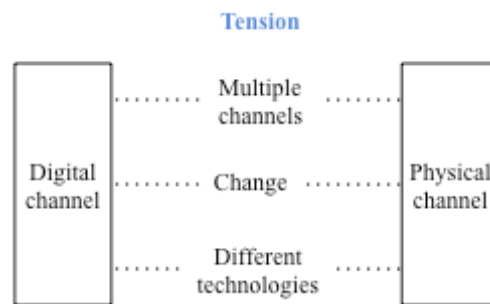
Figure 4: Three sources of tension in channel integration of digital channel and physical channel

4.3.1 Tensions arising from product distribution through multiple channels

Product distribution through *multiple channels* is nothing new or revolutionary. Companies have for long served their customers through several channels without encountering any particular problems. Since each channel has had their own customer base and therefore limited interdependence between the channels, operations have progressed smoothly. (Coughlan et al. 2001) Today however, customers do to a larger extent switch between channels, which has changed the simplicity of operating through multiple channels due to the internal competition that arise. Coughlan et al. (2001) refer to such competition as *clashes over domains* as the different channels intrude or clash on each other's areas of operation and thus become interdependent. Suddenly, any one channel's actions have an influence on the success of the other channel effort, and thus can harm the total channel performance. *Clashes over domains* are considered a complex source of tension, since it has many facets. A potentially harming one is the inter-channel competition that we mentioned in the literature overview, in which the channels compete for the same customers. Other important aspects of domain conflict include clashes of each channel's role and sphere of influence within a company. Important to notice is that tension per

se is not necessarily negative in distribution channels. When channels are able to oppose each other by raising differences, and challenge each other by breaking old habits, it is considered a *functional conflict.* If the conflict on the other hand becomes so intense that it affects the channels' long-term ability to cooperate, the conflict is *dysfunctional* and should preferably be avoided, given the high costs associated with it. (Coughlan et al. 2001)

4.3.2 Tensions arising from change

Although people do not necessarily resist change automatically, many people resist having changes imposed on them (Lorenzi & Riley 2000). Kotter (2008) stresses that all people who are affected by change, even though the change could be regarded positive, experience some uncertainty or emotional confusion. One reason for people to resist organizational change is the personal loss associated with it (Lorenzi & Riley 2000). The personal loss could appear in terms of time and energy by learning a new IT-system or in terms of a diminished professional role due to organizational rearrangements. By believing that they will lose something of value due to the change, people therefore resist change rather than seeing to what is best for the organization as a whole and embracing it (Kotter 2008). People might also resist change when they do not understand its implications. These situations often occur when there is a lack of trust between the people initiating the change (i.e. managers) and the people in need for change (i.e. employees). Since few organizations have a high level of trust between managers and employees, misunderstandings often occur when change is introduced (ibid).

4.3.3 Tensions arising from different technologies

Even though the new technology brings several benefits to companies, such as the reach of more customers and lower operational costs due to reduced inventory, digitization also entails a number of obstacles (Tassabehji 2003). The most pressing issue, when it comes to incorporating a digital channel is the rapidly evolving and changing technology that forces the retailers to continuously catch up and progress in order not to fall behind. This could create tensions in companies, in which the organizational culture repels innovation and R&D. Also, such a condition can result in situations where the workforce does not understand and/or is not willing to implement the new technology and process. Another stressed challenge within this field is the compatibility between the new and old technological system. Many companies need to alter their existing system to incorporate the digital channel, which can be both costly and disruptive to efficiency of the operations. (Tassabehji 2003)

4.4 The channel integration as a change management issue

"Change management is the process by which an organization gets to its future state, its vision. Therefore, creating change starts with creating a vision for change and then empowering individuals to act as change agents to attain that vision." (Lorenzi & Riley 2000 p. 118)

The importance of getting everyone in the organization on board in the change process is something we stress in the beginning of this chapter with reference to Aaker (2008). In order to achieve this collective action of change, Lorenzi & Riley (2000) suggest that it is important for management to both inspire and empower individuals within the organization to act upon change. Several change models have been introduced throughout the years aiming to give the managers a tool in how to cope with the organizational change. Among others are Lewin's (1947) *3-step model for handling change*, Bullock & Batten's (1985) *4-phase change model* and Kotter's (1995) '8-step model to transforming the organization'. Even though these frameworks are fully legitimate and frequently referred to in the change management literature, they are by some researchers criticized to be too linear (Collins 1998; Graetz & Smith 2010). Graetz & Smith (2010, p. 150) state: *"Traditional frameworks represent change as a programmatic step-by-step process with a clear beginning, middle and end, largely choreographed and controlled by a transformational leader"*. Recalling the results of the pre-study, we predict that the change process of integrating the digital and the physical sales channels among Swedish retailers do not follow such a linear fashion.

4.5 A Process Model of Channel Integration

"...understanding change as part of a continuing work in progress calls for a much broader canvas that seeks out competing voices, and works with the resulting ambiguities, contradictions and tensions of messy reality." (Graetz & Smith 2010, p. 136)

Predicting irregularity in the work on integrating the digital channel with physical sales channel, the model (*Figure 5*) by Andersson (2002) becomes much more useful than the traditional step-models in change management literature. This model, which is developed to explain the internationalization process of companies, is applicable for our study since it takes a much more open approach to processes and change. The components of the model draws attention to the constantly emerging and moving *contradictions, tensions* and *ambiguities* within companies that arise as a consequence of certain *actions* connected to the process of internationalization. Given the generality of the model's components, it has also been used as an analytical tool in marketing reorganization (Andersson et al. forthc.). This therefore strengthens the model's usefulness given our area of study.
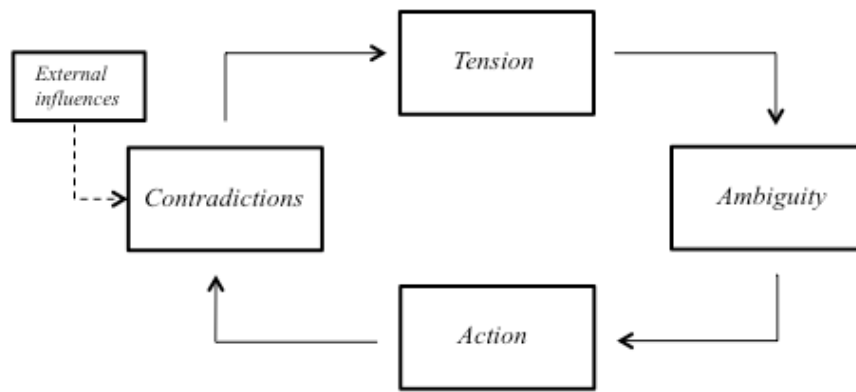
Figure 5: A circular process model for organizational transitions

4.5.1 Elaboration of the model

Since it is a circular model, in which one thing leads to another, it is difficult to say where it all starts. But let us start with the *action,* in which *someone* decides that *something* has to be done, either to stabilize the situation or to change it. Since it is a loop of already ongoing actions, it could be an alteration of a previous action or an initiation of a new action. Given the action undertaken, certain *contradictions* will emerge, which can be explained as an opposition between two or more conflicting systems or forces. In the case of integrating channels, *clashes over domains* is a typical example of a contradiction since there is an overlap between the two channels to serve the same customers. Another factor affecting the contradictions is *external influences*, which are events that we assume lie outside the organizational borders. As a result of contradictions, *tensions* arise among members within the organization. These tensions are tightly connected to the ongoing actions of change, and could include actions performed by several levels within the organization, i.e. from the actions of top management to the actions of the closest colleague. This leads us in to the next component of the model, being *ambiguity*. March (1988) explains that, when actions are made within an organization, ambiguities emerge among the members of that setting, since they have difficult ways of seeing the 'means to an end' of that particular action. He means that actions or decisions within an organization are rarely straightforward, but often change along the way, which causes confusion among people how to interpret the actions. To cope with the ambiguities, new actions are undertaken to stabilize and/or change the situation, which lead to new contradictions, and the loop continues. (Andersson 2002; Andersson et al. forthc.)

4.5.2 Elaboration of the *actions* within the model

The members of an organization have many different actions at hand to stabilize or change the given situation. If we take a step back and look at the sources of tensions to channel integration illustrated in *Figure 4*, it is suggested that management's usage of power is an effective way to handle tensions both regarding multiple channels (Coughlan et al. 2001) and regarding change

(Kotter 2008). Depending on the type of internal resistance, different power sources could be used (Kotter 2008). *Reward power* has for example been proven effective for management to incentivize channel members to cooperate by giving them team-based rewards (Homburg et al. 2000). For the staff that fears that a certain change will affect them negatively, *expert power* is a useful means by providing skills and training (Kotter 2008). Or when speed is essential in a change process, and the change initiator possesses considerable power, *coercion* is an effective tool (ibid) – not popular among the employees, but effective. Discussing the actions needed in order to handle the tensions of different technology, Tassabehji (2003) stresses actions associated with top management support, the creation of a skilled workforce and the encouragement of a technology-friendly organizational culture.

To broaden the concept of *action*, Andersson et al. (forthc.) also suggest the term *inaction*, which is the alternative to cope with tensions and ambiguities by deciding to do nothing in response.

4.6 The Research Model

Summing up what we have learned from our pre-study and the theoretical elaboration above, we develop the research model shown in *Figure 6*. This model will serve as our analytical tool when structuring and analyzing the empirical data.
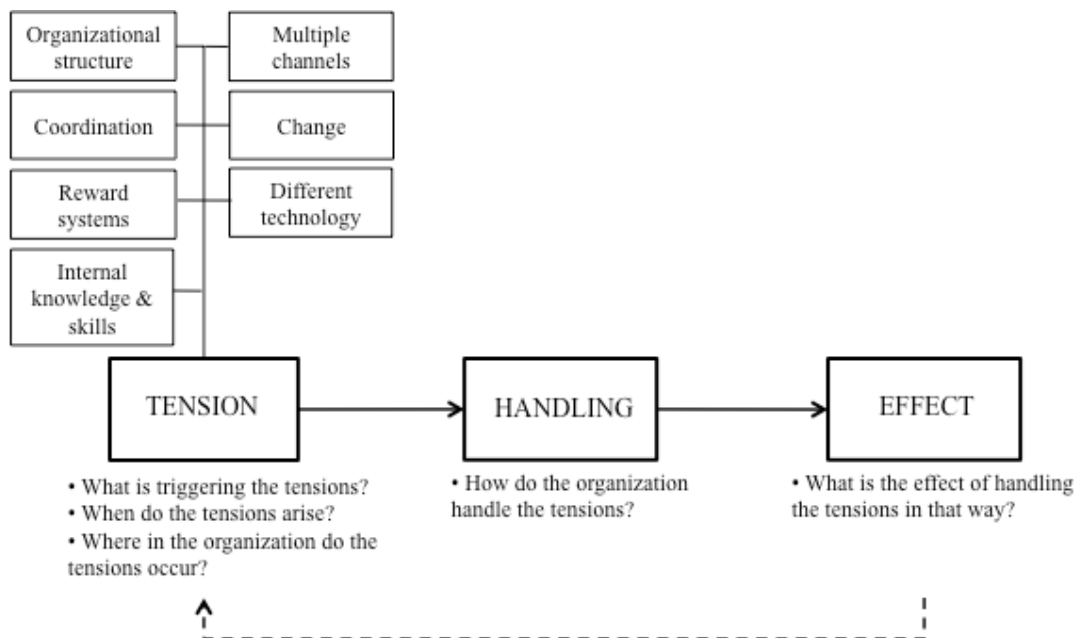
Figure 6: Research Model

The model is made up of three fundamental parts; *tension, handling and effect* that are closely connected to each other in a process-like fashion. It is similar to the model by Andersson (2002) in the sense that it draws attention to the constantly emerging and moving tensions within the retail organizations.

4.6.1 The three parts

In a first step, we explore the area of *tensions* within the organizations by answering the first three research questions: *What is triggering the tensions? When do the tensions arise?* And, *where in the organization do the tensions occur?* Recalling the findings from the pre-study, we focus the investigation of tensions by looking at four main areas, being the organizational structure, coordination, rewards systems and internal knowledge and skills. By taking the theoretical findings into account as well, we will be responsive to tensions stemming from multiple channels (Coughlan et al. 2001), change (Kotter 2008; Lorenzi & Riley 2000) and different technologies (Tassabehji 2003). The second step is an examination of the handling of the tensions by answering the forth research question: *How do the organization handle the tensions?* In a third and last step, we intend to answer the fifth research question – *what is the effect of handling the tension in that way?* In addition to study the effect per se, we also aim to identify and understand potential new tensions arising, since theory suggests such a circular fashion (e.g. Andersson 2002). By using this research model as a basis for our analysis, we intend to explain the integrative process of the two channels among Swedish retailers.

5. Method of the main study

In this chapter we present the methodology used when collecting and analyzing our data. First we elaborate on the research design. Then we touch upon the selection, collection and analysis of our data. Lastly, the chapter ends with a reflection on the research quality.

5.1 Research Design

To decrease the existing knowledge gap and accomplish our investigative purpose (Merriam 1994), we choose to apply a qualitative research method. This method is appropriate for studies that are descriptive in nature and when it is important to understand the whole context of a situation (Bryman & Bell 2007).

The main reason why we choose not to pursue a quantitative research strategy was consequently due to the lack of existing research to steer our study, since quantitative methods demands the researchers to set the specific concerns driving the investigation (Bryman & Bell 2007). Furthermore, quantitative studies do not provide as much contextual data and information on human behaviour as qualitative studies do (Guba & Lincoln 1994), which we considered was imperative in order to understand the tensions specifically. Against this backdrop, the focus of our thesis will be more on the generation of theories (inductive) rather than the testing of them (deductive), even though Bryman & Bell (2007) suggest that inductive approaches often contain some characteristics of deduction as well.

We find the case study to be the most appropriate research design, since *"case studies are the preferred strategy when 'how' and 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context"* (Yin 2003). Case studies are also recommended to be an ideal method for studying new topic areas (Eisenhardt 1989). To increase the robustness of our findings, we chose to study multiple cases instead of a single case, since comparing several cases increases the generalizability (Eisenhardt 1989; Yin 2003)

To be able to outline the specific tensions in the integrative process among Swedish retailers, in-depth interviews were chosen as a primary source of data. It is considered a preferable method when interviewing professionals and when the aim is to get a detailed understanding of complicated behaviours (Malhotra 2004). In addition to in-depth interviews with managers at the

retailers, we conducted in-depth interviews with industry experts as well as reviewing corporate documents in order triangulate the information and increase the validity and reliability of the findings (Bryman & Bell 2007).

5.2 Case Selection

5.2.1 Selection of retailer cases

Given the aim of this thesis, it was necessary to choose retailers that are selling products in both channels investigated (i.e. both online and in store). This requirement limited the number of brick and mortar retailers substantially. A snowball sampling was applied by using the client base of the multi-channel consultants we interviewed in the pre-study. Given their extensive knowledge within the field, they were considered a relevant starting point for our sampling (Bryman & Bell 2007).

Since we chose to pursue a multiple-case study design, the selection process of the cases followed what Yin (2003) calls the replication logic, or by others the logic of theoretical sampling (Eisenhardt 1989). The basic rationale behind this logic is that each case should be chosen as a study in itself rather than part of a sample in a study (Yin 2003). Furthermore the cases should be selected to either i) predict similar results (lateral replication) or ii) predict contrasting results but for predictable reasons (theoretical replication) (Eisenhardt 1989). In line with these suggestions and considering that a combination of snowball sampling and replication logic is preferable in qualitative research (Bryman & Bell 2007), three cases were carefully selected based on three criteria similar to the ones in the study by Webb & Lambe (2007). First and foremost, they all manage complex multichannel systems that often cause internal tension-related challenges. Secondly, they are in different maturity stages of the digital channel, since they introduced online at different time periods. The third and last criterion is that they all demonstrate different characteristics in terms of industry and size. Given these criteria, the generalizability of the study is considered to increase (Webb & Lambe 2007). Similar to other qualitative and company-based marketing research, anonymity was used with all respondents (Webb & Lambe 2007), to thereby allow them to talk more freely about this sensitive topic.

Company	Industry	Turnover MSEK	Employees	No of Stores	Markets	Launch of online
Electric Ltd	Electronics	24 000	7 000	258	Sweden, Denmark, Norway, Finland, Island, Farao Island, Greenland	2005
Sporty Ltd	Sport/Leisure	4 528	1 731	125	Sweden, Denmark, Finland	2007
Beauty Ltd	Beauty care	1 500	800	250	Sweden, Norway, Finland	2010

Table 2: An overview of the three cases

5.2.2 Selection of interviewees

Even though retailers are the main case subjects within this study, specific individuals employed by the retailers were assigned to represent each of the three retailers. In order to avoid misinterpretation (Bryman & Bell 2007), the study's level of analysis is on specific 'kinds' of individuals that are similar for all three cases, namely e-commerce managers, other middle managers, and store managers. Since the e-commerce managers are knowledgeable about the digital channel and the tensions that have occurred in the integrative process, one can argue they would have been enough to interview given the scope of this study. However, in order to get a more complete picture of the situation and increase the credibility of the findings, we found it important to examine other parts of the organization as well (Lincoln & Guba 1985). Three employee groups were chosen; two (e-commerce managers and other middle managers) that are placed a bit further up in the organizational hierarchy and one (store manager) that is closer to the actual consumer. We decided not to pick any specific type of middle manager in advance since the companies have different organizational structures and therefore called for a flexibility in which type of middle manager that was the most suitable to interview.

5.3 Data Collection Process

5.3.1 In-depth Interviews with retailers

Due to the pre-study initiated in the early phase, we entered the data collection phase with a fairly clear view of what we wanted to address. To keep focus on these issues and also to be able to compare the answers among the multiple cases, a semi-structured way of interviewing was to prefer (Bryman & Bell 2007). With the basis in theory and pre-study findings, we developed an interview guide consisting of 17 questions. See *Table 3* for a brief presentation of the structure and main topics in the interview guide (see appendix for full-length).

Personal information of interviewee
  ➢ Function, background, responsibilites
General company information
  ➢ Digital experience
  ➢ Organizational structure & reporting
Relationship between the digital channel and the physical channel
  ➢ General cooperation and suggestions for improvements
  ➢ Purpose & goals
  ➢ Strategic focus of the digital channel
Challenges in the relationship between the digital channel and the physical channel
  ➢ Identify the biggest challenges
  ➢ CIT: Identify certain events that was challenging in general as well as regarding the four main areas; reward systems, organizational structure, coordination and internal knowledge

Table 3: Structure and main topics of the interview guide

Since our research purpose is to investigate the integrative process in terms of *tensions*, we wanted the respondents to give us concrete examples of how the tensions arise, how they are handled and the effect of them. We therefore used the critical incident technique (CIT) when asking questions about our four main areas, since this method is considered appropriate when more detailed narratives are needed of specific events (Bryman & Bell 2007). In line with the CIT study conducted by Curran and Blackburn (1994), the interview guide was sent to the interviewees in advance for them to think of certain events and thereby to invite to a more interesting discussion.

As can be seen in *Table 4*, a total of 14 interviews were conducted with *e-commerce managers*, *other middle managers* and *store managers* of the three retailers. We intentionally started with *the e-commerce managers* since they were the most knowledgeable about the digital channel, and could hint at in which part of the organization the tensions were the strongest. Eisenhardt (1989) points out that changing the course in a theory-building research is favourable due to the uniqueness of the cases. For this reason, the *other middle managers* are different for the three retailers, as well as the number of store managers. In the case of Sporty Ltd and Beauty Ltd, we suspected the answers of the store managers to be biased due to relational factors, which is why we conducted additional interviews. As the data collection phase progressed, we frequently revised the interview guide to ensure the questions were relevant in order to answer our research question.

Date	Company	Position	Location	Duration
2012-03-08	Sporty Ltd	E-commerce Manager	Brightstep's office	1 hour 30 minutes
2012-03-14	Electric Ltd	E-commerce Manager	Via Phone	1 hour 30 minutes
2012-03-16	Beauty Ltd	E-commerce Manager	Interviewee's office	1 hour 10 minutes
2012-03-20	Beauty Ltd	Logistics Manager	Via Phone	45 min
2012-03-21	Sporty Ltd	Sales Manager	Via Phone	45 min
2012-03-22	Electric Ltd	Marketing Manager	Via Phone	45 min
2012-03-28	Sporty Ltd	Store Manager (A)	Interviewee's office	40 min
2012-03-28	Beauty Ltd	Store Manager (A)	Interviewee's office	40 min
2012-03-29	Beauty Ltd	Store Manager (B)	Via Phone	40 min
2012-04-02	Electric Ltd	Store Manager (A)	Interviewee's office	1 hour
2012-04-02	Beauty Ltd	Store Manager (C)	Via Phone	40 min
2012-04-02	Sporty Ltd	Store Manager (B)	Via Phone	40 min
2012-04-03	Brightstep	CEO	Interviewee's office	1 hour 10 minutes
2012-04-04	Brightstep	Vice President	Interviewee's office	1 hour

Table 4: Case study interviewees

The interviews ranged from 40 to 90 minutes and were all conducted in Swedish, apart from one that was conducted in English. Half of the interviews were executed in organized face-to-face

meetings, while the rest were done via scheduled phone meetings due to geographical or time constraints. We recorded all of the interviews to ensure that i) we got the interviewees' answers and expressions accurately ii) focus constantly was on the interviewee in order to be responsive to the interviewees' answers (Bryman & Bell 2007). The recordings were directly transcribed and analyzed to make us more aware of similar patterns in the interviews and to generate a more efficient subsequent interview (Bryman & Bell 2007).

To enhance the confidence in the findings, we both participated in the interviews since two researchers' observations are better than one (Eisenhardt 1989). It also results in a more effective interview, since one researcher interviewed using the interview guide, while the other had a more reflecting role by keeping notes and addressing upon emerging issues (ibid).

5.3.2 In-depth interviews with industry experts

The data collection consisted of three pillars in order to triangulate the data sources and crosscheck our findings to make sure they are valid and reliable (Bryman & Bell 2007). Apart from triangulating the data using multiple sources *inside* the different cases, we verified our findings by doing in-depth interviews with industry experts. Those consisted of two consultants from the same multichannel consultancy firm that we used for the pre-study. Due to their deep knowledge of the industry and the three retail cases in particular, we found their input valuable as an additional source of data, since we suspected the retailer interviewees to beautify the reality. The interviews were conducted using semi-structured interviews, lasting around one hour each. By using a tape recorder, we transcribed the interviews directly and were thus able to conduct an ongoing analysis of the similarities and differences from the findings from the retailers.

5.3.3 Documents

Due to confidentiality reasons, we could not physically receive any other corporate documents from the interviewees than official corporate information brochures. However, during the interviews at the interviewees' offices, we were allowed to visually take part of confidential corporate documents and organizational charts. Even though we could not receive any copy of those documents, the information was still a valuable source since they could verify and strengthen the findings from the in-depth interviews (Yin 2003).

5.4 Data Analysis

In line with the qualitative research strategy, we applied the grounded theory framework to process and analyze the data (Bryman & Bell 2007). To make the data analysis more structured, we divided the process into two steps, in which the first step involved a within-case analysis and

the second step comprised a cross-case analysis. While the within-case analysis aimed to get a full picture of the particular retailer studied, the main goal of the cross-case analysis was to identify pattern similarities and differences across the retailers to base our theory building on. (Eisenhardt 1989) Before starting any of the analytical steps, a thorough examination was made of the collected data in accordance with the open coding practice (Bryman & Bell 2007). This involved identifying *similar citations* frequently used in the various data sources of the three retailers – interview notes, transcribed interviews and documents. These chunks of coded interview-sections were then grouped into certain *concepts*, which after some elaboration formed *categories* on which we formed theory (Bryman & Bell 2007). Through this process of coding, conceptualizing and categorizing, a combination of a within-case analysis and a cross-case analysis was employed.

5.5 Research Quality

Deciding the research quality for a qualitative study is not as straightforward as for a quantitative study in which reliability and validity are the main criteria (Bryman & Bell 2007). Yin (2003) suggests that the four core criteria for evaluating case study research include construct validity, internal validity, external validity and reliability. Since these criteria are seen as a refinement of the criteria used for the quantitative research (Bryman & Bell 2007), other researchers have suggested an alternative method of evaluating case study research that is more suitable given the descriptive attributes of the study (e.g. Lincoln & Guba 1985). The method comprises two main criteria for evaluating the quality of a case study: trustworthiness and authenticity. While the latter has been highly controversial and has not gained ground in the research world (Bryman & Bell 2007), we evaluate our research based on the former. Trustworthiness consists of four components: credibility, transferability, dependability and confirmability (Lincoln & Guba 1985).

5.5.1 Credibility

Credibility is what Yin (2003) calls internal validity, in which the crucial point is to reveal an accurate picture of the situation studied. Even though case studies rarely demonstrate a complete portrayal of the reality due to the small number of respondents (Yin 2003), the credibility can still be strong if the research is executed correctly and the respondents are in line with what the researcher find to be their view of the world (Bryman & Bell 2007). To assure credibility of the research we encouraged openness during the interviews by allowing the interviewees to deviate from the particular question. Thereby, unpredicted associations emerged that gave a more accurate picture of the interviewees' view of the world. We also recorded all the interviews, transcribed them word-by-word and sent it to the respondents for them to verify the content (Merriam 1994). Another method we used to increase the credibility of the study was to

triangulate the data by using multiple sources – both within the cases and outside the cases (Guba & Lincoln 1985). By asking the same questions to several respondents within the same retail organization, a *pattern-matching logic* was employed that enhances the credibility of the study (Yin 2003).

5.5.2 Transferability

Lincoln & Guba (1985) define transferability as the extent to which the results of one particular study could be applicable to other cases. Even though a case study can never provide a 'statistical generalization' due to small amount of respondents, it can certainly provide an 'analytical generalization' since it is possible to generalize certain sets of results to the broader theory (Yin 2003). To enhance the transferability to the study, we employed what Yin (2003) suggests: a multiple-case method based on the replication-logic. Having multiple cases, allowed us to cross analyze the data to thereby find interesting similarities and differences (Bryman & Bell 2007). We also aim to provide the widest "*possible range of information in each case*" in order to give the "*thick description*" request for a study to be transferable (Lincoln & Guba 1985, p. 316).

5.5.3 Dependability

Lincoln & Guba's (1985) definition of dependability involves the question whether the research process, if replicated by another researcher, would yield the same results (Yin 2003). In order to ensure that the research is dependable, we used a case study protocol, in which we gathered the information of the whole research process: from problem formulation and selection of interviewees to interview guide and recordings of the interviews (Bryman & Bell 2007).

5.5.4 Confirmability

Confirmability concerns the issue that even though it is impossible for the researchers to be fully objective in business research, as few personal values as possible should be embraced in the study (Bryman & Bell, 2007 p. 414). While this could be difficult for an external observer to discover, we tried to increase the objectivity of this research by i) interviewing and recording *several* respondents in each case study ii) triangulate the data by interviewing and recording several industry experts to verify the findings of the case studies. By also clearly linking the empirical findings to existing and legitimate literature, we argue that the question of objectivity rises.

6. Empirical Findings

In this chapter we will follow three Swedish retailers in their on-going work of integrating the digital sales channel to the physical sales organization. In order to grasp the different tensions, we divide the integrative process into three time periods: in the beginning, in the middle and present.

6.1 Electric Ltd

6.1.1 Company information[3]

Company facts	
Industry	Electronics
Turnover MSEK	24 000
Employees	7 000
No of Stores	258
Geographical markets	Sweden, Norway, Denmark, Finland, Island, Farao Island, Greenland
Launch of online	2005
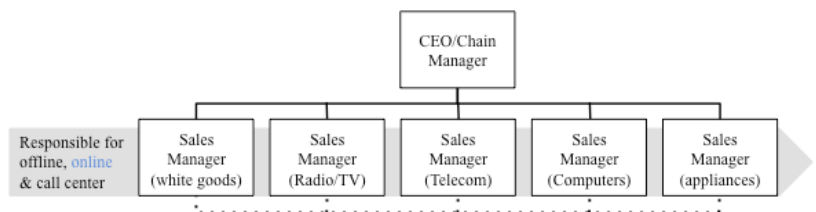
Electric Ltd is the market-leading electric retailer in Northern Europe with 258 stores and 7000 employees divided among seven markets. The retailer owns 9 electronic chains in total, which are centrally operated and controlled via a pan-Nordic management team. Each chain is further managed through a single market approach with a separate brand, its own CEO and management to gain local focus. In Sweden alone, Electric Ltd had a turnover of 6.9 BSEK in 2011 and is currently claimed to be the largest electronic retailer in Sweden. Electric Ltd started to plan a presence on the e-commerce radar in 2004 and launched its online channel later in 2005. To date, majority of the electronic players in Scandinavia have entered the e-commerce arena.

6.1.2 In the beginning

Nordic Marketing Manager, Electric Ltd
"You know, in one way it would have been nice to just continue being a physical retailer. That is our tradition and that is what we are really good at. But since the world doesn't look like that and we must meet the customer where she/he is, online was where we needed to go."

In 2005, it was time for Electric Ltd to put the e-commerce ship into water. A pan-Nordic e-commerce platform was developed and each market received its own e-commerce site to manage and distribute through. With the order from top management, it was decided that the existing physical sales managers would be the ones responsible for the online sales. Thus the department

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[3] Note that the organizational chart presented above is an illustration of the current structure, and not the structure they had 'In the beginning' and 'In the middle'

manager responsible for selling appliances via the physical stores became accountable of the appliances sold on the web as well.

As the category of consumer electronics had been leading the e-commerce growth and e-maturity development in Scandinavia for a while, the decision to expand online was no surprise to the employees of Electric Ltd. The new web-shop worked as a product window for consumers, exposing the complete assortment even though the store only had enough space to offer a limited number of the products. However, while the new channel proved beneficial for the consumers' attitude towards the brand as a whole, it twisted the way the store managers always had operated on their local market.

Store Manager, Electric Ltd
"The tradition had always been to compete with regional prices, hence as a store manager I was running a lot of the prices myself. But suddenly, customers were asking why I had a higher price in my store than in our web-shop. I could not really tell them that it was since I wanted my margin on that TV or that I didn't know what was going on at the head quarters."

In the beginning, the new web-shop was run with a nationwide price guaranty, hence consumers could be sure to find the best price online, and situations as the one told above continuously reappeared. In the beginning, such situations were never battled or really taken care of. As the store manager describes it: *"It was just to accept that we offered lower prices online and admit that it might be better for the customers to go to the web".*

Back at the head quarter, management was dazzled by the slow sales growth from the online channel. The ambition for the e-commerce had been set high in the management room, but the way of giving away the responsibility to the physical sales managers did not seem to work.

Internet Store Manager, Electric Ltd
"It was a natural effect I guess. You rather keep on doing something that you are really good at. So with that said, the sales managers did not really focus on growing online sales."

6.1.3 In the middle
The way the online channel was handled by the organization needed to change. Determined to achieve focus among the employees on e-commerce growth, independent e-sales divisions were created. The divisions received their own IT and sales budgets and the title *Internet store manager* suddenly appeared on a business card. Aside from its virtual presence, the web-shop now was operated as a normal store.

Internet Store Manager, Electric Ltd
"Me and my product department managers were the "Internet team" at HQ. As a store manager, I worked with the web page and tried to figure out ways how we could sell more stuff online. I even had my own Internet manager in the pan-Nordic management team that I reported to. That worked well, apart from that I didn't really know that much of what happened in the rest of the organization."

In order to make sure that online got the attention it needed to grow across all markets, the Nordic e-commerce manager made sure that he sat close to the central buying department, which had substantial internal power. Thereby, he could himself try to get online further up on the agenda.

With the new structure in place, Electric Ltd was pleased with how the sales from the online channel developed. But even though the Internet store managers now were satisfied, objections from other parts of the organization arose.

Nordic Operation Manager E-commerce, Electric Ltd
"More and more online consumers were entering the stores with products they wanted to return or with simply the incentive to look at the products they wanted to buy online. Sometimes that meant that the stores had to both take care of products they did not offer in their assortment or with defects that they could not sell."

The concern and weariness among the stores was treated with the best of pills – rewards. A kickback system was implemented, in which the stores' performance also took the online growth and sales in their region into account. In that way, the kickback system both worked as a tool to de-dramatize the accelerated growth from online, and as a pedagogical way to help the stores to see to the total picture.

Even though the slice online sales successively had grown in size for Electric Ltd, the cross-channel communication at the HQ remained a challenge. Meetings between the different sales divisions were initiated and sales reports exchanged on a weekly basis, but the employees indicated that it was not always stress-free to co-exist.

Internet Store Manager, Electric Ltd
"We were like two fast trains on parallel trails. We didn't talk the same language nor share the same competencies. And the way we worked didn't really make it easier. It was a busy environment and we all had a lot to do. Even though we tried to listen and share knowledge between the channels, no one really wanted more on their tables to take care of."

The somewhat restricted interaction between the *Internet store team* and the *traditional sales team* resulted in campaigns that not always were as synchronized as desired. And, without much interaction, the rest of the organization fell behind on learning the needed competencies of how the online business model worked. But top management responded. Trainings in e-commerce fundamentals for sales managers and purchasers were initiated and an e-commerce understanding started to spring in many different places within the organization.

In parallel to what happened behind organizational doors, the market situation took new turns. The volumes sold online accelerated and rough statistics arrived suggesting that more and more consumers purchased their electronics simultaneously through both channels. This re-evoked the pricing problem, since customers more frequently questioned the different prices online and in store. Only this time, the management really had to handle the situation:

Nordic Marketing Manager, Electric Ltd
"It quickly grew into a strategic matter of course. Was it most important that our hundreds of store managers could keep on being on top of competition on their local markets? Or, was a price consistency across our channels towards the consumer priority? It had to be the latter."

Persistent to meet the consumer with a united front in terms of their offerings, management decided to work towards national pricing. With this renewed ambition of putting the customer in focus, Electric Ltd decided that the consumers' cross-channel behaviour should be encouraged and the collect-in-store opportunity was enhanced in both internal and external communications. More importantly, top management decided that managing e-commerce, as a separate unit would have to come to an end.

6.1.4 Present
Nordic Operation Manager E-commerce, Electric Ltd
"My managers handled the transition. They acted fast; we all had have time to understand that it needed to be done. They simply moved the e-com store managers to report to the chain managers instead of to the Internet manager. Suddenly we were operating in multichannel teams."

The *Internet store team* was tore apart and the set-up that Electric Ltd has today was implemented (see organizational chart, p. 36). The manager for e-sales of appliances now sits with the manager of appliances sold in-store and the manager for appliances sold through the call centers. In other words, they have created a multichannel structure and hence no one is longer an Internet or store sales responsible alone.

Even though this organizational re-structuring seems complex, there is a general understanding within Electric Ltd that the adaption is developing rather quickly. While the quote above reveals that the quick change has something to do with the pan-Nordic organizational set-up, another view is that the characteristics of the industry have speed up the change process of the organization.

Store Manager, Electric Ltd
"The characteristics of the industry have helped our adaption a lot. The people that apply for work here are interested in technology and IT. I think that has helped our organization to understand the importance and great benefits of integrating online channel into our business."

The benefits of the new arrangement primary involve tighter channel collaboration at the HQ. The sales manager can now set the prices, product assortment, volumes and strategy based on an understanding on all the three channels and their interrelations. Also, the trainings initiated by management have increased the knowledge and adaption to the multichannel context among the store personnel.

Store Manager, Electric Ltd
"Today the collaboration between online and our stores are so much better. I don't see it as a competitor anymore but rather as a sales tool. Today, if a customer comes in and I don't have the TV she is looking for, I help her buy that TV through our online channel from any of the computers in store and let her order it either home or to my store to collect."

To further enhance this positive attitude towards the multichannel among store managers, management has started to let the store managers own the customers that want to collect their products in store. In other words, whenever a customer purchases something online and decides to collect it at store, that sale is registered to the store managers' income statement. This has resulted in a higher motivation among store personnel to help the cross-channelling customer. Top management is stressing the need to continuously think cross-channel. The belief is that cross-channel sales (e.g. if a customer purchases online and picks it up in-store) will soon stand for as much as 30-40 % of the retailer's sales. But for that to development to happen, there is still a need for some additional adjustments.

Nordic Operation Manager E-commerce, Electric Ltd
"If we believe that the future growth rate will come from multichannel sales we need to set clearer incentives to push online sales even further. Since the salary within this business to a large extent is based on provision the most obvious solution would be to introduce a provision based on multichannel behavior. That would help us to maintain the momentum in online that is needed in a retail organization as ours."

6.2 Sporty Ltd

6.2.1 Company information

Company facts	
Industry	Sports/Leisure
Turnover MSEK	4 528
Employees	1 731
No of Stores	125
Geographical markets	Sweden, Denmark, Finland
Launch of online	2007

Sporty Ltd has been in the business for sport and leisure products for approximately 25 years, and has today roughly 125 physical stores in Sweden, Denmark and Finland. With an annual turnover of 4.5 BSEK and an employee base of over 1700 people, Sporty Ltd is considered one of the largest sport chains in Sweden. With the launch of their online channel in 2007 they were, and still are, the only larger physical sports retailer in Sweden offering their customers online shopping.

6.2.2 In the beginning

E-commerce Manager, Sporty Ltd
"If we do not exist online, some other player will take our sales in that channel, which is unacceptable. We must be among the top three sports e-tailer in our markets."

In 2005, the management board of Sporty Ltd decided they needed to set the plan for where they wanted to be in 15 years. Since they always had have the position as the innovative sports retailer, the decision to launch an e-commerce site was imperative in order to keep that position in the market. Their goal was to become the top-10 e-commerce site in the *world* based on experience, and the top-3 sports e-tailer in existing markets based on sales, which clearly illustrates the ambition of the project. The online channel of Sporty Ltd was unique in its kind, with a lot of innovative functions such as blogs, auctions and community functions, in which the customers could build their own e-shop. To support this initiative and create synergies, it was decided to include a lot of functions under the e-commerce department, such as logistics, members club, customer support, e-commerce development, picture- & text editing as well as the photo studio. Since they had big volume plans for the digital channel, the e-commerce department was further positioned under the sales department in the organizational chart, reporting to the sales manager. However, despite the enthusiasm among top management, a big challenge Sporty Ltd faced when they launched the online channel, was the tough internal resistance among the store staff.

E-commerce Manager, Sporty Ltd
"It was a tough challenge to get over one hundred stores to understand the benefits of online, especially since our culture is highly result oriented and short-sighted. They could not see online to have positive effects for the company as a whole, but only as a competitor taking sales from them."

In order to counter the critique among the store personnel, the e-commerce manager distributed information on regional meetings, the intranet, and in manuals about the benefits of the digital channel. The message conveyed was that the online channel was positive both for the stores in terms of increased sales and for the company as a whole in order to be competitive even in the future.

Store Manager, Sporty Ltd
"I have always had a positive opinion of online, since I share their vision that no one else should own the online channel but us. I know that several store managers are negative to online, and their problem is that they cannot see beyond the walls surrounding them to understand what is best for the customer."

As the quote illustrates, some store managers were actually positive to the introduction of the online channel, while in other cases there was a widespread dissatisfaction. The sales manager considered that the information was not enough, meaning that a kickback system on online sales should have been a complement.

Sales Manager, Sporty Ltd
"Since our store managers are extremely competitive and goal oriented, it is not enough to simply explain to them the benefits of online. You have to act as well."

6.2.3 In the middle

E-commerce Manager, Sporty Ltd
"We were bleeding money, which required the new CEO to take control. And a way to gain control was to narrow down the online division and put pressure on us to prove that we really could sell."

The great ambitions of the online channel led to high costs, and since they did not show matching sales results, existing structure was detrimental for Sporty Ltd. Approximately six months after the launch of the online channel, they got a new CEO and board that demanded the online division to start showing results, if the retailer was to keep e-commerce at all. The e-commerce manager stated: *"Sporty Ltd is a company that expects very quick results, so if a project is not profitable, we can tear it down in one day"*. They thereby peeled the online division to its core, removing all unnecessary functions. Due to this downsizing, and that the online channel now was seen more as a marketing window, they also changed the reporting structure, so the e-commerce manager instead reported to the marketing manager. The online channel became almost like a separate organization within Sporty Ltd, in order to make their operations more efficient and show that they could sell.

Store Manager, Sporty Ltd
"The e-commerce manager was very clear in stating that the online division wanted to be separate from the HQ and the physical stores. They were doing their thing and we were doing ours."

It did not take long until the e-commerce manager proved to the new management that the online channel could earn money. However, it did not come for free. A problem that grew in accordance with the online sales was that the stores began to feel the presence of the online operations. This was apparent both in their sales numbers and in their daily operations in the store with product pick-ups and returns of online products.

E-commerce Manager, Sporty Ltd
*"There was a lot of frustration about the loss of sales and costs associated with the extra work that online meant for the store staff. And since we [*management*] didn't have any good solution to the problem, we 'pointed with the whole hand' and said that this is how the situation looks like right now, so deal with it."*

The e-commerce manager further explained that he tried to come out as much as he could to the stores to handle the resistance that existed, but since he also had to deal with the tough demands from the top management, he admitted that the former communication was often put aside. One store manager verified this: *"The only time we saw the e-commerce manager was when we went to the HQ, which happened very rarely. To ease my work I would actually have appreciated more updates and contacts with the online division."*

Another tough challenge that arose as online tried to increase their sales was campaign mismatch. One time that was particularly critical was in December 2010 when online launched a campaign in which the customers would get 20 % discount on a whole purchase. The orders went sky high and caused an uncontrollable situation for the store managers that already had a busy time due to Christmas time. A frustration arose among the stores for two reasons; on one hand the store staff had to spend a lot of time helping customers to try out suitable products that the customers later just ordered online to get the discount. Furthermore, since the customers often chose to pick up the products in store instead of home delivery, much time was spent handling those orders.

Store Manager, Sporty Ltd
"More packages arrived from the e-com channel than we got own store deliveries. And many of the hours that me and my staff spent to solve the sales problems of the online division, could have been used to drive sales in my store – the results that we actually get measured on."

The underlying reason behind the mismatch, according to the sales manager, was that the e-commerce manager and the marketing manager launched this campaign to drive online sales without notifying the sales manager beforehand. And, since the sales manager was in charge for distributing information about the campaigns to the stores, they did not receive any information.

Sales Manager, Sporty Ltd
"To prevent this to happen again, me and the marketing manager try to talk about the campaigns beforehand. However, since we are a company in continuous change, we seldom stop and reflect, but rather go 110 %. That causes us to run a bit too fast sometimes."

Despite the attempt to coordinate the campaigns, both of the store managers addressed the campaign question to have been a reoccurring challenge in their daily work. One stated: *"Sometimes when you entered the website, it was like another company. You seldom recognized the campaigns."*

Despite the many negative opinions about the online channel, the store managers also saw several benefits with the new channel. It was primary used as a sales tool for the store personnel, both when they needed to find a certain product within their own warehouse, but also to find information about products they could not keep in their head. Furthermore, both the store managers stated that they thought the online channel strengthened the whole offering of the retailer. *"If I didn't have a product in store, it was extremely valuable to tell the customers they just could order it online and pick it up in store a couple of days after. They didn't mind doing so, and when they came back to pick up the product, I had the opportunity to sell them additional products"*.

6.2.4 Present

An important question that faces Sporty Ltd at the moment is where to position the online channel in the organizational hierarchy. While the e-commerce manager thinks that it is inevitably in the *future* to raise the online division to the level of top management, the current position is still very suitable: *"Since I get along extremely well with the marketing manager, and my ideas gain support in the top management, I am not driven today to raise the online division to top management level"*. The fact that the e-commerce manager, marketing manager and CEO have created a separate project group, in which they discuss important strategic decisions before communicating it to the rest of the organization, further facilitates the work for the e-commerce manager. To invite more people into this group would not be feasible according to the e-commerce manager, since more opinions means longer processes and less quick decisions. The sales manager on the other hand has another opinion of where the online division should be:

Sales Manager, Sporty Ltd
"Since the online channel has become so sales oriented recently, I think it would be appropriate that the e-commerce manager starts reporting to me and not to the marketing manager. We haven't discussed this though. It is just my thoughts."

The sales manager means that by doing this change there would be a better strategic fit for the company as a whole and an improved coordination between the two channels. Regarding the current relationship between the channels, the sales manager comments: *"Instead of competing with each other, we ought to complement each other. To have a united front both internally and externally."* While this suggestion is simply a thought of the sales manager at the moment, and nothing they have discussed, the thoughts and prioritization regarding the organizational structure of the e-commerce manager lie somewhere else.

E-commerce Manager, Sporty Ltd
[Regarding the organizational structure] *"We made two mistakes; first by going too broad initially and then to narrow it down too quickly. With the growth of online, we now see that we have to broaden the online division again."*

Due to the growth that the online channel of Sporty Ltd has experienced during the last couple of years, the e-commerce manager means that: *"we have gained legitimacy and learnt to argue with many parts in the organization"*. The online channel has proved they can control the situation, and have therefore convinced the top management to give back some of the functions they had initially. Since this has shown to be economically feasible, the e-commerce manager believes they soon will be handling more functions. There is a belief among the online personnel that they can run these functions more efficiently, hence driving them to fight for the responsibility for them.

E-commerce Manager, Sporty Ltd
"The bigger we become, the stronger the internal fear is that we will get too much power. If we for example would run customer support, the whole customer dialogue would be ours, which frightens many parts of the company."

In order to prove the competence of online, much of the daily work of the e-commerce manager involves *selling-in* the benefits of the online channel to the internal organization. The e-commerce manager states that: *"While there has been a lack of devotion to the sales organization, being the stores and the sales department, there is a continuous selling to the top management to reassure them about the benefits of online"*. The e-commerce manager does however understand that *"it is imperative to get the sales organization on board"* in order to be competitive in the future. An opinion that also the sales manager articulate:

Sales Manager, Sporty Ltd
"The greatest challenge today is to get the store managers on board, and to make they understand that you actually get stronger with more channels. To make this happen it's important that it doesn't cost them anything and that they get support to understand the benefits rather than the disadvantages."

6.3 Beauty Ltd

6.3.1 Company Information

Company facts	
Industry	Beauty Care
Turnover MSEK	1 500
Employees	800
No of Stores	250
Geographical markets	Sweden, Norway, Finland
Launch of online	2010
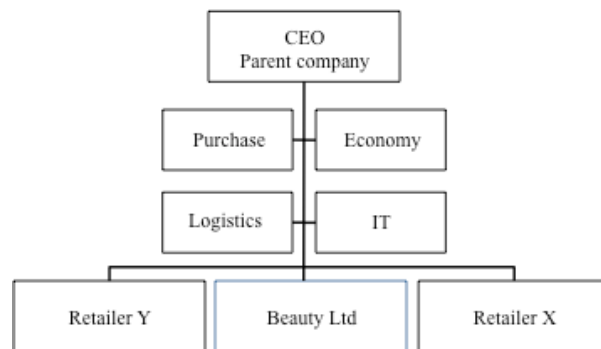
Beauty Ltd has been in the beauty care business for over 20 years, and has today around 250 physical stores in Sweden, Norway and Finland. With an annual turnover of approximately 1.5 BSEK, they are considered one of the leading beauty care chains in the Nordics. In contrast to the other case studies in this thesis, Beauty Ltd is part of a conglomerate that holds several large retail companies from different industries. When they launched their web shop in August 2010, many pure e-tailers and several physical retailers were already on the market.

6.3.2 In the beginning

E-commerce Manager, Beauty Ltd
"Integrating the online channel into the sales organization was a crucial part of our multichannel strategy. Instead of seeing it as a small marketing project, it was seen as an integral part of our regular sales."

Introducing online was an important strategic milestone for Beauty Ltd, and it was high up on the agenda for the top management in the parent company. The e-commerce manager stated: *"Since the parent company has around 400 units and 5000 employees, it is not easy to get a project prioritized."* But the e-commerce project for Beauty Ltd was prioritized, since everyone saw a great risk not to follow the trends in meeting the customers where they are at all times of the day.

E-commerce Manager, Beauty Ltd
"For administrative reasons and in order to create synergies in the corporate group, we chose to handle online as any other store. This meant that we had to incorporate the e-commerce platform into the back office system of the whole group."

Due to the size of the parent company and their long history of handling retail companies, merging the new channel of Beauty Ltd into the existing corporate structure was an obvious strategy. By doing this, the online channel did not need to create its own IT-, economy-, purchase- and logistics departments, but used the ones provided for the whole group (see

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organizational chart p. 46.) Even though they did not need to re-structure the whole organization, several changes were required in the way functions worked, which according to the e-commerce manager caused some internal pressure.

E-commerce Manager, Beauty Ltd
"Since we are an old company, a big challenge was to hijack the online channel into existing IT systems. We had no idea the magnitude of this project, which put a lot of pressure on the people involved."

Hijacking the online channel into the back office systems did not only affect the staff working at the different functions, but also the costs of the whole project since they had to hire consultants to fix the problem. The e-commerce manager highlighted that when top management initiated the project of online, they had no idea the size of the project and how much work it would involve. The fact that the online buying process was quicker and more responsive than the physical buying process further aggravated the situation. The e-commerce manager explained: *"If a customer couldn't finish her order instantly, the IT-department had to drop everything else and solve it straight away"*. Since few functions at the head quarters were used to handle customers directly, it was new to them to suddenly have that responsibility. To ease their burden and also offer a place where the store personnel could turn, a customer service center was built, which became the *"hub of the whole multichannel strategy"*. The e-commerce manager also tried to reduce the internal frustration of the situation by explaining (*selling-in*) the benefits and processes of online. This was done on two levels; one with the different functions at the HQ and the other with the physical store personnel. Starting with the functions of the HQ, the e-commerce manager stated that: *"People had an understanding of how online worked in theory, but when they practically were starting working with it, they didn't really understand."* The e-commerce manager therefore had to spend a lot of time on regularly meetings with people from different functions to go through the important processes that must be in place in order for online to work.

Logistics Manager, Beauty Ltd
"I think that a success factor behind the integration of online was that the e-commerce manager let everyone be experts in their area. He had great faith in me and my organization, which increased our motivation and made us solve the problems our way."

Since the logistics manager and the e-commerce manager met every other week and spoke on the phone several times a week, they created a close relationship, which facilitated the logistics manager's understanding of online and how consumers think. The logistics manager stated: *"By suddenly understanding the sales perspective and how consumers think, I gained a more complete view of the whole business."*

While the e-commerce manager meant that the biggest resistance for online occurred among the functions of the HQ, it was also extremely important to sell-in online to the store managers and get them on board as well.

Store Manager, Beauty Ltd
"When the e-commerce manager presented online for the first time on a big conference, the decision felt well thought through due to the extensive research they had done. But even though it seemed new and cool, I still became worried."

When the e-commerce manager revealed that the company would launch an online channel, there were mixed feelings among the store managers and their staff. They all expressed the fear that online would steal sales from their stores and that the pick-up in store would mean extra work for their staff. One store manager were actually afraid online would steal so much sales that her store would close down. In order to reduce the internal resistance towards online and make the store managers become ambassadors of the online channel, the e-commerce manager started to pitch the benefits of online almost one year before they launched the online channel.

E-commerce Manager, Beauty Ltd
"In the beginning, I explained the big picture; with the goals and vision of online. But the closer we came to launch, the more detailed were the explanations about the benefits of online and how they practically should manage online in store."

In the latter stage, the e-commerce manager therefore conveyed specific data of how much online was expected to increase sales in each specific store depending on store size: *"I wanted them to understand how online would affect their stores in a concrete way"*. The e-commerce manager also encouraged the store personnel to purchase from the online store before launch so they could understand how it worked and also to give feedback.

Store Manager, Beauty Ltd
"I always saw the e-commerce manager as the lead person of online. Since he could explain very well why or how certain things looked or changed the way they did, I always had a good understanding of online."

6.3.3 In the middle

Even though all of the staff conveyed a generally positive view of online, there have been incidents in which the online channel imposed challenges to the offline operations. In the warehouse, the logistics manager remembered the first Christmas of the online channel, and one night in particular when the online sales went through the roof. Since it was their first year with e-commerce, they had never experienced that pressure before, which caused that they fell behind with the orders. However, since they had educated their regular offline-staff beforehand in how the e-commerce logistics worked, they solved the issue by transferring offline-staff to the online division, and hiring temporary warehouse-staff to the offline division. This resulted in them catching up with the orders only after a couple of days, hence did not cause any major effects.

Nowadays they know that they need extra staff for high peak seasons, which is why they according to the logistics manager *"has succeeded to deliver 100 % on time after that"*.

Another incident that imposed a challenge to the store managers was when the HQ launched a campaign in order to get the customers to try out the online channel. The customers got a coupon sent home with a 10 % discount on an online purchase, but since no one read the small letters saying *only online,* many customers came into the stores and wanted the discount there. The store staff got upset with the online channel both because they spent time helping customers with products that later were ordered online and also because they had to handle the customers that was confused about why the physical store and the online store did not have the same offerings.

Store Manager, Beauty Ltd
"What felt good when this happened was that the HQ of our company was very supporting. They were easy to contact and communicate with. Once you told them what was on your mind, everything felt better."

The HQ, and especially the e-commerce manager listened to the store managers' requests, which resulted in more careful consideration of campaigns. The e-commerce manager pointed out that since then they have had coordinated prices and products across the channels.

6.3.4 Present

Store Manager, Beauty Ltd
"Apart from being a good source of information for the customer and the sales staff, online has also created an added value for our brand, since they now have so much more products to choose from."

While two store managers declare they have not noticed neither increase nor decrease in sales since the launch of online, one store manager says that the online channel has contributed to an increase in store sales. The fears they had in the beginning that online would steal sales from them have therefore not come true, but rather created benefits for them. Apart from being a good source of information when helping customers to pick the right products, the store staff consider the online channel to be a strong value adder to the Beauty Ltd brand. A store manager explains: *"If we don't have a certain colour or product in the store, it's very simple for the customers to order the product at home and then collect it at store the day after. They get impressed by the service we provide."* The store managers add that even though they lose that particular sale to the online store, they still keep the customers within the company, which makes them more loyal so they will return and buy from the store next time. The other fear the store managers had, that the online channel would lead to additional workload for the store staff, has not actualized neither since it is on average about ten packages a day. One store manager does however add: *"Today it*

is working. But if it would be around 50 packages a day, it would not work and we would have to look over the store solution". This statement goes well in line with what the e-commerce manager says about the online operations: *"The project is landing more and more for every day. But as online grows, new tensions arise in the company in terms of new ways of working and new challenges to counter".* Both the e-commerce manager and the store managers mention a new initiative that will launch this spring that will integrate the online channel more to the stores, and hopefully lead to an increase in sales. The store personnel will be equipped with iPads in which they can help customers place online orders in store. Thereby store stock can be reduced, and the whole assortment is instead presented in the virtual shop.

Store Manager, Beauty Ltd
"This new initiative opens up for a whole new customer service and the possibility to offer the customers a gigantic assortment. I think we will tie the customer more easily to us, since we cannot deny them any products. We can never say the product is finished, since it will always be in stock."

While the quoted store manager is positive to the new initiative also because it will give the stores kickback on the online sales they make, another thinks that it can be a challenge to explain to the customers that they must wait one day to get the product since the store stock is reduced. She explains it as: *"Since my customers are not used to purchase online, they expect when going to the store, to get the product straight away."*

As the online grows, the e-commerce manager states: *"It is fun since it gives me much more legitimacy within the company. But it also puts larger pressure on all the functions to deliver to me, which requires an even deeper understanding of online".* Even though the e-commerce manager stresses that the internal understanding of online has increased considerably since the launch of online, they still have far to go to become fully integrated: *"If the knowledge for online would increase even more, so would also the speed of the operations, which is essential for us in order to keep up with the players in the globalized world".* The e-commerce manager therefore still spends a lot of time meeting with the different functions of the HQ in order to create an even bigger attention of online and further improve the understanding of online's rapidness and need for development.

E-commerce Manager, Beauty Ltd
"Since it is up to me as an e-commerce manager to close the internal knowledge gap, much of my time goes to educating people. When the knowledge of online is incorporated into the organization, I can finally spend time developing the channel."

7. The integrative process

Recalling the purpose of the study *to investigate the integrative process of the digital- and physical sales channels for three of the largest retailers in Sweden in terms of tensions* we start by presenting an overview of the tension analysis of the empirical cases. With that as support, we structure the analysis with regards to our research model previously developed. Thus, the analysis continues as follows (1) the *tensions* evoked (2) the *handling* of the tensions (3) the *effect* of handling the tensions. Lastly, we combine and interrelate the observations and characteristics from our empirical set and propose a theoretical model of the integrative process. Before digging in into the analytical parts, we give a short overview of how the research questions connect.

7.1 An overview how it all connects

While the general aim with this study is to investigate the process of integrating the digital channel with rest of the organization, we do so by shedding light on the tensions evoked in such process. *Table 5* below summarizes the analysis of the tensions evoked for each retailer, what triggers it, where in the organization the tension is most apparent and also the handling and effect of such handling for each of the evoked tensions. Let us demonstrate such analysis by extracting *Tension 2 (*in *Table 5)* in the case of Electric Ltd as an example. Recall the initial decision of top management letting the existing sales manager being responsible for the sales of online. Without connecting such decision to forthcoming incidents, it does not seem to trigger any type of conflict or tension in the organization. However, when combined together with the later described lagging development of online (effect), the decision is suggested to trigger a tension in terms of *lack of internal knowledge*. Since middle management (i.e. the sales managers) do not possess the knowledge needed, they continue to focus on driving physical sales, which contradicts the expectancy of online by the top management, thus referred here as a tension. The tensions summarized in *Table 5* are derived in a similar manner from our empirical cases.

Table 5: An overview of the tensions, handling and effect

#	Tension	Trigger	Where	Handling	Effect
Electric Ltd					
1	Confusion about the price strategy	Different prices online and offline	SL	Inaction	- Tension remains
2	Lack of online knowledge internally	Offline Sales Manager is in charge for online sales	ML	Inaction: kept focus on offline sales	- Slow development in online sales
3	Frustration that online does not deliver to its value	Online does not deliver to expected results	TL	Rationalization of online Pressure on E-commerce Manager	+ Focus on online: Sales up - Stress for online to show results
4	Frustration that online takes time from store personnel	Online operations bigger due to focus & customer maturity	SL	Kick-back & Education	+ Greater understanding among Store Managers
5	Confusion & frustration about the offering	Inconsistency of offering	TL & SL	Organizational re-design (cross-channel)	+ Collaboration & structure between online & offline - Potential future tension
6	Confusion about the price strategy	Consumers questioning: Local pricing offline vs. cross-channel thinking	TL & SL	Move towards united price strategy	- Potential future tension
Sporty Ltd					
1	Fear of decline in offline sales	Channels compete for same customers	SL	EM focuses on informing and educating Store Managers	+ Some acceptance among Store Managers - Slow development in online sales
2	Frustration that online does not deliver to its vision	Online does not deliver to expected results	TL	Rationalization of online Pressure on E-commerce Manager	+ Focus on online: Sales up - Stress for online to show results
3	Frustration that online takes time from store personnel	Online bigger due to: focus, customer maturity & cross-channel customers	SL	"Point with whole hand"	- Tension remains: Potential future tension
4	Frustration that online takes time & profit from store operations	Campaign overlap	SL	Informal meeting setup between Sales Manager & Marketing Manager	+ No large campaign overlap - Still small campaign overlaps
5	Online wants more legitimacy internally	Online has proven itself and gains bigger sales share	ML	Form small group with CEO and Marketing Manager	+ Online gains legitimacy - Sales Manager not included
6	Argument of what should be included in online operations	Online gains importance internally	ML	The CEO "gives back" to online some functions they had initially	- Potential future tension
Beauty Ltd					
1	Lack of internal knowledge	New/rapid systems to be integrated with old/slow	ML	Hire external consultants	+ Synergies of systems - Online launch; a bigger operation than expected
2	Frustration & questioning of online	Incorporating online takes too much time and effort	TL	E-commerce Manager focuses on informing and educating HQ	+ Greater understanding among HQ - Less focus on online operations: Potential future tension
3	Fear of decline in store sales	Channels compete for same customers	SL	* E-commerce Manager focuses on informing and educating Store Managers * Customer Service setup	+ Greater understanding among Store Managers + Lower pressure on E-commerce Manager - Less focus on online operations: Potential future tension
4	Lack of knowledge about the speed of operations	Demand vs. capability gap	ML	* Hire peak season staff * Educate staff proactively	+ Improved order fulfillment + Staff reallocation
5	Frustration that online takes time from store personnel	Campaign overlap	SL	Decision to have the same campaigns across both channels	+ The Store Managers are happy
6	Fear that online *will* take time from store personnel	Online bigger due to customer maturity & cross-channel customers	SL	*(During spring)* Kick-back on online sales in store	*Not realized*

SL=Store Management Level, ML=Middle Management Level, TL=Top Management Level, HQ=Head Quarters

7.2 The tensions evoked

The stories of how the retail organizations Sporty Ltd, Electric Ltd and Beauty Ltd have experienced and worked with integrating the digital channel enable us support the work by Aaker (2008) saying that the process is far from simple. The stories tell us that our three retailers, despite their different levels of progress, do all encounter tensions along the way. Since our empirical cases suggest for internal confusion in close connection to the event of the tension, we accept a relatively broad view in the concept of tensions – something that scholars such as Andersson (2002) would separate into the components of *ambiguity* and *tension* respectively. Applying our analytical framework in terms of tensions enables us to extract six tensions in each of our three cases.

The tensions appear in disguise and are often triggered in different ways among the cases. Taking a closer look, it is possible to, even though broadly defined, distinguish five types or clusters of tensions evoked in the process (see *Table 6*). The numbers in the *Table 6* corresponds to the tensions in *Table 5*. Apart from the tensions we identify in the pre-study, being *coordination, organizational structure* and *internal knowledge and skills,* we also discern *clashes over domains* and *expectancy*. While clashes over domains is similar to the tension of multiple channels discussed in the theoretical section, the tension of expectancy is completely new for us. The alert reader might notice that the fifth source of tension found in the pre-study – being reward systems – is not referred here as a source of tension. Even though closely linked, the cases indicate that the reward system is rather a tool the organizations use than a tension per se, and that it is the absence of it that may cause a tension. We can also conclude from our empirical findings that the tension of change is included in each of the five clusters below, since the integration per se includes many changes.

		Electric Ltd	Sporty Ltd	Beauty Ltd
Coordination	- Coordination of prices	1,6		
	- Coordination about the offering	5		
Organizational structure	- Where to put online in the organizational hiearchy		5	
	- What to include into the online division		6	
Clashes over domains	- Offline spends time serving online customers	4	3,4	5,6
	- Online & offline compete for the same customers		1,4	3
Internal knowledge & skills	- Knowledge & skills of online operations	2		1
	- Knowledge & skills about the speed of operations			4
Expectancy	- Vision-output inconsistency	3	2	
	- Time & effort inconsistency			2

Table 6: Five clusters of tensions

7.2.1 Coordination

The case of Electric Ltd suggests opposing reactions within the organization when matching and coordinating prices and offerings between the two channels. First, coordinative tensions often happen in an early phase when the organization set different prices in the different channels. The store personnel describe it with words like "*confusion*" or "*frustration*", implying a dissatisfaction of their situation. Interestingly, in the case of Electric Ltd, such tension seems to intensify due to the retailers' traditional way of competing with prices on their local markets. Management's intention of letting the digital channel offer lower prices than the physical channel clearly challenge the organizational history of always trying to compete with lowest price in the postal region. Such reaction and questioning of the new can be explained by both Kotter's (2008) argument of emotional confusion given the process of change, as well as the fear of personal loss associated with online charging lower prices than the stores (Lorenzi & Riley 2000). Second, the coordinative tensions arise when management strives to separate the digital channel from rest of the organization. Such move result, again in both cases of Electric Ltd and Sporty Ltd, in the event of campaign overlap and a confusion of the offerings among the customers and store personnel. Regarding the campaign overlap, a more thorough analysis is made under *Clashes over domain* (section 7.2.3).

7.2.2 Organizational structure

From our data set, we found that organizational structure both serve as a tension in itself and as a triggering of other tensions. Exemplifying the former, we see that tensions exist within Sporty Ltd of where to locate the online division in the organizational chart and what functions should be included. The tensions stem from the fact that the online division proved itself by showing great sales results, and therefore want more legitimacy and power within the company. Shifting focus to the latter, we see that the retailers' way of experimenting with the organizational structure clearly triggers protests at different levels internally in the organization. As an illustration, when Beauty Ltd initiates a structure where the central back office is intended to embrace and support the digital channel in addition to existing operations, clashes arise. The absence of an understanding of how e-tail operations work seems to cause slow development of online and not such a rapid adaption as intended by management (Tassabehji 2003). The same problem is found within Electric Ltd when they decided to put the existing offline sales managers in charge for online sales. Due their lack of knowledge how to drive online sales, there was a slow development of that channel. Consequently, our empirical set broadens Pagell's (2004) finding of the structure and responsibilities as a source of conflict in the inter-functional

integration within an organization. Here, in the context of integrating two channels within a firm, such work still applies.

7.2.3 Clashes over domains

Not surprisingly, but still relevant, is the fact that tensions occur within the three Swedish retail organizations in accordance with what Coughlan et al. (2001) refer to as *clashes over domains*. Since domain conflict includes many sub dimensions (Coughlan et al. 2001), we define *clashes over domain* in this setting to be connected to the two channels' *competition* of the same customers. We see that all three case studies struggle with tensions stemming from clashes over domains. In the cases of Beauty Ltd and Sporty Ltd, such tension is extracted from explanations such as the digital channel was perceived to "*compete*" or "*steal*" customers from the stores. We also observe a great frustration among all of the cases that online "*takes time*" from the ordinary store operation, either due to that online is getting bigger, or due to campaign overlaps (Beauty Ltd and Sporty Ltd). Since the stores managers perceive the stores to be their domain of responsibility, it is natural that tensions arise when they have to handle issues outside this domain (Coughlan et al. 2001). We also see some tensions of *clashes over domains* occurring even before the launch of online. One store manager of Beauty Ltd expressed the fear that her store might close down due to online. This fear is what we in the theory chapter refer to as a *tension of change*, since people feel an uncertainty towards changes especially if they might risk loosing something of personal value (Kotter 2008).

7.2.4 Internal knowledge & skills

In the case of Electric Ltd, we see that lack of internal knowledge and skills for the new digital channel operation lead to a slow development of online (see section 7.2.2). The story of Beauty Ltd also suggests such a connection. Both the lack of knowledge about the speed of the digital operations, but also on how to integrate the new channel's IT-system with existing, is described to slow down the retailer's transformation. These findings supports Tassabehji (2003) argument that achieving compatibility between the new and the old technology, often is an immense source of tension, since it is can be costly and disruptive to a company. The findings also highlight the issue raised by Turban (2005), who says that lack of qualified personnel in digital implementation often causes problems to arise within a company. Given this discussion, we can therefore conclude that the tensions practitioners refer to as *internal knowledge and skills* are corresponding to the source of tension identified in the theoretical part, namely *different technology*.

7.2.5 Expectancy

The last territory of tension that we can crystallize in our empirical findings is the one of *Expectancy*, which apart from being a 'new' source of tension, also is a complex one. These tensions arise when there is a certain expectancy connected to the online channel. Looking at both Sporty Ltd and Electric Ltd, we can see that the top management initially had enormous expectations of what the online channel ought to deliver. When it turned out that it did not deliver to their expectations, tensions arose. Another example of an expectancy tension is in the case of Beauty Ltd (section 7.2.2), in which the top management expects that integrating the online channel into existing IT-systems will be 'piece of cake'. When they realized that it was more complicated than that, tensions arose since their expectations were not matched. We interpret the expectancy tensions to stem from the concept of organizational rigidity that Day (2011) suggests to be an inhibitor for re-organizations. When top management is not aware of, or do not understand that organizational changes takes time due to the rigidity that exists in the organization, tensions arise due to the divergence between expectations and reality.

7.3 The Handling

Our cases imply that the actors choose to handle the tensions either by an active choice to handle the tension or an active choice to reject the tension or letting it pass (Andersson et al. forthc.). Looking at the three retailers we can conclude that they all seem to handle the tensions in somewhat similar way but with a few interesting exceptions. Firstly, the cases suggest that the organizational actors seem to have, even though not aware of it, an *integrative toolbox* of how to handle the tensions. Looking at all the different ways of handling the tensions, in the end, they can all be referred to *education, structural change, management control systems, external help* or *inaction*. So far, these tools are in align with what the scholars of channel integration or organizational transformations have found being ways of handling conflicts (Andersson 2002; Coughlan et al. 2001; Homburg et al. 2000; Kotter 2008). However, there are two patterns or dissimilarities that stand out in the way the three retailers handle the tensions evoked during the integration.

7.3.1 Rationalizing vs. advancing of online

The handling that is described as *rationalization of online* in *Table 5* – referred above to *structural change* – is an interesting observation in its context. Both in the case of Electric Ltd and Sporty Ltd, management decides to suddenly separate the e-commerce channel from the rest of the organization, almost to run as a separate entity. Such handling is perceived to lead to a higher operational focus and greater strategic flexibility as described in our interviews and in theory (Gulati & Garino 2000). It is also a common way for retailers to manage its e-commerce

today (Müller-Lankenau et al. 2006; Zhang et al. 2010). Interesting to note though is that the retailers in our cases do not set such structure initially as proposed in previous research (Zhang et al. 2010). Instead, the empirical data indicates a slightly *experimental phase* in the beginning, where the organizations try out different ways of managing the new channel, either as a new physical store (as in Beauty Ltd) or as integrated in a composed multichannel structure (as in Electric Ltd). When the handling of separating the e-commerce later occurs, it is suggested to appear in a rather drastic and unplanned way. An interesting phenomenon connected to the *rationalization of online,* is that as the online operations grow and they begin to gain legitimacy within the company, the scope of the online division starts to advance. In the case of Sporty Ltd, the digital channel is advancing by gaining responsibility over more internal functions. The case of Electric Ltd also indicate an advancement of online, by letting the digital channel merge with the physical channel to become more cross-channel.   According to theory, it is a natural step to give more influence and power to channel members as they gain importance internally (Coughlan et al. 2001).

7.3.2 Reward systems vs. change agent
Looking at how the retailers handle resistance and the slow embracement of the digital channel among employees, an intriguing variation among the cases appears. The need to motivate and spur employees to accept the digital channel is apparent for all three retailers. However, the way they choose to steer such alignment is different. In the case of Electric Ltd the kickback system is implemented just after objections and fear from store managers start to appear. With 258 stores, thus an equal number of store managers, and in addition to roughly 6-7000 sales clerks, store operations represent a large group that has considerable power to resist. The need for *negotiation and agreement*, (reward systems is one way to negotiate) correlates with size of the group (Kotter 2008), which explains Electric Ltd's relatively early action to adapt the reward system.

In contrast, Sporty Ltd and Beauty Ltd rely on the power of a *change agent:* the e-commerce manager. They substitute the motivation that a kickback system would give, with an informing, communicating and enthusiastic representative for the new channel. Change theory does often recommend organizations to have such individual (Lorenzi & Riley 2000) and e-commerce literature have also proposed the need for such a set-up (Turban 2005). For our retailers however, there are different levels of success with the change agent. In the case of Sporty Ltd, a handling such as "*pointing with the whole hand*" indicates the use of *coercive power* to handle the internal resistance (Coughlan et al. 2001; Kotter 2008). This results in that the retailer still faces slow embracement of the digital channel among the store staff, which gives reason to believe that an

adaptation of the reward system, similar to Electric Ltd, soon will happen. The change agent of Beauty Ltd meets greater success. In accordance to theory, interviewees explain the e-commerce manager to be present (Tichy & Devanna 1990), supporting and communicating (Coughlan et al. 2001) and possess charisma (Bass 1985). The process up until now portrays a rather smooth journey and an optimistic perception of the integration on both store- and middle management level, which partly can be explained by the e-commerce manager's achievement to inspire and empower individuals to act upon change (Lorenzi & Riley 2000). However, in spite of the change agents' success, Beauty Ltd still projects that an implementation of a kickback system is needed in the coming months as online predict to grow. To conclude, the handling and existence of a present and engaged change agent do reduce and help the retailers to cope with the tensions. However, with support in all the three cases, it seems an inevitable and great need for *multichannel rewards* when integrating the digital channel in a retail organization (Homburg et al. 2000).

7.3.3 Connecting tensions to handling

Returning to the integrative toolbox applicable for our case studies, we are able to distinguish certain connections to previous research, in which *education* and *management control systems* are seen as important means for channel integration (McDonald 1999; Webb 2002; Webb & Lambe 2007). By categorizing the different handlings to the tensions identified in section 7.2 (p. 53), we are able to develop on existing literature. In *Table 7* we can distinguish certain patterns of how the retailers tend to make use of the integrative toolbox. While *management control systems* and *education* seems to be common ways to handle *clashes over domains*, there is a tendency that *expectancy tensions* are tackled with *structural change*. The grid also gives an illustration of the different management tactics of the three retailers, in which Beauty Ltd stands out with its more educational strategy.

	Electric Ltd	Sporty Ltd	Beauty Ltd
Coordination	Inaction Structural change		
Organizational structure		Structural change	
Clashes over domains	Management control system Education	Management control system Education Structural change	Management control system Education Structural change
Internal knowledge & skills	Inaction		External help Education
Expectancy	Structural change	Structural change	Education

Table 7: The tension-handling grid

7.4 The Effect

When the organization has managed the tensions, may it be via change agents' actions or an implementation of a kickback or reward system, what happens then? In line with the studies by Zeitz (1980) and Andersson (2002), there seem to be a relationship between the *effect* of handling a certain tension A and the following tension B among our cases. To exemplify, we choose Sporty Ltd to represent such relationship (*Tension 1* in *Table 5*). When the digital channel gains ground, fear of decline in sales among store managers emerges (*tension*), due to rationales from *clashes over domains* theory (Coughlan et al. 2001). The e-commerce manager tries to undermine such tension by informing and educating the store managers about the positive effect of the new channel (*handling*). The initial fear among the store managers do partially decrease, thus the tension is solved. However, the *effect* of the e-commerce manager placing all his energy and effort into engaging store operations, partly explains the slow progress of the digital channel in parallel. Then, the new *tension* arises (*Tension 2* in *Table 5*). This time it is an *expectancy tension* among top management, leading to a new organizational frustration to cope with.

7.4.1 Continuity among the tensions

Figure 7 illustrates the relationship we propose to exist in our cases. Recall the framework by Andersson (2002) in our theoretical chapter (p. 25), in which there was a circular connection between *contradictions, tensions, ambiguities* and *actions*. Even though our figure is illustrated through slightly different wordings, the model is to a large degree inspired of his proposition of how tensions relate. Thus, it is anchored in the frequently cited scholars' work Andersson (2002) uses to develop his proposition (see Astley & Van de Ven 1981; March 1988; Zeitz 1980). Even though both Andersson (2002) and Zeitz (1980) propose that the continuity among tensions concern *inter*-organizational processes, we suggest a similar relationship to exist in an *intra*-organizational integration process, based in the research by Andersson (1996) that finds such a pattern.
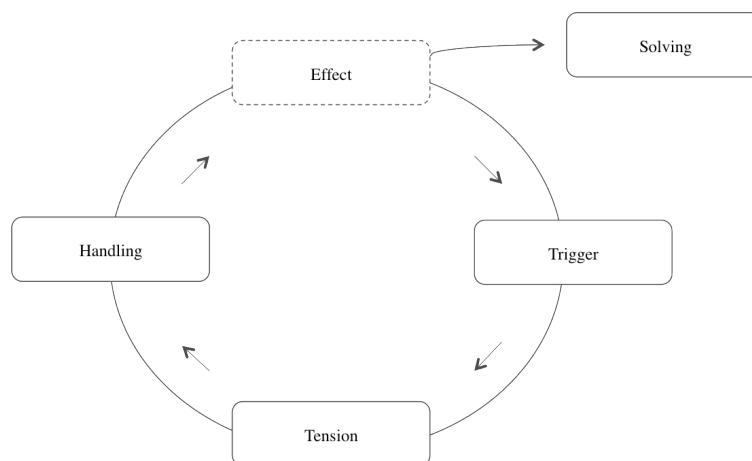
Figure 7: Illustration of interconnectivity among the tensions within the digital channel integration.

While we anchor many of the used concepts in *Figure 7* in previous literature on processes and tensions, we propose two new dimensions needed in the channel integration context.

7.4.1.1 The Solving Effect

While we do observe that handling one tension often leads to the triggering of a new one, interviewees still emphasize the solving effect of their handlings, such as "*tighter collaboration between online and offline*" as in the case of Electric Ltd after an organizational re-design or "*online gains legitimacy*" when a small group is formed with the CEO and the marketing manager in Sporty Ltd. Such events imply a solving part of the integrative process that we argue is important to emphasize in the context of the process of integration. Therefore, we add on a *solving effect* to the circular tension process (see *Figure 7*). Doing so, stresses the organizations' movement – even though not assuming towards an end – forward in the integration process.

7.4.1.2 The Vertical Dimension

In all three cases we recognize a pattern where handling a tension not only triggers a new tension, but that the handling often seems to move the tension elsewhere in the organization, to another *level* or location of the organization (see *Table 8*).

	Tension	Location	Tension	Location	Tension	Location
Electric Ltd	Internal knowledge & skills	ML	Expectancy	TL	Clashes of domains	SL
Sporty Ltd	Clashes of domains	SL	Expectancy	TL	Clashes of domains	SL
Beauty Ltd	Internal knowledge & skills	ML	Expectancy	TL	?	?

Table 8: The vertical movement of tensions

Taking Sport Ltd as an example, we see there is a tension in the store management level (SL) corresponding to *clashes over domains*. Due to the *solving effect*, the tension on the SL is mitigated to instead appear on top management level (TL) in terms of an *expectancy tension*. As an effect of solving the TL tension, the *clashes over domains tension* at the SL reappears. Even though the tensions and the levels are not identical between the cases, it is an interesting finding that tensions move up and down the organizational hierarchy. Such relationship further supports the indication that there is a connection and circularity among the tensions.

7.5 The external pushers and facilitators

We propose a continuous process of integrating the digital channel for the retailers due to both *circular* and *vertical* characteristics. Nevertheless, the cases indicate phases where tensions do intensify or ease.

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7.5.1 External pushers

While we emphasize the intra-organizational focus of this study, the external environment clearly suggests having a connection with how the retailers' processes evolve. Both the *e-market development of the product category* (Electronic, Beauty and Sport equipment) and the *level of cross channel behaviour among consumers* are dimensions that reoccur as influencers to the retailers' behaviour and actions within the process. Thus, so far, our study reinforces the importance of external environment as a dimension both in organizational transformations (see Achrol 1991; Child & Rodrigues 2011; Day 2011; Homburg et al. 2000) and with emphasis on processes in term of tensions (Andersson 2002).

However, as the heading indicates, our empirical set implies a notion of *intensification* of the external environment's influence. The retailers seem to, almost subconsciously, accumulate the externalities under certain phases in the process. In terms of influencing the integrative process, the externalities first appear to hit the retailers within reality checks. The reality checks seem to result in acceleration in the integration where a "*need to change*" or "*we moved fast*" are common empirical expressions. Also, such reality-checks are often coped with an organizational structure change, as in rationalization of online or an advancement of the online operations. To conclude, with support in both the perceived acceleration in speed and the retailers' tendency to change organizational structure at the event of reality checks, it appears as if the external environment gives an extra push to move forward in process.

7.5.2 Facilitators

The process of integrating the digital channel does not only provide the retailers with hard internal work and external pressure. The cases also point toward periods and change activities that advance relatively smoothly. With support in the circumstances of such activities, we are able to extract three types of *facilitators* for the process.

First, all three retailers express the digital channel working as a sales tool for the sales operations. Not only does it prepare the customers before they enter the store, but it also enables store personnel to quickly get updated on new products and information. Second, the digital channel provides the customer with larger assortment and is perceived by the store managers to *enhance the total brand* and their offer to the in-store customer. This in turn facilitates the retailers' work of getting the employees to embrace the new channel. Lastly*, the characteristics of workforce* of the retailers also tend to have an influence. Both e-commerce experience and the level of technology knowledge among the employees seem to result in a relatively higher level of adaption in general. This goes in line with the theory of e-commerce that describes fast-adopting

companies to have a technology-friendly culture and a workforce that understands and is willing to implement the new technology (Tassabehji 2003).

7.6 The channel integration process in terms of tensions

Taking a step back and returning to our research model, it is now possible to see a clearer connection among the *tensions* evoked, the *handling* and the *effect* of such handling. With support in the relationships among them, we introduce an empirical tentative model for how the process of integrating the digital channel in an intra-organizational retail setting evolves (*Figure 8*).

To begin with, the continuity among tensions lies as the basic foundation in the model. As discussed, such dimension connects our concepts *tensions*, *handling* and *effect* in the circular movement expressed in the model. However, with basis in other empirical findings, the circularity alone is not enough to explain the integrative process. The *external pushers, facilitators* and *ongoing tensions* that the retailers cope with suggest that the process, even though still without an end, can be divided into three phases. We propose and explain the characteristics of each phase below.
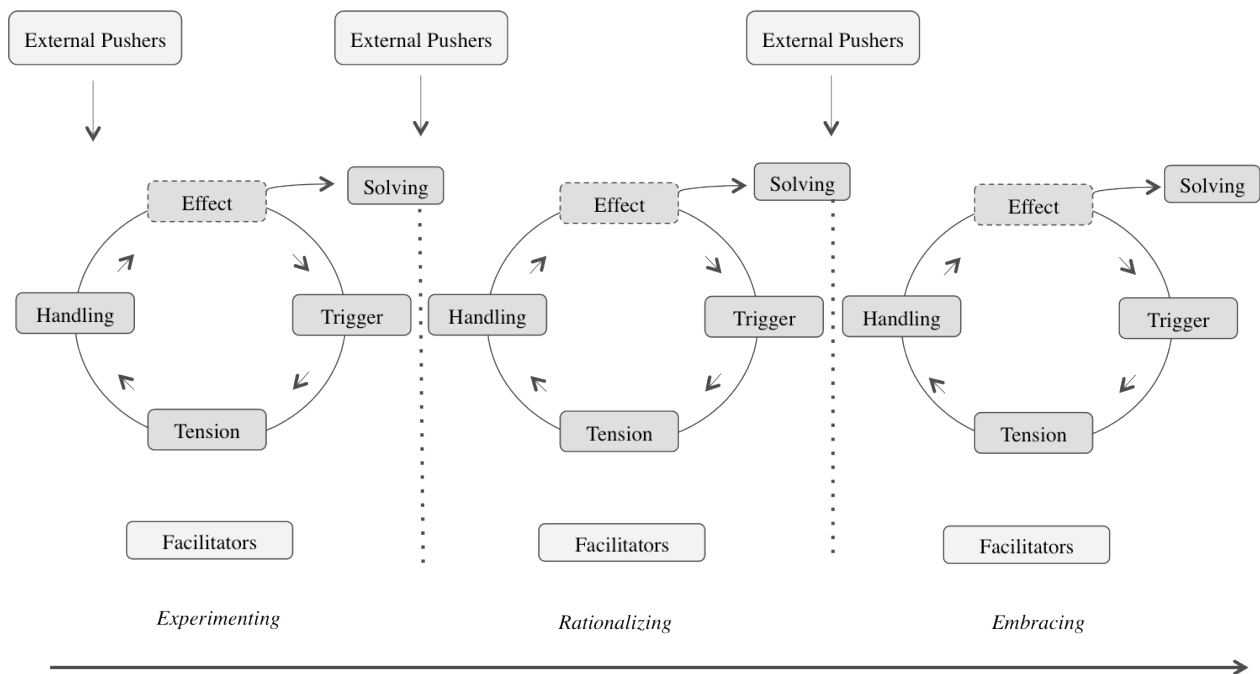

Figure 8: The processual model of channel integration in terms of tensions

7.6.1 Phase: Experimenting

External pushers, which in this phase relate to consumers demanding the retailers to go online, trigger and push the retailer to distribute its products via a digital channel. In the beginning, the

retailer seems to experiment with different organizational structures for the digital channel to fit within the organization. Experimenting with organizational structure, offerings and technological set-ups start to trigger tensions in the circular fashion explained previously. With support in the empirical set, we suggest that this initial phase mostly is concerned with tensions in terms of *coordination*, *internal knowledge and skills* and *clashes over domains*.

7.6.2 Phase: Rationalizing

Both the *solving effect* of the handling in the experimental phase and the external environment is suggested to take the process into this new phase. Certain groups within the retailer tend to feel frustration that online operations do not deliver according to plan or put differently, according to the market outside. The characteristics in terms of *handling* in this phase are rationalization and separation of online operations. Also, increased pressure is put on the e-commerce manager to deliver results. This in turn increases volumes and accelerates the speed demanded from the digital channel. Such acceleration is most apparent within stores or the warehouses that suddenly need to take care of a lot more packages and products than before. As online sales grow, so does the importance of the digital channel internally, leading to stronger legitimacy for the e-commerce manager. Further, the separation of online from the rest of the company results in increasing difficulties to set consistent campaigns and offers. Thus, the rationalizing phase seems to mostly evoke tensions in terms of *clashes over domains, organizational structure* and *coordination*. The empirical set further suggests that it is during this phase that the retailers increasingly feel that a *multichannel reward system* is needed.

7.6.3 Phase: Embracing

The *embracing phase* starts with a renewed feeling of structural change. The cross-channelling consumer (*external pusher*) and now larger volumes from the digital channel intensify the frustration of the uncoordinated campaigns among store- and middle managers. Therefore, the retailer seems to perceive a need to get the whole organization to embrace the digital channel. The phase is characterized by a shift towards an integration of the digital channel with the rest of the organization, both in terms of structure, responsibility and strategy. The organization has now gained improved knowledge of online operations and its importance, why this phase seems to be less dramatic than the previous phases. However, knowledge on how to treat the cross-channelling customer in store is missing and the price and offering issue reappears, only this time higher up on the retailers' agenda. Therefore, we suggest this period to primarily evoke tensions in terms of *internal knowledge & skills* and *coordination*.

7.6.4 Analyzing the channel integration of the cases in terms of the phases

Even though this study does not take the standpoint in a normative setting, comparing and reflecting upon the different cases' integrative processes in terms of the *processual model of channel integration (Figure 8)* is central for the overall understanding of the subject. As a first note, it is important to stress that there is no certain time frame or signal notifying when a retailer move forwards to the next phase. It might even be the case, although our empirical findings suggest for a process forward, that they also move backwards. Based in our empirical findings and analysis, we find tendencies of that Electric Ltd exists in the last phase of process (*Embracing)*. Comparing the three retailers, Electric Ltd seems to be the one with the most harmony between the online and offline operations. Beauty Ltd does also show characteristics of internal harmonization between the two channels. However, conversations with the experts indicate that Beauty Ltd are in an early phase of online progress, why we sense that it is too soon to tell their integrative process. Sporty Ltd on the other hand that has had the digital channel for almost five years indicates to still be in the *Rationalizing* phase. The fact that the online channel still is separated from the rest of the organization causes the relationship between the two channels to be tense and forced.

There is also another angle of the time factor that is important to reflect upon when looking at the different cases in terms of the model. In the cases of Electric Ltd and Sporty Ltd that started their digital channel seven and five years ago respectively, the market for online commerce was not as mature that it is today. The *external pushers* that we mention in the model to be important triggers that move the retailers forward in the integrative process, were thereby not the same for them as they were for Beauty Ltd when they launched their online channel. This factor, together with the aspect that the retailers operate in different industries, causes them to be faced with slightly diverse prerequisites and challenges, which could be an explanation why the integrative process of Beauty Ltd has happened smoothly.

To conclude, in the *processual model for channel integration (Figure 8)* the studied retailers seem to *experiment*, *rationalize* and *embrace* the digital channel within the process. Adding the concept *external pushers* we emphasize the external environment's influence and participation during the process, pushing and triggering the retailer forward to the next phase. Lastly, by adding a *solving effect* to the circular movement we want to highlight the fact that the retailers empirically tend to move forward in the process.

8. Conclusion

The purpose of this thesis is to *investigate the integrative process of the digital- and the physical sales channels for three of the largest retailers in Sweden, in terms of tensions.* By studying the tensions evoked, the handling of these and the effect of such a handling among different managers of three retailers in Sweden, we identify several interesting aspects of the integrative process.

First, by examining the tensions emerging within the retail organization when integrating the two channels, we distinguish five main clusters of tensions to be present; *coordination, organizational structure, clashes of domains, internal knowledge & skills,* and *expectancy.* While some of these tensions were present only in one organization, the majority was recurrent among the three cases. Secondly, our empirical set suggests that the handling of the tensions could be illustrated in terms of an *integrated toolbox*, in which the managers commonly use five types of methods to tackle the problems: *education, structural change, management control systems, external help* and *inaction.* While *management control systems* and *education* tend to be common ways to handle *clashes of domains*, we discern a pattern where *expectancy tensions* are coped with *structural change.* In connection to the handling of the tensions lie two interesting observations: rationalizing vs. advancing of the online structure, as well as a reward system vs. change agent dilemma. In the third area of study – the effect of the handling – we find support for interconnectivity among the tensions, in the sense that when one tension is solved, another one emerges. Closely linked to this phenomenon, our retail cases propose a *vertical dimension*, which draws attention to the tendency of tensions to move between different levels within organization. In the last and concluding step of the study, we propose a processual model of channel integration in terms of tensions, by combining and interrelating our findings. Our empirical set suggests for three phases during the process – *experimenting, rationalizing* and *embracing* – that the retailers either have passed or currently are within. The three important components – *external pushers, solving effects* and *facilitators* – prove to either ease or intensify the integrative process.

The theoretical and practical contribution of this study lies in a thorough description and analysis of the integrative process of the digital- and physical sales channels among three of the largest retailers in Sweden, in terms of tensions. With basis in empirical findings, the thesis outline a solid foundation for future research, with many interesting findings to elaborate on.

9. Reflections

9.1 Theoretical Reflections

The tentative model we propose in this study intends to shed light on, and explain how the integration process of sales channels for retailers evolves. Here, we leave the empirical setting and reflect upon the model in a theoretical and more abstract context.

9.1.1. The concept of tension

Even though our model relates to work on circularity among tensions (Andersson 2002) and resolution of conflicts leading to new ones (Zeitz 1980), the components constructing our model is somewhat different. Combining the concept of ambiguity with the concept of tension, we accept a rather broad view of the phenomenon of tension. Our study is based on interviews with people within the retail organization, which imply that the notion of *social construction* thus already is in place. In other words, since we interview *people* it is not tensions that are described, rather the people's different interpretations and own thoughts of the tensions, referred as *ambiguities* in conceptual discussions concerning tensions (Andersson 2002; March 1988). Therefore, we struggle with distinguishing what is referring to ambiguity and tensions in such context. Also, we curiously reflect upon if the distinction is needed in the organizational setting? We reason that the organizational setting will always involve employees and human change actors, which imply that the context of change will be uncertain and moving in different directions (March 1988). The tensions would not appear, at least not in the empirical setting, if different views of the world would not exist. In this study, the different interpretations and confusion of what is initiated *is* the tension.

9.1.2. The interdependence of external and internal environment

Second, moving focus to the fact that our model involves the concepts *solving effect* and *external pushers,* suggest for an intriguing discussion of the dynamics between them. Our empirical setting implies that the organizations are moving forward in the process due to both *external forces* and *solving* of the tensions evoked. It is not possible however, to distinguish in the cases which of them that influences this movement the most. Such reflection draws our attention to the on-going theoretical discussion on intra- and inter-organizational settings. Rather than two parallel existing settings, could it be that the integrative process progresses due to a fusion of them two? In that sense, our model could draw upon argument of interdependence among internal and external spheres, and thus

research from scholars on network theory (Achrol & Kotler 1999). We revisit our model again with such reflection: Could the solving of an internal tension have an effect on the external environment? And in such case, could that result in an external pusher that turns to have negative effect on the organization?

9.1.3 The model in relation to the research field marketing organization

Lastly, closely linked to the discussion on the interdependence between the internal and external environment, we relate our model to the more general shifts in marketing organization literature. Achrol's work from 1991 on the importance of adaptable organizations as a response to the dynamic environment is still, with support in discussion above, perceived to bring relevant arguments to the table. However, in line with what Homburg at al. (2000) finds in their empirical study and what Day (2011) seems to imply with his argument of a marketing capabilities gap, we stress that moving toward such a flexible or customer focused organizational structure is still far more complex and difficult out in the real world. In accordance with Day (2011) our model sheds light on the notion of a growing gap between what the market demands and the capacity in organizations. The fact that the *solving effect* occurs in our model at the same time as the *external pusher* suggest for a situation for the retailers that as soon as they have solved their organizational turmoil with the channel integration – the external market demands a new organizational change and the tensions reappear in the circular fashion. Electric Ltd that currently represents the *embracing phase* and has worked with the channel integration for six years still perceives to have internal challenges to face. We curiously question: if the organizations never truly can enjoy the benefits of the new organizational state before the external environment demands a new change, should they even bother to re-organize and try to make it work? Or, is it the traditional hierarchal and structured way of organizing and our perception of how an organization should be managed that create the difficulty? In that sense, what type of organization would be needed in exchange? Day (2011) makes an attempt to try to answer that question. He outlines, in a normative fashion, that organizations should employ an outside-in approach to market and set up process activities that can be rapidly reconfigured when needed. Given our experience on organizational transformation in terms of channel integration we get intrigued by such a proposition and wonders what types of tensions that could evoke?

9.2 Managerial Reflections

From the results derived in this study, we can conclude that integrating the digital channel with the physical channel is not an easy process for three large retailers in Sweden. There are many sources of tensions at different levels within the company that the managers must deal with. What further complicates the work for the managers is that when one tension is solved, another one tends to appear – often in another *level* within the organization. It is important for managers to keep in mind that intra-organization tensions rarely end because you solve them. By having the knowledge that there is interconnectivity between the tensions, managers can be more alert to the emergence of new tensions. Maybe they can even act proactively, Even though there are as many ways to handle tensions, as there are tensions, we want to stress two methods in the 'integrative toolbox' in particular. The first one relates to the concept of *education*, in which we saw in the case of Beauty Ltd that the change agent had an important role. By having one person that serve as a symbol of online – a person that everyone in the company has great respect for – there seems to be a bigger chance for success. The change agent must not underestimate the impact that the digital channel has on different levels within the organization, which calls for an urgency for the change agent to continuously inform and educate in order to get the people on board. However, given the time it takes for the change agent to educate and inform all parts of the organization, the other method that is a necessity for managers to apply to get the lower parts of the organization to embrace the digital channel, is the channel-spanning reward systems. The fear and frustration that actually exists among the store personnel have to be taken care of, and by simply informing and educating would take too much time for the change agent to manage. As a last note, we want to go back to what Pihlström (2012) said in the pre-study; *"the fact that it [integrating channels] is a struggle creates an opportunity to gain a competitive advantage in relation to other retailers".* This quote captures the opportunity Swedish retailers have to surpass its competitors by becoming aware of and start handling the tensions present within the company.

9.3 Methodological Reflections

An apparent drawback of all qualitative studies is the generalizability of the findings, since the time factor delimits the number of interviews the researcher can conduct. Even though we tried to enhance the robustness of our findings by using multiple cases, one can argue that more interviews in each individual case could have landed in different results. Additional interviews with employees at different positions within the retail organizations would have outlined a more complete picture of the *tensions, handling* and *effect* – a picture that might have revealed that our loop of tensions actually was not a loop, but rather a pattern of irregularity. We do however doubt that premise, both since the empirical data in all three cases convey similar patterns of

comparable tensions, and also since previous studies propose the same type of circularity of tensions (Andersson 1996, Andersson 2002).

Another reflection regards *the selection of case studies*. In section 5.2.1 we argued that a diverse selection of cases increases the generalizability of the study (Webb & Lambe 2007), which made us pick cases that all differ in industry of operations and online progress. Even though we still believe this selection enhances the generalizability, two things struck us. The first thing corresponds to the fact that the retailers operate in different industries, in which the workforce has different skills of online. Comparing Electric Ltd that operates in an industry that demands the workforce to be technological savvy, to the industries of Beauty Ltd and Sporty Ltd that do not require the staff to possess such characteristics, might be a factor influencing the answers of the interviewees. The second thing relates to the difference in the progress of online. Beauty Ltd initiated their digital channel one and a half year ago while the other two retailers have been online for as long as 6-7 years. The interviews with Beauty Ltd outline a very positive picture of online with few obstacles and resistance. Even though that might be the case, one hypothesis we have is that they still are in the phase to justify the existence of online, and therefore omit some of the tensions.

The last reflection concerns the fact that we study a *process*, which requires the interviewees to recall certain events. While the CIT-method is renowned, one of the most discussed drawbacks of the method is that the respondents might not remember the incident correctly (for a review see Gremler 2004). We tried to counteract this by i) sending the questions to the interviewees in advance in order for them to recall as many fragments as possible, and ii) asking several people about the same event to be able to compare the stories and find common bonds (ibid).

9.4 Future Research
Future research in this important area should examine the role the internal integration has on the external integration. Given the strategic importance to offer their customers a seamless shopping experience, it would be interesting to see if a retailer's internal conflicts could have a negative spill over effect on the relationship to their consumers. Early research by Achrol & Kotler (1999) suggest such a connection since companies are assumed to be included in an extensive network, in which its internal relations can have an effect on its external relations. By adding the perspective of the consumers, we believe interesting results can be found. Another suggestion for future research is more tightly connected to the findings of this study. In order to enhance the generalizability of the *interconnectivity among the tensions*, we suggest that future research

should include more retailers to the scope of analysis to see if the connection holds. It would also be useful to elaborate more on the integrative process in terms of the three phases we identified to create a more robust theory. A third suggestion for future research would be to study the integration in the opposite direction, i.e. to study the challenges that online retailers face when entering the arena for brick-and-mortar retailing. Do they face similar tensions and challenges? Are they handling it in a different way? Are the effects different? Those are questions that would be interesting to find an answer to.

10. Appendix

10.1 Interview guide – E-commerce managers & Other managers

Personal information about the interviewee

1. Position and responsibilities at the company
2. How long have you worked for the company?
3. Previous experiences? (Either within or outside the company)

General company information (only e-commerce managers)

4. When did your company launch online?
   a. To what purpose?
5. How is the organization structured? (The interviewee is requested to draw an organizational chart)
   a. Where is the online- vs. offline operations in the organization?
   b. Who are you reporting to?

Relationship between the digital channel and the physical channel

6. Generally within your organization – how would you describe the cooperation between online and offline?
7. Do you experience that the different sales channels have the same overall purpose and goals? In what way?
8. How large strategic focus is on online within your company today?
   a. Has this focus changed over time?
   b. What were consequences of that?
9. If you could change anything in the cooperation between online and offline, what would that be?
10. What do you see are the greatest *advantages* with a closer cooperation between online and offline?
11. What do you see are the greatest *disadvantages* with a closer cooperation between online and offline?

Challenges in the relationship between the digital channel and the physical channel **(CIT)**

12. If you look back on your journey from when you launched online, what do you see have been the greatest challenges along the way between online and offline?
13. Think of a certain situation/phase when you experienced it was tough to cooperate with online/offline
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?

14. Think of a certain situation/phase when you experienced that the <u>reward systems</u> of online/offline imposed a challenge
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?
15. Think of a certain situation/phase when you experienced that the <u>organizational structure</u> of online/offline imposed a challenge
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?
16. Think of a certain situation/phase when you experienced that the <u>internal knowledge/lack of internal knowledge</u> of online imposed a challenge
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?
17. Think of a certain situation/phase when you experienced that the <u>coordination/lack of coordination</u> between online/offline imposed a challenge
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?

10.2 Interview guide – Store manager

Personal information about the interviewee

1. How long have you worked within the company?
2. Previous experiences? (Either within or outside the company)

General company information

3. Regarding reporting
    a. Who are you reporting to?
    b. What do you report?
    c. How often?
4. What key metrics is your store measured on?

        a. Has that changed since online was launched?

5. What do you believe was the reason your company launched an online channel?
6. Can you describe what happened internally when online was launched?
    a. Who was involved?
    b. What was communicated from the HQ?
    c. What was the reaction among the store staff?

Relationship between the digital channel and the physical channel

7. Generally within your organization – how would you describe the cooperation between online and offline?
    a. Has this changed over time?
8. If you could change anything in the cooperation between online and offline, what would that be?
9. How do your company work with campaigns in the online- and the offline channel?

Challenges in the relationship between the digital channel and the physical channel **(CIT)**

10. Think of a certain situation/phase when the <u>coordination</u> of online put a challenge to your work
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. How would you solve the challenge if it happened again?
11. Think of a certain situation/phase when you experienced that the <u>reward systems</u> of your company imposed a challenge
    a. When was it?
    b. What happened?
    c. What do you think triggered the challenge?
    d. For which parts of the organization was the challenge most apparent?
    e. How did you solve it?
    f. What was the outcome of that solution?
    g. If you could change the reward systems, what would you do?

Knowledge of online

12. In what way does the management work with increasing your and your staff knowledge of online?
    a. Is that enough or could it be done differently?

Role of online to their work

13. How often do you use online in your daily work? In what way and in what situations?
14. What value do online contribute to your store?

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