



**Linnæus University**

Sweden

# Digital is the new normal

- *The effects of Digitalization on the IKEA organization in  
Digitally Advanced Markets*



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## Abstract

Digitalization has transformed our society and reshaped the way that people live their life. It has affected our personal lives but also created a new business climate which most companies have embraced in order to survive. IKEA are one of many companies which have decided to embark on a digital journey and re-shape their business strategy. The uncertainty of the effects of digitalization have laid the groundwork for this thesis purpose. *“The purpose of this report is to analyze how digitalization has changed IKEAs service offerings, and what effects it has had on the different instances internally”*.

Digitalization is not a new phenomenon, however, as digitalization itself evolves there lies an opportunity in analyzing digitalization from the perspective of a traditional company such as IKEA. Traditional companies, and especially IKEA, are highly dependent on their retail stores. As digitalization open up the possibility of purchasing products and services online, we want to further analyze the effects on IKEA. The research has been conducted through a qualitative approach, where insightful interviews have helped us get a deeper understanding on the topic and answer our question of *how* it has affected IKEA. An abductive approach then enabled the usage of previous literature to be used in combination with our empirical findings and be analyzed.

The theory chapter discusses the topic of digitalization and digital transformation. It then includes previous research on the subject of change management. The conceptual framework provides a tool to analyze the effects of change through the lens of digitalization. In the analysis chapter, the empirical findings are compared and contrasted with the help of our theoretical framework. We then draw conclusions which are presented together with the practical and theoretical implications of the study, as well as the limitations and suggestions for future research.

The outcome of this study has provided an insight to the effects that IKEAs digital transformation journey has had on the internal structure of the organization. Our findings suggest that digitalization has forced IKEA to alter their service offering, which in turn has led to effects on the internal structure of the organization. These effects have led to improved internal communication, a rearranging of management structure, implementation of new technology and re-development of tasks for the employees

## Key words

*Digitalization, Digital Transformation, Change Management, E-commerce, IKEA, Internal Structure*

## Abbreviations

LSE: Large sized Enterprise - a company with more than 250 employees

SME: Small medium Enterprise - a Company with 10 or more employees



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# 1 Introduction

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*In this chapter, we will present an introduction to our work as well as a background on the topics that are relevant for creating an understanding of this report. The aim of this chapter is to outline information about important topics, identify and present research gaps in earlier research, presenting our research questions, and outline the purpose of our thesis. Our research questions and purpose are the groundwork we base our thesis upon. Lastly, our research process is outlined to give an understanding how our work has been structured.*

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## 1.1 Background

Digitalization has transformed our society and reshaped the way that people live their life (Ek, I. and Ek, T, 2020). It has affected our personal lives but also created a new business climate which most companies have embraced in order to survive. The retail industry is one example where our increased usage of technological devices has impacted businesses and business models around the world (Cöster, 2017). Retailers are now expected to offer more than regular brick and mortar stores. This change can be seen as a something that is both an opportunity and a hindrance, depending on what type of company you are and the position that you are in at the time (Cöster and Westelius, 2016). In order to understand the repercussions of new digitization, you must also understand the characteristics of the company. The way customers consume products and services has changed, and is constantly evolving (Hagberg, Sundstrom and Egels-Zandén, 2016). Digitalization in business is not just e-commerce, but the way in which products, information and services has become available by simply using a mobile device or by going on the internet. This has in many cases eliminated the needs for physical stores and created difficulties for businesses, forcing them to adapt (Hagberg, Sundstrom and Egels-Zandén, 2016). The adoption of digitalization has led to new innovations and transformation for companies.

Technology is a force that not only affects individuals, businesses and organizations, but entire economies. According to IMD (2019), governments are investing into becoming digital and preparing for the digital economy of the future. A future in which becoming a digitally advanced market is key in order to create value and be a competitive force. IKEA are operating on markets that are at different stages in terms of their digital maturity (IKEA, 2020). Some markets are highly advanced whilst other emerging markets are less suitable for new technological innovation. The digitally advanced markets come with a higher demand for digital services (Postnord, 2019), which provides IKEA with both opportunities and challenges when adapting their service offering to the changing business environment.

Innovation can be defined as an organization's ability take existing resources and knowledge and turn it into new opportunities. Digital innovation is innovative solutions that has been made possible with the help of digitalization (Wiesbäck & Hess, 2018). While digitalization is about finding and managing new digitized solutions, digital transformation regards to how an



organization uses digital technologies to transform their business and take it to another level (Wiesbäck & Hess, 2018). The way in which organizations manage to adapt to new technology and use it to its own advantage can be the determining factor between success or failure (Kohli and Melville 2018), because the success of the organization is determined by how they are able to implement it into their strategy as well as create a culture that is open for innovation and transformation (Kane, Palmer, Phillips, Kiron and Buckley, 2015). This phenomenon has been the death for many large retailers, but despite their late adoption, IKEA has managed to survive this transformation. Digitalization as a mean of transformation is a widely popular way for companies with solely physical stores to increase their revenue (Hagberg and Jonsson, 2016). As a consequence, companies relying on physical stores are in need of adopting digital means created by development in digitalization. Creating new platforms and digital tools, making it easier to follow the trends of digitalization. Further, pressuring companies to adopt digital services in order to stay competitive as well as to develop along with digitalization (Hagberg and Jonsson, 2016).

In order to understand the importance of adapting digital services today, we must look at how it has risen. With the introduction of the Internet in 1990, new opportunities and challenges were born. In 1994, a company named Netscape Navigator was established and people were able to build virtual shops online. This created a new platform for new business and in 1995 Amazon was born which today is referred to be the first large e-commerce company in the world (Laudon and Traver, 2018). Since then, e-commerce has been more integrated in businesses. In 2019, 286 million consumers in Europe purchased goods or services online (Postnord, 2019). The variety of digital devices, such as mobiles, tablets and the technical development are fundamental factors behind the increase (Postnord, 2019). Since the introduction of e-commerce, organizations have been forced to change their purchasing system in order to attract and maintain customers. This significant change has buried many organizations that has not been able keep up with new innovative digital organizations. The rapid growth and change of e-commerce will continue, presenting organizations with new opportunities to change their business models and purchase processes in order to compete and be successful (Laudon and Traver, 2018).

Being forced to change is a process in itself, therefore change management is a crucial aspect to consider. Change management is an approach that involves transformation of organizational structures, processes, values and technologies. The purpose with change management is to implement strategies for an effective change and help the people adapt and accept the change. It is crucial for companies to have an efficient change management team, especially in industries where the business environment is changing rapidly (Green, 2009). IKEA is no different, they are not strangers to change, however, digital change presented a new type of challenge. Since IKEA is a traditional company having always relied on their warehouses. Digitalization has not only forced IKEA to change their processes but also creating a new need, altering their core values. IKEA was not early to adopt digitalization and only recently started to implement new strategies and processes (Luo, 2017).



*“We weren’t one of the early adopters, but we’ve matured in our thinking about it (Digitalization). We realized this is not a trend, it’s a megashift”.*  
- Peter Agnefjall, former IKEA CEO (Luo, 2017).

IKEA is facing a challenge in transforming and adopting their business to become more digital (European CEO, 2019). IKEA must shift their focus from traditional strategies to digital strategies in order to embrace digital transformation. Ingka Group CDO Barbara Martin Coppola mentions three important steps for IKEA to expand their digital vision. Firstly, simplify IKEA’s technological landscape. Secondly, reshape and rethink customers touch point. Make it easier for customers to access, purchase products and services when and how. The last step is to reshape the internal operations to become more digital and efficient (Barbara Martin Coppola, IKEA, 2020). Reshaping and rethinking their customers touch point is tightly connected with e-commerce and creating platforms which is accessible for customers. Since the start of IKEA’s digital journey, products and services has become more digital and new systems and services have been launched. In 2017, IKEA launched a Virtual Reality application that allows customers to virtually see furniture in their own homes (Reuters, 2019). Further, their investment in digital transformation paid off early, where IKEA presented that above 7% of their total sales stems from their online platforms (Business Insider, 2019). Moreover, the last step, creating an internal environment supported by digital means will reshape the internal structure, providing new opportunities and challenges. For example, a consequence of shifting their focus to online business meant that IKEA had to make cutbacks of 7500 employees as well as large investments in digital strategies (European CEO, 2019). However, according to Jesper Brodin, e-commerce will compensate for these cutbacks by creating 11 500 new jobs. Presenting that IKEA has a large commitment in becoming increasingly competitive on the digital market (European CEO, 2019).

## **1.2 Problem Discussion**

The effects of digitalization are a well-researched area (Kuusisto, 2015; Brynjolfsson et al., 1994; Snow et al., 1999; Dewett and Jones, 2001). There is extensive research analyzing external and internal aspects as well as organizational effects of digitalization. Research on the effects of digitalization on products and services is also an area that consists of a lot of previous knowledge. However, earlier research does not provide a full picture on the effect that digitalization has on a company’s services in correlation to how it affects a company internally. More specifically, how it affects different internal levels of an organization. Although, Markku Kuusisto (2015) presented research on the effects of digitalization on several different organizational levels. Such as, digital innovation, organizational learning and size (Kuusisto, 2015). Which strongly correlates to the aim of our research.

Further, two areas connected to digitalization are digital transformation and digital innovation. In which companies transform their business in accordance with digitalization as well as develop their processes through innovation. Digital transformation is also connected to the internal structure of a company and the ability to manage change. Svahn, Mathiasen and Lindgren (2017), Kane et al (2015), and Andal-Ancion, Cartwright and Yip (2003) suggests



that digital transformation could be an effect of digitalization and that there are several factors crucial in this process. Certainly, how to manage change is an important factor but also the ability to integrate digitalization into the core of the company. Which would force certain companies to drastically change their core values and structure. For traditional companies, this change is extensive and can require plenty of time and resources to successfully integrate into the organization. Since all parts of the organization must evolve (Ek, I. and Ek, T, 2020). As previously mentioned, research within digital transformation and digital innovation suggests that restructuring core values and the structure are crucial factors (Svahn et. al. 2017, Kane et. al. 2015, Andal-Ancion et. al. 2003). Moreover, resulting in other areas such as product- and service offering as well as work processes being integrated in the transformation. Also, Svahn et al (2017) consider digital transformation as a need to exploit internal expertise but also highlights the importance of being open to outside knowledge. Further, as discussed by Andal-Ancion (2003), the adoption of new technology serves as an incentive connected to the use of internal and external knowledge. According to Kuusisto (2015), digitalization affects internal instances of a company, and in turn, digitalization creates a need for digital transformation. Digital innovation and the use of internal and external knowledge serves as facilitator for digital transformation. However, perhaps the most crucial part in digital transformation is the process of change. Which leads us to change management and the importance of change. In the context of digitalization and transformation, change is fundamental. Research within change and change management emphasize the need of identifying, implementing and sustaining change. More specifically, Sawhney (2016) and Hayes (2014) presents change as a process in which external forces or internal pressure are enablers for change. In this case, digitalization as an external force can pressure companies to internal changes which creates a ripple effect on the entire structure. As both Svahn et al (2017) and Andal-Ancion (2003) discuss, digital transformation is a process of restructuring. Which is in accordance with Sawhney (2016) and Hayes (2014) stating that change affects all parts of an organization and that change needs to be implemented deep into the structure of the company. Further, strengthening these claims, Kuusisto (2015) suggests that internal change can be triggered by digitalization by emphasizing the need of digital innovation and organizational learning.

As discussed above, digitalization and the changes it generates can have an effect on the product and service offering provided by companies (Compagnucci, Rosaria Dela Porta, Leone, Marcotullio and Massaro, 2017; Pousttchi, K and Denhert, M, 2018). According to Compagnucci et al. (2017) and Pousttchi, Denhert (2018) the change in how we acquire products and services is not solely affected because of the increasing demand in online services, but also from technological innovations made from companies, which in turn have created a new landscape for the consumers. It has been integrated into the retail business with the introduction of internal changes such as implementation of barcodes on products and digital cash registers (Hagberg and Jonsson, 2016). The widespread usage and ownership of technological devices has however increased the demand for digital services for consumers as well and is now an interaction between retailer and consumer as opposed to an internal facilitator (Hagberg, Sundstrom and Egels-Zandén, 2016). The ability to effectively adapt to consumer needs and offer a platform that enables consumers to purchase products and



services as well as innovate and offer products and services the consumers are in need of. All of the changes that are mentioned above are an effect of digitalization, having an impact on what is offered to the consumer. Making the product and service offering a crucial final step in digitalization. The digital transformation and change forced upon by digitalization is only the road to finally being able to profit through a strong product and service offering. In the change process, accommodating for digital innovation is the tool to create new platforms for employees and consumers as well as a tool to create an adaptive and broad product and service offering. Transforming the environment and maintaining the idea that digitalization impacts the internal structure of a company.

As we are looking into the IKEA organization, it is important to emphasize what we mean by the term internal structure. By structure we refer not only the organization as a whole, but also the correlation between the different parts of it (Ahmady et al., 2016). Mintzberg (1978, p.3). defines organizational structure as; “*the sum of the ways in which it divides its labor into distinct tasks and then achieves coordination among them*”. The structure of an organization provides a framework for the correlation between tasks, processes, and people within an organization with the aim of working together to achieve goals (Ahmady et al., 2016). Ahmadi et al (2016) states that there are different types of structures. One is the *physical* structure, which is about things that can be “touched”. It refers to things like buildings, retail stores and other physical elements like new technology, such as the robotic solutions that IKEA recently implemented (Schaefer Systems International, 2018). *Social* structure on the other hand is a more loose term which refers to things like people, positions, workgroups and tasks (Ahmady et al., 2016). For this thesis, the internal structure refers to the physical and social structure that can be found within the IKEA organization. It is relevant to look at both types, as they both play an integral part of the everyday operations at IKEA. When researching the change in service offering, we aim to not only focus on the physical, more evident changes to the structure, but also the less evident social changes to the internal structure.

In conclusion, a great deal of research already exists on the topic of digitalization. After looking at previous research on the effects of digitalization on organizations, we believe that there is an opportunity to contribute to the field by doing research on one specific type of organization (Traditional LSE) and in this case a global actor such as IKEA. Since IKEA is in the midst of a transformation, shifting their focus from traditional stores to digital platforms we want to research how they cope internally with the inevitable digitalization process required to be able to compete. Further, how IKEAs service offering has changed as an effect of digitalization. The first wave of digitalization came several years ago (Valenduc and Vendramin, 2017), and we are now in a phase where businesses need to be “online” in order to even stand a chance (Bodhani, 2020; Pantano, Iazzolino and Migliano, 2013). This creates new demand and forces companies to adapt to a changing customer need (Cöster, 2017). Seeing a big increase in online sales and moving further away from warehouses and traditional marketing, companies have to analyze their service offerings and make the appropriate changes to gain a competitive advantage and attract customers. This will



inevitably have an impact on the internal structure of the organization, which is the area in which we want to analyze further.

### **1.3 Research Question/s**

***RQ1:** How has digitalization affected IKEAs service offering towards the consumers on digitally advanced markets, in order to cope with an increasing demand for online services?*

***RQ2:** How has digitalization affected the internal structure of the IKEA organization in Digitally Advanced Markets?*

### **1.4 Purpose**

The purpose of this thesis is to analyze how digitalization has affected IKEAs service offerings and how it has impacted the internal structure of the organization. By looking at how a traditional company such as IKEA embrace digitalization on digitally advanced markets, our aim is to analyze their approach towards a more digital environment and get an understanding on how it impacts the different parts of their organization. Further, this thesis aims to analyze how IKEA has been able to manage changes brought forth by digitalization.

### **1.5 Delimitations**

This research will solely focus on the effect of digitalization on the internal structure within IKEA. Due to limited time and resources our report will focus on digitally advanced markets and thus not be applicable for how IKEA operate worldwide.



## 2 Theory / Literature review

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*In the literature review we will outline relevant theories in order to create a better understanding on the subject. We are going to present models and theories on digitalization, change management and e-commerce. This chapter presents information on earlier research as well as models we have integrated in our research.*

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### 2.1 Digitalization theory

Brynjolfsson et al., (1994) and Snow et al., (1999) showcased that companies have become smaller in terms of employees because of digitalization. Previous tasks have become obsolete and replaced by technology and thus impacted the internal structure of firms. Dewett and Jones (2001) means that the biggest impact of digitalization on companies is an increased access to information. Both internally and externally as information can be shared throughout the organization and thus decreasing the distance between the different parts of the organization. This leads to less hierarchical organizations and an increase in more modern, horizontal structures on organizations. The improved conditions for communication has also led to increase in forming of social relationships between coworkers which Dewett and Jones (2001) believes makes the organization stronger as a whole.

Joshi et al (2010) states the importance of digitalization regarding organizational learning and how it empowers companies to be more effective and innovative. Which is also stated by Kuusisto (2015), focusing on organizational learning, digital innovation and size. The improved digital intelligence creates a new value internally. It also contributes to more information regarding different factors that may be useful in sales processes according to Alavi and Leidner (2001). The transformation of digitalization change company's way of doing business and facilitates new structures and new methods of working. It means internal actors need to cooperate within different departments and corporate boundaries. The digital transformation can contribute to new business systems, development of purchase, production and sales (Ek, I. and Ek, T, 2020). According to Ek, I. and Ek, T (2020) digital technologies connect different departments within the company. Departments that has been working more isolated before has been compelled to work with other sections. For example, the IT-section has recently become more vital for firms with and been dealt more responsibility. Ek, I. and Ek, T (2020) emphasize that a problematic factor for companies are the rapid development of technology, which generates new requirements regarding internal corporations (Ek, I. and Ek, T, 2020). Further, Markku Kuusisto (2015) have presented a report on the effect of digitalization on organizations which also emphasizes how digitalization can impact different levels of an organization and which parts of the organization that has to communicate and are crucial in this process. However, Kuusisto (2015) has examined and come to a conclusion based on the characteristics and structure of a company. For example, using shape, size, agility, learning and digital innovation as criteria. Our research focus is based on IKEA solely, therefore, this specific research is not completely applicable in our case. Since, the research



done by Kuusisto (2015) focus on “organizations”, meaning, researching the impact on organizations on a more general basis while applying characteristics of each organization. Furthermore, Kuusisto provides a greater insight in the area in which we are researching, hence being important in helping us gain an understanding of the concept as well as how digitalization can affect organizations (Kuusisto, 2015). Furthermore, earlier research suggest that digitalization affects organizations internally leading us into the importance of leadership.

Cöster (2017) share the same beliefs as Kuusisto (2015), that digitalization force companies to make internal changes. One example of this is the effects digitalization has on leadership (Cöster, 2017). Andreas Hesse (2018) further discuss how digitalization has affected how leaders interpret these changes. “*Digitalization enables leaders to act in a transparent manner, for instance, to sharing activities and emotions and thus performing authentic leadership*” (Hesse, 2018. p.1861). Further, discussing how digitalization is not the first large change in the business environment, going far back into history we can find the industrial revolution. However, the focus lies on today’s changes as he compares and analyze how the current digitalization trend is different from earlier trends. Even more specific, how all of these changes impact leaders in different organizations (Hesse, 2018).

Moving onto important aspects within an organization while managing digitalization. In the book, “*Organizing and Digitalization*” written by Mathias Cöster et. al (2017), the authors present several aspects organizations must consider in order be successful in their digitalization. Managing risk, strategies, business model adoption, and how to structure and make decisions are some of the points the authors present. The practicality and relevant approach of this book provides a great understanding in how complex and adaptive the process of digitalization could be. Further, presenting insights on how the goal and focus of each organization shape the way of managing digitalization (Cöster, 2017).

Research on the area of digitalization is extensive and there are a vast variety of perspectives applied to digitalization. Digitalization is not a new phenomenon and therefore, plenty of research has already been presented. However, digitalization itself is also changing, becoming a catalyst for change. New technology and advancement in sectors such as IT and manufacturing paves the way for a new chapter in digitalization. This evolution has forced industries and companies to embrace a new strategy and structure, which has led to a major transformation for many organizations (Ek, 2020).

## **2.2 Digital transformation**

Society is changing rapidly as an effect of innovative breakthroughs in technology. There is no difference in the business world. Digital companies such as Amazon and Google have been “born digital” and more traditional companies such as IKEA have been put in a position where they have to adapt, or face an uncertain future (Reis et al, 2018).



Digital transformation and innovation is an area with a large amount of previous research (Kane et al. 2015; Andal-Ancion et.al, 2003; Fichman et al, 2014; Svahn et al, 2017). Digital transformation is still a new phenomenon in a landscape that is constantly developing and changing. However, there are patterns that can be identified which shows how companies have adapted to new technology (Kane et al, 2015). Digital innovations have become a factor which rearranges the internal structure of an organization since it creates new ways of working all across the organization, from financial transactions to dealing with customers (Fichman et al, 2014). This is important for us to consider when looking at the internal structure of IKEA. However, companies should not sacrifice their core business in order to make way for digital innovation, but instead incorporate it into their way of doing business (Svahn et al, 2017). According to Svahn et al (2017), successful companies should value the expertise that they possess at the same time as they should be open for incorporating new products or services that will arise from a more digitized environment.

Andal-Ancion et.al (2003) have published a report on “*The Digital Transformation of Traditional Business*” focusing on companies’ usage of New Information Technology. Andal-Ancion et.al (2003) discuss the importance of digital transformation related to how and when companies should adopt new technology. Further, analyzing different ways in which companies can tailor their product and service offering depending on the characteristics of the offering (Andal-Ancion et.al, 2003). Looking at digital transformation as a whole, it is tightly connected to change management and digitalization. However, digital transformation is often referred to as a change of key business operations affecting the structure of the company (Andal-Ancion et.al, 2003). Despite the fact that this report was published in 2003 and analyzing this trend in the 1990s, it is important to see how trends evolve as well as pinpointing some of the development in the field of digital transformation.

### **2.3 E-commerce**

As this thesis aims to study how digitalization has affected IKEA’s service offering, it is important to understand how digitalization has affected and changed the way customers purchase products and services. Additionally, how it has changed the customer journey with the emergence of new platforms.

Digitalization has created a new platform for companies to reach consumers, a global digital marketplace known as e-commerce (Laudon & Traver, 2018). Companies have been able to exploit this development and create new ways to sell and market products. E-commerce is described as using internet, mobile phones, websites or other technological solutions in order to do business (Laudon & Traver., 2018). Since e-commerce was first introduced as a phenomenon in early 1990s, there is a wide variety of definitions on e-commerce. It was first defined as *a process of purchasing and selling goods and services over the Internet* (Laudon & Traver, 2018). This is strengthened by Treese and Stewart’s definition of e-commerce as *“the use of global internet for purchase and sale of goods and services”* (Treese and Stewart, 2003, p.5). Further, Zwass (1996) define e-commerce as a *“sharing business information, maintaining business relationships, and conducting business transactions by means of*



*telecommunications networks*” (Zwass, 1996, p.1). This ties up with Chang’s definition as a use of communication technologies that contribute value to the activities up and down within the organization (Chang et.al, 2003). Further, according to Fahey et.al (2001) e-commerce enables new ways of formatting each core operating process and new modes of integration within the organization (Fahey et.al, 2001). Although, e-commerce is not a process that only involves purchasing and selling, it has become a process of integrating business processes, services and activities. Collecting and exchanging information of partners and customers through digital devices (Chaffey, 2011). It has created a new environment of marketing goods and products. It offers individuals the opportunity to market and purchase products at any time, at any place. This reduce barriers such as time and space when you obtain products or services, and provide the users with electronic space and ability to compare price and quality (Išoraitė and Miniotienė, 2018)

With the rapid acceleration and availability of technology, e-commerce has changed certain industries and their business process (Laudon & Traver, 2018). The increase of e-commerce has provided great opportunities for companies to improve and develop different instances within the company. Therefore, it is vital for organizations to perceive and understand the impact of e-commerce (Laudon & Traver, 2018). Organizations need to create a corporate strategy to acknowledge challenges of business environmental changes and analyze industrial forces to identify digital opportunities (Chang et al., 2003). It is imperative that organizations analyze external forces and internal resources and how they can use their competence in order to implement a successful integration between corporate strategy and e-commerce (Chang et al., 2003). Fahey et.al (2001) emphasizes the importance of the level of knowledge regarding *what*, *how* and *why* ecommerce is changing organizations on both a macro-and micro level. The importance of *what* e-commerce change, and its effect of operations and strategy. *How* organizations integrate e-commerce into their structure, strategy and operation processes. At last, understand *why* e-commerce is evolving and the importance of adjusting structure, strategy and operation processes to develop and gain competitive advantage (Fahey et al., 2001).

E-commerce has the ability to transform traditional tasks (information, payment, service and inventory etc.) (Burt and Sparks, 2003). It is a challenge for organizations to change their structure and process of performing tasks (Burt and Sparks, 2003). Further, Fahey et al. (2001) emphasize that this could lead to certain tasks being removed all together. Organizations constantly seek to increase their revenue by improvements and innovations. According to Chaffey (2011) e-commerce can develop business’s performance in two ways. Firstly, it contributes to a larger base of customers and number of sales. Secondly, it enables companies to minimize their costs, as personal costs, storing, and transport (Chaffey, 2011).

The national environment is an enabler for e-commerce adoption. A country’s financial and economic resources, information infrastructure, demographics, organizational environment and industry structure are important factors (Gibbs et al., 2006). Market size, access to technology and consumer needs are demographic factors that are central for e-commerce



development. Wealth is a major factor in enabling e-commerce adoption as it can estimate a country's purchasing power. The availability of financial resources and new digital startups is considered to be an enabler as it shapes and develop the national business environment (Gibbs et al., 2006). The national information infrastructure is vital for companies to develop their e-commerce. It contains the availability of technology and the range of technologies in use. A high degree of access to technology enables companies to use various channels which improve their e-commerce process and system (Gibbs et al., 2006).

## **2.4 Diffusion of innovation theory**

IKEA are going through a digital transformation but were late to adapt to technological innovation and changes in the surrounding environment (Luo, 2017). Not all organizations change and adopt new products at the same time. Some companies are innovative and early in implementing for example new technology whilst others are slow or unwilling to adopt new innovation. Rogers (2014) developed a Diffusion of Innovation theory and a model which includes five different stages of innovative adoption; *Innovators*, which are those that are instigating and first with new innovation. In the context of digitalization, this would be the organizations that are first to try and implement new technology into their organizations. The second category is *Early adopters*, those who are aware that change is needed and open for new innovation. Then there are the *Early majority*, those who still are more prone to wait for the result and evidence of the implementation of innovation at other organizations, before trying to implement it themselves. The *Late majority*, are typically skeptical of changes and will only change once there is a lot of evidence of success. Lastly, there are the *Laggards*. Those who see change as unnecessary and often those that are last to adopt innovation, once everyone else has done it (Rogers, 2014). For the purpose of this thesis, the Diffusion of Innovation (DOI) theory can be used to analyze IKEAs attitude towards adapting technological innovation and incorporating it into their organization.

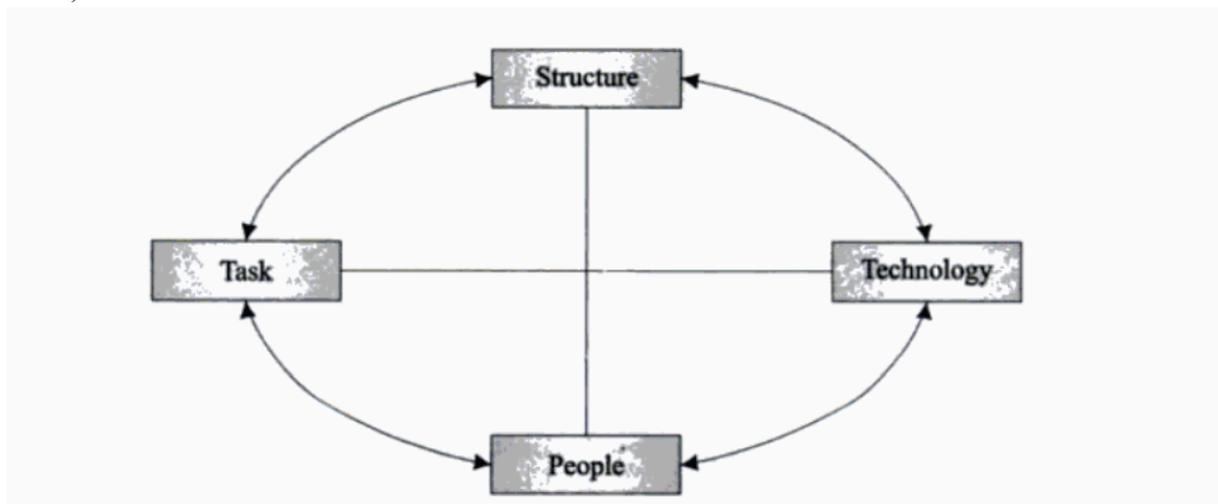
## **2.5 Change management theory**

In order to be successful in developing new services and incorporating them into the products and service offerings, there needs to be a change. Not only in the mindset of the people, but in the culture of the firm and structure of the organization (Sawhney, 2016). It is important to understand why and how organizations practice change management. The core idea of change management is to; Identify, implement and sustain change (Hayes, 2014). Changes in an organization is a process. These processes can be either reactive or self-reinforcing sequences (Hayes, 2014). Digitalization is an external force that can force companies to change, but also be seen as a self-reinforcing power for those who are proactive early adopters. Hayes (2014) argues that those who are able to take a step back and analyze their own and others behavior and alternative opportunities, are those who will be most successful in their change. Digitalization has led to a need for change within organizations and its structure and service offerings. It is easy to see companies' adaptations to a more digitalized world on the outside, but it is more difficult to see how it has affected the organizational structure from within. The



effects of digitization on business from a change management aspect is not an area that has been explored a lot.

*Leavitt's diamond* (Figure 1) is a suitable framework to analyze and understand change within an organization going through an innovation process (Leavitt, 1965). This model covers four different aspects of an organization's change; Structure, People, Tasks and Technology. All of these factors are to be considered equally important when you look at the change process of a company. By using this model, one can identify external factors such as new innovations or change in technology and internal triggers such as new competences or management, that have an impact on the organization (Sharma, 2006). Tasks is about the work behind the creation of the service offering that a company provides to its consumers. Using IKEA as an example, their task is to sell and provide services for people who are buying furniture and other home related products. People intend all those operating in the organization. From managers to warehouse employees. Technology are things that enable the exchange between company and customer, such as machinery, computer systems, websites etc. Lastly, the change in structure of an organization's impacts areas such as assigned tasks, hierarchy in decision making, communication, levels and degree of authority amongst employees etc. (Sharma, 2006). These four factors are interrelated and affected by each other (Leavitt, 1965).



**Figure 1: Leavitt's Diamond (Leavitt, 1965, p .1145)**

Changes in one aspect are therefore likely to affect other aspects, as illustrated in figure 1. Implementing digitalized aspects into the organizations tasks and technology will ultimately have an effect on the internal structure (Leavitt 1965). Regardless of the intended area, it will eventually impact other areas as well. However, it is possible to control the change by taking factors such as point of entry in the organization for the change, how much it is prioritized and implemented, and if there are any other motives behind it. For example, a change in people can have the intention to make the performance of tasks better (Leavitt, 1965). A way to successfully implement change in an organization could be to change its structure. Implementing new technology needs to be accompanied by a change in the organization (Iveroth et al., 2018). A more optimized organizational structure is one way to achieve better results and a classical way to approach change management (Leavitt, 1965).



Other important factors to consider is the knowledge and abilities the people in the organization possess. New technology might be unfamiliar for the people within the organization. Therefore, the tasks cannot be conducted as well as they should. This is where there is a need for change in the structure so that the employees can obtain the knowledge needed in order to succeed with their tasks (Cöster et al., 2017). We will therefore look at how IKEA are providing their employees with opportunities to learn about the new implemented technology and digitized service offerings.

The aim of this study is to identify internal changes in an organization as an effect of digitalization. By adding the external forces of digitalization to the Leavitt's diamond (1965), we can use it to see the changes that happens internally. We will look at the changes that has been implemented into IKEA and use the Leavitt's Systems Model (Figure 1) to analyze the impacts that it has had on the organization.

## 2.6 Conceptual framework

Our literature review has showed that digitalization is a force that every company must oblige to, in one way or another. In the case of IKEA, they have been forced to go through a lot of changes in order to keep up with the growing demand for online services. Therefore, it is interesting to look at the effects of digitalization through a change management perspective. Additionally, based on Leavitt's diamond (1965) as well as other findings in the literature review, we have identified tasks, people and technology as important dimensions within a company that are interrelated with the internal structure. As can be seen in figure 2, digitalization of a service offering can have an effect on different parts of an organization, which in turn will have an effect on the internal structure of an organization. The parts of this model are derived from Leavitt's Diamond model (Figure 1) and altered in order to fit our research purpose and help us draw conclusions from our empirical findings.

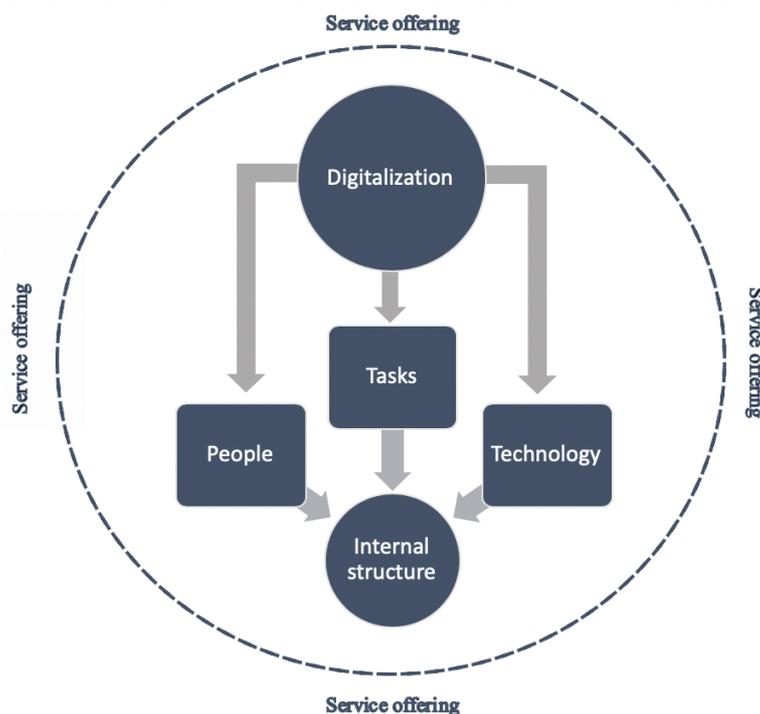




Figure 2: Conceptual framework (Authors)

### **3 Methodology**

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*The methodology chapter will explain how we conducted this thesis and starts of with our research approach. We will give further insight into our data collection and into the process of collecting, processing and analyzing this data. Moving onto our logic behind the choice of methodology in order to give a clearer picture on our entire methodology process. Moreover, we will go more in depth on our approach in terms of limitations and method criticism, finalizing this chapter.*

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#### **3.1 Research approach**

In order to be able to conduct accurate research and be able to interpret and explain our research topic, we must choose the right research approach (Bryman and Bell, 2017). There are three different approaches; Deductive, Inductive and Abductive. The approach dictates how the empirical findings relates and are used together with the theoretical framework. We have chosen the abductive approach that is commonly used when researching a subject that has been researched previously, which it has in our case with the impacts of digitalization. The abductive approach has given us the opportunity to use both our empirical findings and an established theoretical framework in order to come to new conclusions and in that way, contribute to the research area (Saunders et al, 2016). By choosing the abductive approach, we could use our empirical findings as the groundwork for our thesis and use existing theory in order analyze our collected data and draw conclusions (Alvesson and Sköldbberg, 2018).

#### **3.2 Research method**

The research method is a systematic process of how to collect relevant data in order to answer the research questions. There are two main research methods for collecting data; *quantitative* and *qualitative*. The main difference between these approaches are in how data is collected, how the data is analyzed and how the results are presented (Cresswell, 2005). A quantitative method is useful in an extensive research where the aim is to study a phenomenon or concept. The data collection is more formalized and standardized, focus is to find out and measure the bigger picture of the phenomenon (Ghauri and Grønhaug, 2010). Due to the nature of this study and our purpose to gain a deeper understanding of *how* IKEA's digitalization process has changed the firm's service offering, as well as the internal structure, a qualitative method is most suitable (Ghauri and Grønhaug, 2010). The qualitative method is appropriate as it provided us with rich and detailed data regarding the impact of *how* digitalization has changed IKEA's service offering and *how* it has affected and changed the internal structure. Our data was collected through interviews with management within IKEA as well as with an expert on the topic of digitalization. Their specific knowledge, insights, experience and reflections



within the field provided us with rich and detailed data that will be useful for us in order to answer our research questions (Silverman, 2016). Further, compared to the quantitative approach, it is appropriate to study fewer applicants in as it as it gives room to a more in-depth analysis (Silverman, 2016).

### **3.3 Research Design**

The research design is central for all research projects as it provides a framework and a design for how data will be collected and how research will be conducted. According to Yin (2018) there are five research strategies that are commonly used in research studies; *Archival analysis, case study, survey, history and experiment* (Yin, 2018). Since we are looking at IKEA's organization, our research strategy is a Case study (Simons, 2014; Merriam, 1994). As our study contains a qualitative approach the design could alter between four approaches; *evaluative, explorative, explanatory and descriptive* (Yin, 2018). This study contains an analysis of an uncertain phenomenon, and research questions as “*how*” digitalization has affected IKEA's service offering and internal structure. The *exploratory* design is most applicable, as our study contains research questions specifically related to a certain organization (Yin, 2018). This design contributes to a deeper understanding of how digitalization has affected IKEA's service offering and the internal structure (Simons, 2014). Due to unforeseen circumstances at the later stages of the thesis, we had to opt for a more extensive use of secondary data. The initial plan was to focus on the collection of primary data but the unfortunate timing of the Covid 19 pandemic made us construct a plan B, which was to use both primary data and secondary data collection in our empirical findings. Our primary data collection was of a very high quality and could be supported by secondary data directly from high ranked employees at IKEA. Further, by conducting interviews with experts on the topic that are looking at IKEA from an outside perspective, we can further gain an understanding on how digital innovation and transformation affect an organization.

#### **3.3.1 Single Case Study**

By conducting a case study, you can examine a theory as well as build on it (Merriam, 1994). The main argument for our case study approach is that we want to focus on one particular company (IKEA) and a case study explores the characteristics of a single case (Merriam, 1994; Simons, 2014). The case study approach is a way to research complex situations where there are several impacting variables that needs to be taken into consideration in order to fully be able to understand the case in question (Merriam, 1994). This can be seen in IKEA, where many different parts of their digitalization process and internal structure of the company needs to be studied in order to be able to come to a valid result and be able to draw conclusions. A single case study allows us to research and analyze the complexity that comes with a large organization. We are collecting data from IKEA in digitally advanced markets, it is still the same organization and is thus to be considered a single case study as opposed to a multi case study.



### **3.3.2 Purposive sampling**

According to Quinlan (2011) there are two different approaches towards sampling; probability and *non-probability* sampling. We have chosen to use *non-probability* sampling in order to gain a more extensive and comprehensive understanding of our research topic (Quinlan, 2011). The results of this approach can be used to represent the organization in question but cannot be expected to be representative for the whole organization as the respondents are handpicked by us as authors (Quinlan, 2011). In this case, we interviewed a smaller number of people and used a common sampling technique in *non-probability sampling* called *snowball sampling*. In which the researcher finds a suitable interviewee, and then gets other respondents that are qualified to answer the questions, from that person. We have used this technique and many of our respondents have led us to other interesting people, with extensive knowledge on the topic. We as researchers have decided who to interview and include in the study (Quinlan, 2011), with regards to our inclusion criteria's which aim to exclude non-essential information and lead us to the best possible informants on the topic. As we have chosen to do a *non-probability sampling* the people that are being interviewed for this thesis must therefore have the following inclusion criteria:

#### **For interviews with people at IKEA:**

- Be an employee at IKEA
- Work in a digitally advanced country/market
- Have experience in working with IKEA's digital service offering

#### **For interviews with experts on digitalization:**

- Work with the digitalization process of organizations
- Have knowledge about IKEA

These criteria's have been ensured by us asking control questions prior to each interview.



### 3.3.3 Respondents

All respondents' names are kept anonymous as it adds no value to our study as well as protects their anonymity. The names stated in table 2 are therefore made up in order to be able to present our empirical findings in a manner which helps the reader understand. Based on the criteria's stated above, the following people listed in table 2 were interviewed.

<i>Name</i>	<b>Ross</b>	<b>Joey</b>	<b>Phoebe</b>	<b>Monica</b>	<b>Rachel</b>
<b>Gender</b>	Male	Male	Female	Female	Female
<b>Country</b>	Sweden	Sweden	Sweden	Switzerland	Switzerland
<b>Company</b>	RISE	IKEA	IKEA	IKEA	IKEA
<b>Position</b>	Vice president Professional education	Head of Sales - Helsingborg	Sales Deputy manager - Kalmar	CEO and <u>CSO</u>	Digital manager
<b>Years at IKEA</b>	-	4	14	30	3
<b>Interview method</b>	Zoom	Microsoft Teams	Telephone	Microsoft Teams	Microsoft Teams
<b>Time of interview</b>	45 minutes	35 minutes	40 minutes	50 minutes	50 minutes
<b>Date</b>	17/4-2020	23/4-2020	21/5-2020	30/4-2020	30/4-2020

Table 2: Respondent table (Authors)

### 3.3.4 Choice of company and countries

#### 3.3.4.1 IKEA



IKEA has been a global leader in the furniture industry for a long time. They have been heavily dependent and associated with their famous warehouses. As digitalization has changed and developed the way customers purchase services and goods, IKEA has been forced to change their business strategy. In the last four years IKEA have embarked on a transformation journey to combine digital with their traditional approach (Business Insider, 2020). Being a traditional company with a deeply rooted culture and strong focus on warehouses, a more digital world can provide a great challenge for IKEA. Further, since their warehouses are not only a place for purchasing products, but an experience in itself, how will this affect IKEA? And how can they integrate their culture on digital platforms in order to maintain their brand image? Inevitably, the digital journey will lead to extensive changes in the structure of the organization. Further, what effect will these changes have on their service offering provided to their customers? Because of the fact that IKEA is a large successful company with strong traditions, we find it interesting to see how they have been impacted internally by digitalization.

### ***3.3.4.2 Digitally Advanced Markets***

Digitalization affects the entire world, but different countries have evolved at a different pace. We have looked at the impacts of digitalization on the IKEA organization in a more digitally developed context. This eliminated the possibility of choosing an emerging country, as they haven't come as far in their digitalization. Instead, we focused on developed countries. By digitally advanced markets, we refer to the IMD World Competitiveness ranking (IMD, 2019) which measures a nation's ability and willingness to adopt new innovations and technology. This ranking gives a good overview on which nations that are embracing and using digital innovation in order to evolve the economy, businesses and society as a whole. By focusing on digitally advanced markets in our research, we were able to focus on the nations in which IKEA are doing the most, and where the effects will be most evident as a result.

## **3.4 Data collection**

We have conducted interviews with IKEA managers within different areas of the organization, as well as with an expert on the area of digitalization. In order to get knowledge from the inside of the company but also get a perspective from someone looking at the organization from the outside. These interviews have been conducted through the online platforms and video meeting services, Microsoft Teams and Zoom as well as one over the phone. The preferable option would be to speak to the interview objects in person, however the circumstances have made it impossible for us to visit the company and people face to face. There are two different types of data; primary data and secondary data. Since our report is focused on both primary and secondary data, it is important to be aware of the differences between primary and secondary data, and to ensure the validity of all data that is used throughout the thesis (Merriam, 1994; Grønhaug and Ghauri, 2010).

### **3.4.1 Primary data:**



In qualitative research, interviews are the most common source of data (Silverman, 2016). According to Quinlan (2011) primary data is explained as “*data directly observed or gathered by the researcher*”. The primary data comes from primary sources, it could be a person having a direct connection with the specific research and knowledge about the topic. We have conducted four interviews which have been very rewarding. The respondents have been people with a lot of influence and knowledge regarding IKEAs digitalization journey. The data collection has therefore been extensive and provided us with a lot of high-quality data to use in our analysis.

### **3.4.2 Semi-structured interviews:**

Interviews are a very important aspect when doing qualitative research and generating data. There are three main interview methods; The *structured, semi-structured and unstructured interviews* (Bryman and Bell, 2017). According to Denscombe (2010), complex research areas are best looked at by collecting data through Semi-structured interviews. We have therefore conducted *semi-structured* interviews and used an interview guide to make sure that our research topic is covered, whilst the respondents were free to express themselves. (Bryman and Bell, 2017). By asking open ended questions we gave our respondent room to elaborate and could get extensive answers on our research topic. In the cases which the respondents found it harder to give extensive answers, the interview guide really helped us to maintain the quality of our conversation. During our research, we discovered that people had very different preference in the style of interview, but by conducting a semi-structured interview, we managed to find a good middle ground which fit all of our respondents.

The majority of our interviews were conducted through video meetings. One was conducted over the phone. Although we would have preferred to meet our respondents in person, which is the recommended option when doing qualitative research (Denscombe, 2010), it was still a valid alternative which gave us a better connection with the respondent than a regular phone call. Our reasoning behind doing video meetings was that IKEA wanted to speak online due to restrictions imposed as a result of the Covid-19 outbreak. Even though we had no alternative to visit them, we let our respondents dictate the online platform for our interview, since it can be a factor that helps them feel more relaxed (Denscombe, 2010).

### **3.4.3 Secondary Data:**

In contrast to primary data, secondary data is secondhand information on a specific topic. For example, research journals or comments on an original source. Secondary data is commonly used when primary data is not available (Quinlan, 2011). The data must be an interpretation or explanation of a primary source in order to be considered a secondary source (Silverman, 2016). Since there is a thin line between these two sources, it is important to clearly distinct the differences between our primary- and secondary sources in order to be transparent towards the reader, and not falsely claim secondary data as our own. We have used secondary data when conducting our literature review as well as in the analysis chapter of the thesis were our claims have been supported by secondary data. In our empirical findings, we gathered



secondary data through online sources that were interviews conducted by others, as can be seen in our table of secondary data collection in table 3. In order to strengthen our secondary data, we chose to follow inclusion criteria for this data as well. Since we have a focus on managers of different parts of the organization, we used data derived from interviews with other managers within IKEA. The inclusion criteria for our secondary data is the same as our primary data collection in order to ensure that the empirical findings are of the same high quality.

<b>Name</b>	<b>Barbara M Coppola</b>	<b>Jesper Brodin</b>	<b>Guy Britt</b>	<b>Michael Ward</b>
<b>Gender</b>	Female	Male	Male	Male
<b>Organization</b>	IKEA	IKEA	IKEA	IKEA
<b>Country</b>	Global	Global	Global	Canada
<b>Position</b>	Chief Digital Officer (CDO)	CEO (Ingka Group)	Global Head of Co-Worker Communication	CEO of IKEA Canada
<b>Years at IKEA</b>	2	17	2	34
<b>Source</b>	Youtube (2019); Future in Focus (2020) (2)	Mehta (2020)	Edenström (2020)	Financial Times (2019)
<b>Date</b>	5/11-2019; 21/4-2020	6/1-2020	26/2-2020	20/11-2019

Table 3: Table of secondary data collection

### 3.5 Operationalization

The operationalization in table 4 shows how we have conducted the interviews and in what order the different questions have been asked. We have linked the different questions to our theoretical framework with the purpose to make the data collection as effective as possible. By constructing this guide, we were able to get clear answers on the topic of digitalization that we are researching.

<b>Theoretical Framework</b>	<b>Questions</b>	<b>Reasoning</b>
<b>General questions</b>	1-3	Questions regarding the interviewees position at IKEA and general questions about the impacts of Digitalization.
<b>Technology</b>	4-7	Questions regarding digitalization's effect on the technology aspects of the organization.
<b>Tasks</b>	8-11	Questions regarding the impact that digitalization has had on the different tasks within the organization.
<b>People</b>	12-14	Questions on how the people in the organization has been affected by changes in the internal structure as an effect of the increased digitized business model.



Table 4: Operationalization guide

### **3.6 Data analysis**

Data analysis in quantitative research is mainly about numbers whilst qualitative research can come in many other different forms (Quinlan, 2011). There are many different approaches to data analysis, however, they all have in common that we as researchers need to conduct an analysis of our collected data and interpret its meaning (Quinlan, 2011). We started off with a large amount of data, filled with information regarding IKEA and digitalization. It was then vital to structure the data into different segments in order to be able to fully analyze it (Silverman, 2016).

In order to analyze our data, we divided up our interview questions into different segments drawn from our theoretical framework. Which made it easier for us to firstly, collect the data and secondly, structure it so that it could be analyzed and compared. The collected data was reduced by extracting the most relevant information in order to find connections and be able to draw conclusions regarding digitalization's effects on IKEAs internal structure. Our collected data from the interviews was analyzed with the help of our conceptual framework, which enabled us to draw conclusions that can answer our research questions. Secondary data has been analyzed in the same manner. We have transcribed interviews done by others and chose the most relevant parts to add to our empirical findings.

### **3.7 Quality of research**

The process of collecting data involves a number of steps and activities. It is important that the validity and reliability of the research is intact throughout the process (Kumar, 2014). It is argued that a thesis validity and reliability is central to determining the quality, lucidity and potential which is achieved by specific choices made in the research design (Bryman and Bell, 2017). Achieving standardization and making the results replicable is more difficult in qualitative research due to the complexity of conducting interviews with people whose attributes and surroundings can change (Kumar, 2014). The validity and reliability of our thesis will be discussed below.

#### **3.7.1 Validity**

Validity is tied to the accuracy of the data collected, and that the data is applicable. It is also a measurement of a thesis success in observing, identifying and measuring the correct data that is supposed to be researched (Bryman and Bell, 2017). Therefore, we have been attentive with the data that was collected as well as the appropriate use of it in order to get a valid result



from the study. All data has been reviews carefully and transcribed accurately to avoid any misinterpretation. The data has been carefully evaluated in order to ensure that we fully understand and represent the respondent's answers.

The collected data could have been used correctly, but collected wrongfully, making the thesis faulty. Transferability is the degree to which the results can be used in different contexts (Kumar, 2014). However, since we are doing a case study this is difficult to achieve. In order to increase transferability, we have described our reasoning and choices thoroughly in order to make it easier for others to replicate.

In order so further ensure the validity of this thesis, we have engaged in *triangulation*. That is a method in which the empirical findings are compared with data from other sources. This is a way to ensure the quality of the data and for us as authors to get a deeper understanding of the subject (Kumar, 2014). Therefore, we have gathered data from both primary and secondary sources, as well as with employees at IKEA and an expert outside of the organization, providing a different perspective.

### **3.7.2 Reliability**

Reliability refers to whether or not the results are likely to be replicated in future research. If research is conducted under similar circumstances, then the results should be of a similar nature (Bryman and Bell, 2017). Achieving reliability in qualitative research consisting of interviews with individuals is far more complex than in quantitative research. Since people can change opinions, experiences or environment, their contribution to the data collected cannot be seen as a constant variable. This makes the design of the research even more important for the reader to be able to understand the findings that have been made in the data collection (Kumar, 2014). By explaining the choices that have been made and steps that have been taken in collecting the data, we can make it easier to replicate in future research, thus making the results more dependable.

The degree of conformability shows the degree to which the findings of the data collection could be authenticated by other researchers. In order to measure conformability, the authentication process must follow the same procedures and steps as done in the data collection in order for the results to be comparable to each other (Kumar, 2014). In order to increase the reliability of our thesis, we have thoroughly presented our methodological approach in order to provide the reader with a clear picture of how the data has been collected in order for conclusions to be drawn from the results. The interviews were conducted with an interview guide (table 1) in order to make sure that every respondent was asked the same questions and to make it easier for the reader to understand the findings. The data was collected in verbal form and transcribed into text that was analyzed in good faith as no personal values were taken into consideration when collecting the data.

## **3.8 Ethical considerations**



Ethical consideration is essential in research, but especially in a qualitative research (Quinlan, 2011). An important part of conducting research ethically is to understand the basic concepts of research and the steps of the process (Quinlan, 2011). According to Silverman (2016), there are three main ethical aspects to take into consideration. *Consent, confidentiality and trust*. It is therefore our responsibility as authors to make sure that the people we interview feel that they are being treated fairly and have power of what they want to contribute to the research, as well as reserve the right to be anonymous and able to withdraw their statements at any time (Silverman, 2016). We have followed the LNU GDPR guidelines for handling personal information (LNU, 2020). Therefore, we have been very clear towards our respondents about their rights to be anonymous and that they can chose to withdraw their statements at any time. Respondents have also had the opportunity to receive the interview guide (Figure 1) in order to make sure that they feel comfortable with the questions that are to be discussed. It is also our obligation to provide our participants with enough information regarding the methods, aims and predicted outcome of our thesis (Denscombe, 2010). We have therefore provided the participants with a brief description of what the study is investigating, how it is conducted and what the investigation will contribute to future research by sharing our research questions, purpose and the aim of the study (Denscombe, 2010). Confidentiality is important to protect our participants, therefore each interviewee has been kept anonymous, since their names are irrelevant to the results of our study. It is important to inform the participants which codes of ethics that will be used during the course of the research (Denscombe, 2010). It is more important for our study to know what position they have in the company. It is vital that we as researcher contribute to an honest and integrity conduct of research. To maintain a trustworthy and honest approach against our participants it is important to avoid deceptions during our interviews and provide a fair interpretation of their findings (Denscombe, 2010).

### **3.9 Method criticism**

When conducting research, it is crucial to analyze data with a critical perspective (Quinlan, 2011). The same critical perspective must be used when analyzing your own work in order to determine strengths and weaknesses as well as identify if the methodology is relevant to the research. One concern when conducting online interviews could be the lack of visual clues. A considerable time gap between the interviewers and the participant could appear, which would not normally happen during a face-to-face interview, this has in our case occurred as a result of bad connection between different parties, resulting in some difficulties at times (Denscombe, 2010). The lack of visual indications prevents the interviewer to pick up significant facial expression or important non-verbal communication which could be of value to gain a better understanding of the interviewers' thoughts, we have minimized this hindrance by conducting four out of five interviews via video. However, there is still a risk of missing out on expressions that can act as indicators for a person's emotions (Denscombe, 2010). A negative aspect of using a qualitative research method is that it is more difficult to establish the in-depth and detailed findings on a generalized level. It is difficult to measure how relevant these in-depth findings are in relation to other instances within the organization (Denscombe, 2010). In general, qualitative data is more unstructured in the beginning of the collection of data (e.g. interviews, field notes) compared to a quantitative approach. This



makes the collection of data and process of analyzing the findings more complex and time-consuming (Denscombe, 2010). As time has been limited and the circumstances of the Covid-19 outbreak have created altercations for this study, we have not been able to strengthen the results of this study by using respondent *validation*. This is something that would have strengthened the quality of the research and could be considered as a good choice in future research on the topic.

### **3.10 Authors contributions**

The work has been distributed equally between all of us. All parts of this thesis have been discussed and contributed to by all authors of this thesis. To ensure that we interpret the collected data correctly, all three authors have been participating in the interviews which helped us maintain a high standard in all interviews, as we could help each other with ensuring that all questions were covered. As we have done previous research together as well as many other projects, we have become very good at cooperating and ensuring that our research is done in a responsible and valid manner. We collectively take responsibility for our collected data and it has been written with ethical considerations in mind in order to ensure validity and reliability, as well as the integrity of our respondents.



## 4 Empirical findings

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*This chapter will present our empirical data that has been collected through interviews with IKEA managers and an expert on the topic of digitalization. The data is divided into different subsections based on our conceptual framework. The names of the respondents to our primary data collection have been changed as they are kept anonymous throughout this thesis.*

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### 4.1 Digitalization

IKEA is a company that are going through a digital transformation. There are however some different opinions on whether they were late to innovate or not. Ross who is Vice President of professional education at RISE says that IKEA were late into become a digital organization. He states that IKEA made a vastly organizational change a few years ago. This changed the shape of IKEA's business strategy and more products and services became digital. Ross continues to say that IKEA discovered a couple of years ago that they were not a digital company in that extent that they owned and understood the relation between hard-and soft product towards the customers. They saw digital products in the home as any other product. Phoebe agrees with Ross and states that IKEA were a "slow-starter" in terms of online sales. They have had a great potential to offer their products to the consumers through online sales. Something that she says they have not been able to do 100% until recently.

*"We were quite early, but were not able to fully develop it".*  
- Phoebe

This is a potential for IKEA and Pheobe says that digitalization has made them look over their own house and really capture all sales opportunities. A slow start to now being able to offer the full range of their product line through the online channels. Joey, Head of sales at the customer relations department in Helsingborg, believes that IKEA where able to catch the wave of digitalization at the right time whilst stating that they were not early, but not too late. Joey means that digitalization needs to be implemented at the same rate as the customer wants it. As some customers are more digital, whilst some prefer the physical stores, and others prefer a mix between both. It is central to meet the customer where they are. Regarding the development of digitalization, Monica however, states that IKEA were late to adopt to the new digitized business environment. Four or five years ago, IKEA started to notice that less people visited their warehouses, and they identified that their online business was less developed in order to entice customers. According to Monica, IKEA's online business has not been prioritized. She mentions that focus has been on their assortment in everything they do and that it was enough attractive to entice customers to their warehouses no matter what. Due to the development and changed of how customer purchase products and services, IKEA identified that this traditional approach did not work and decided to transform their business structure. From development of products to how they lead the business and investments in



digital change. Although, Monica emphasize that IKEA is far from finish, but has come a long way.

*“This transformation has reshaped IKEA’s way of doing business”.*  
- Monica

Michael Ward, President of IKEA in Canada says that IKEA quickly realized that they had to change with the society. He points out that they realize that more people are living in the city centers and have access to technology, as well as interact with each other. He explains that they have embarked on a transformation journey of their business model in Canada called *“Change everything, almost”*. The almost refers to their culture and values. Michael explains that they won't change their culture or the fact that they are a company on the side of the many people. Michael states that all of the things that people are demanding revolve around convenience and accessibility and the fact that all of the available technology gives people more alternatives towards other interesting business models to choose from, and that there are more choices now than ever before. Michael says that they understand this and are accelerating into this change. The realization has made IKEA move quickly towards being able to provide the accessibility and convenience that the customers are requiring.

#### **4.2 Digitalization of their service offerings**

Jesper, Ross, Barbara and Rachel all talk about how IKEA are embracing innovation and strive towards creating new services in order to diversify their service offerings. The respondents talk about the motives behind the transformation that they currently are going through. Barbara (2), Chief Digital Officer at INGKA, means that companies need to constantly evolve and innovate to stay ahead of the curve and at a speed that is faster than, or equal to the rate of change of the world. Now as the ratio of change is accelerating with the digital. It is important to be extremely focused in creating value for the consumer and doing that in a way that that is positive for the planet and for societies at large. Barbara (2) further adds that digital is actually a world of possibilities and there is like million things that they can do such as; innovating business models, actually thinking about new customers experiences, and improve management. The CEO of INGKA group, Jesper Brodin also speaks about IKEA's motives behind their transformation journey. He says that IKEAs mission is to create a better everyday life for people and help them with the problems that they may have. One is regarding affordability, not about selling cheap furniture, but really for people with dreams, how do IKEA make a home happen for their customers? Jesper states that technology and innovation will be two fundamental factors in order to be able to offer affordable solutions to their customers. Rachel who works as a digital manager shares Jesper views on the fact that Ikea wants it to be as easy and affordable as possible.

*“How will the average person be able to afford bringing in an electrician in order to put in a dimmer for example?”*  
- Rachel



Jesper says that IKEA wants to bring themselves closer to customers. He adds that they have always been set on their retail concept and that they should decide how it should be (and not the other way around). The result of that has been a market share of approximately 10% in most places. Jesper says that there is an opportunity there, and it is about being accessible, and that they manage that in three ways; He says that they are investing like never before in digital, so that they can have a conversation with their customers and not only be transactional. He adds that they ask himself the question, how can we provide that home furnishing knowledge through digital interfaces?

According to Barbara, approximately 70% of IKEA's customers start their customer journey online as of today. She says that it is important for IKEA to understand that it (Digital transformation) is happening and really serve and innovate to the degree that the consumers are requiring. She says that, with that in mind, IKEA are doing a big revamp as we speak. Rachel explains that IKEAs service offering has gone from being something that only supports but now is a part of the whole customer experience, and also built into the product. Jesper says that one thing they are doing is creating services such as home deliveries and help in assembling furniture. As well as bringing IKEA closer to the people living in the city centers.

Barbara provides some examples on how their service offering has changed as an effect of their digital transformation journey. One example is a new app that is launched in five different countries which has gotten an incredible reception. Also on the web, there is constant evolution and the combination of digital and furniture into the experience have received a lot of positive feedback. Barbara (2) adds that digital is a support for understanding what we can visualize and what we can imagine different worlds, different environments but also the pure convenient of being able to pay in an easy way and being able to just imagine how a sofa would look like in different colors and shades and doing that with a mobile phone in a click. It's pretty unlimited and she says the important thing is to always find a right recipe by understanding what resonate what and doesn't and continuing the journey to get to the recipe that works for people.

Barbara (2) continues to talk about their approach to innovating their service offering. One being a new business model that gives IKEA the chance to provide furniture service. *"Imagine being able to rent furniture and give it back, or power through digital. How great it would be for individuals and for the planet because of less ways of management."*

Further, she talks about customer experience in what she refers to a "phi-digital-world" where you combine physical and digital together, and how IKEA can create incredible experience through that. She further adds, that if you take the stores as an example, there is a role for digital to be documenting the reality and creating bigger experiences. Like being able to digitally visualize and understand how this piece of furniture fits into a living room. Bringing IKEA into your own living room and visualizing, designing and understanding how it all fits



together. This will help consumers in their decision-making process when they make the decision whether to buy/or rent the furniture according to Barbara.

IKEA wants to focus on people, on the homes, on the societies and then enabling all of this with technology and digital at the core of it. This is pretty much a way canvas and she says the innovation will be amazing. The inspiration and the possibilities to have digital always there. Barbara says that she does not believe that changes will hurt their revenues. She states that it is instead a new stream of revenue, it is diversifying and adapting to the tendency in our society that is about sharing. IKEA need to listen to consumers and their trance to be able to adopt.

Ross who is Vice president of professional education at RISE, provides an outside perspective and says that IKEA are very good at creating a connection between the room and the customer. Further, he adds that there are trends in society that are changing the way people are shopping. For example, people are driving less in the big cities which makes it harder for people to drive to an IKEA warehouse in order to buy their products. Looking 10-15 years into the future, there is bound to be a lot of changes. One argument for going to a shopping mall today is the free parking and accessibility. A future where there are self-driving cars, you eliminate those benefits. Ross tells us that the “business centers” in which IKEA most often locate their warehouses, will become less popular. The cultural places, cafes and so on, will become more in focus. IKEA is in a tricky position where they need to add new services on top of their existing warehouses.

Ross says that IKEA still see their warehouses as the main place of business. They have tried other concepts such as the “City-stores” in order to get consumers to shop more. They have also experimented with apps such as where you can “try” your couch at home before you buy it. Things that can add value to their primary platform (The warehouses). Ross states that IKEA are very good at adding value to the shopping experience

*“How many other places can you go in and pretend that you are in your own bedroom?”  
- Ross*

Rachel explains that all planning tools and smart home products are an effect of digitalization, it has changed their whole offering, where they start to build the digital straight into the product. The whole smart home business has become a large area where they also focus on smart home furniture. It has become a little area of its own, where IKEA really incorporate technology into the products. Rachel says that IKEA's process of more digital service offerings has been complex and time-consuming. Phoebe adds that the complexity of some of IKEA's products such as kitchens, bathrooms or closets are a challenge. Further, Monica shares Phoebe's statements and emphasizes the importance of working with 3D and AI in order to offer more complex home decor solutions.

The development of online services has also been different depending on which country you look at. She exemplifies this by mentioning that their application, where customers can see and purchase products directly in their phone, only is live in Sweden and Japan. It has yet to



reach Switzerland, but it is in the works. It is a service offering in a whole new way for IKEA, which they put a lot of focus on. Another example is their new kitchen planner which helps customers shop from home. Phoebe adds on this kitchen planner and says that customers now are being able to design and order a complete kitchen from the comfort of their own home. As well as get products delivered to your home for a small fee. Further, that you can connect with sales personnel and experts on our product line via the online meeting service Microsoft Teams. There you can design your dream home with the help of IKEA employees online.

Monica mentions that IKEA definitely will cooperate with other companies and designers in the future. They have already cooperated on many different projects in connection with products but with a focus on services. One example is that IKEA bought the company TaskRabbit.

Ward emphasizes the importance in being able to deliver quickly in their business. However, he stresses the important of not only being fast to deliver, but being flexible. He says that people who buy kitchens don't want delivery the next day, but maybe on an exact date two weeks later. Further, Ward underlines the importance of offer the possibility to ship to a location. Something that he says is great if you look at the future of some store concepts. In the future, you will be able to visit smaller retail locations where you can interact with the product range, but might want to pick it up another day, at a more convenient location. There will be collection points in which you can collect the order that you have done on your phone, online or at a store. Maybe pick it up on the way home from your work, or closer to where you live. Ward says that they need to focus on both delivering home, as well as to collection points. Since people have different equations in terms of convenience. Some people will go for the full two-person delivery straight to the preferred room in the house, some people want to pay a little bit less and have it delivered to the front door, and other prefer to pick it up themselves at a collection point. So, he says that they are developing all of those aspects. Regarding Click and Collect, this service is very important step in the "convenience ladder" according to Ward. He says that it is a way for people to access convenience for a really low price.

According to Phoebe the Click and Collect service have been running for around 2-3 years. This is an area which is increasing all the time, and were they are offering both Express delivery within 48 hours as well as the opportunity to pick it up outside the warehouse. Phoebe says that this is an area in which they have been forced to adapt and rethink their priorities. Customers have been able to come in to the warehouses and be assisted by a salesperson, now that is available online as well. They serve the customer, Phoebe says. Instead of the physical meeting, they serve the customer by picking out and delivering the products for them. It is not the same type of customer, so they are helping out in a different way.

The size of IKEAs organization is one reason for their slow adaptation to selling online according to Phoebe. It is hard to offer the whole range online when they have over 10.000 different products. Phoebe says that some of IKEAs competitors are based solely on online



sales which makes it important that IKEA can offer our entire range of products online. The pace of the change is often quite high. Phoebe said that she can feel like they sometimes need to play catch-up when they try something new that is not 100% from the beginning. Then it is about catching up towards the end in order to compensate. Monica agrees and mention that as an effect of the current situation (Covid-19), IKEA as an organization has learnt a lot on how they are going to manage a much larger online business. Retail operations has become a much more rapid business than before and this is where IKEA looks at real-time retailing. Meaning, being more up to date and look at the business week for week in order to adapt, and to determine where the customers want to purchase their products and what their current needs are.

## 4.3 Tasks

In order to be able to identify changes that has occurred as an effect of IKEAs digital transformation journey, we have divided up our empirical findings into different segments. The first segment is about *how* it has affected the tasks within the organization.

According to Ross, digitalization inevitably means that jobs will be affected in the future. Some will become obsolete or changed. With automatization of some tasks, people are transferred to other departments such as sales or logistics. He exemplifies by saying that in America, ca 500 000 jobs in malls have disappeared over the last ten years, while Amazon are hiring hundreds of thousands of people.

Monica says that within management, e-commerce, warehouse staff and sales representatives there has been major changes in ways of working. She says that they have adopted a model called the NDS-model, New Development Solutions. Connected to their ways of working from a global perspective. Further, Monica says that they are working in sprints, meaning that IKEA have shifted from an analog, blue box and warehouse logic to instead put the customer in the center, looking at customer needs and make sure that they evolve into a digital context. Then, adopt their warehouses to a supporting aspect and be part of the whole “menu”. However, Monica says that they have managed to turn this upside down which has affected management greatly. She adds by saying that top 200 leaders within IKEA went through extensive training within how to lead in a new environment based on customer needs and digitalization. Which has meant new ways of leading. IKEA have invested a lot in training, and at the same time there are a lot of employees that have chosen to leave IKEA because of lack of interest in this rapid development where their ways of working completely change. It comes down to a totally different type of leadership.

Joey, Head of Sales at the customer relations department in Sweden, says that there are potential internal changes that can come with new innovation. The new service offering has been an addition to what they already offer to their customers, and not resulted in decimation of other services. Although digitalization has led to a degree of automatization and effectiveness, it is more about making it easier for people to take on other tasks within the company. In his personal opinion, he felt that digitalization often comes with a misperception



that it makes tasks obsolete, while it actually leads to a change in tasks. What happens in the case of IKEA is that people do other tasks, such as administrative work for example where there always is a lot to do. He further adds that IKEA have a lot of different robotic solutions in some parts of the organization, and that it has replaced tasks that previously were performed by people. These people have however not been let go, but instead been assigned to departments that focus on the face-to-face meeting with the customers, which robots cannot do. So, in some parts of the organization, the tasks have changed as an effect of their digitalization.

Phoebe adds on Joeys statements regarding shift in tasks. According to her, IKEA are flexible and willing to shift around the tasks within the organization. One example is when they implemented the click and collect department. It was a success which made it so that people from other parts of the department moved to click and collect in order to support it. She adds that they always aim to look after every employee, and that sometimes leads to a shift in the tasks that are being performed. Also, that everyone in the company is to perform different tasks and have weeks where they are down in the warehouse and meeting customers.

Most of the high-ranked personnel has been working at IKEA for a long time, and have had various positions at the company. Monica says that it is important to niche as a company when it comes to tasks requiring special competences, and that can be done by bringing in people from the outside, but also through education of current staff members. She continues to say that up-skilling and internal education is something IKEA engages in globally. Currently, IKEA assess different countries in order to determine how to integrate this process of upskilling in other countries as well. Future work, or up-skilling is also something Switzerland specifically has been working on. Conducting exploration cases to try and find solutions on how to effectively provide up-skilling or new opportunities for employees. With an increasing online business, Monica says this area will receive even more focus when so many departments of the organization are affected. For example, packaging and storage, and to increase the flexibility of warehouses and storages.

Regarding whether digitalization has created new jobs or decreased the number of jobs, Rachel says that IKEA first of all tried to find the key for success. They started planning for the future in order to understand which areas within the company are going to be redundant, and which areas are in need of transformation. In this process, IKEA have applied “up-skilling”. By using this, IKEA can develop and alter the knowledge of their employees to match the present needs of the company. However, Rachel mentions that up-skilling is not always successful, due to a number of reasons. For example, some positions within the company have become redundant, and when that happens, they usually try upskilling, but it is not always effective. Which means that they have to let some employees go. Even though they had to fire some staff, Rachel says that IKEA has done a great job in believing and taking care of each employee that has been let go by creating the best pre-requisites for their next job in order to succeed outside of IKEA. In terms of recruitment, Joey adds that IKEA needs to adapt to changes in society, which also leads to new sorts of tasks in the company. The focus for IKEA is still to emphasize teamwork and a common set of values.



In terms of culture, values and tradition, Phoebe states that she uses IKEA's values and beliefs in her daily work and when she makes decisions. When she stands before a challenging situation, she always uses IKEA's values when conducting employee assessments. Phoebe says that she tries to integrate this a natural part of her leadership. The vision of IKEA is something Phoebe is deeply rooted and something she tries to transfer to others, in creating a better everyday life for the many people. Not only to offer home decor solutions for low costs, but also in the perspective of suppliers and terms of employment. Phoebe continues to say that she feels it is a benefit working for a company with a solid idea and have so many positive and good values, a wise vision. It is the feeling and atmosphere of IKEA that they want to keep and holds very dear. She says that it is something that is in the walls, nothing that you can say that IKEA have, but instead something IKEA have created together and everyone is working with.

#### **4.4 Technology**

This section is where the respondents share their experiences on how the technological aspects of the organization have been affected in this digital transformation journey.

Rachel says that when she joined IKEA, technology was main the focus in terms of infrastructure, they had to break apart their old systems and way of thinking. This big transformation takes time. When she first started at IKEA, there was a lot of focus in knowing about servers and data centers. They had outsourced their business knowledge and where the most important is, opposite to how most other companies operate. Other companies had outsourced their data centers and cloud services, whilst IKEA had done it ourselves. They have changed this now, although she states that they are far from finished. Rachel continues to say that they are investing in cloud solutions in order to be able to be agile and quick in their upscaling. While keeping their existing data centers, they now believe that it is important to bring in skilled people to the organization;

*“The important step now is to bring in programmers and developers to the organization”  
- Rachel*

Phoebe strengthen Rachel's' statement, in terms of how digitalization has forced IKEA to search for external digital knowledge in order to create and develop new service offerings, Phoebe states that their new kitchen solution CRM was created through a cooperation with Microsoft. This new tool enables IKEA to follow their customers in a new way as it provides the seller with supporting instruments. Phoebe says that this new tool provides the seller the opportunity to follow the customer's journey and develop the communication with customers. According to Phoebe, this kind of solution is something that IKEA is looking more into. To find smart customer-oriented solutions that can boost the customer experience but also their own result.



Barbara says that IKEA can use technology and data in order to predict the future. By getting data from different sources and combining it through artificial intelligence IKEA can predict a lot of what is going to happen. She adds that the more data they have, the more algorithms are safer, the more they can transform and adapt quickly through interaction of products so that IKEA as an organization get it right, as everything evolves. Rachel also speaks on the importance of data. She says that they have collected a large amount of data, but that they still understand the value of data and want to build algorithms and automatization the data part of the organization;

*“This means bringing in competences that we have lacked before, because we have outsourced it”.*

*- Rachel*

Guy, who is Global head of Co-Worker communication provides an example on how they have used all the data that has been collected and explains that the current communications tools are predominantly produced in-house and designed specifically for IKEA as an organization. However, a new digital project is in the works. An app called “Hej” that was supposed to launch during the spring, but is expected to drop during the summer. It is a highly personal app that is built upon IKEAs large amount of data and information on what the employees need. The application will be used internally and focus on the role of the individual.

Monica however, says that despite all this data, the future can be hard to predict. Monica states that depending on how developed a country is, so is the development of online business. For example, Switzerland is a rather traditional and conservative country where a majority of the population prefers going to a physical store. However, due to recent circumstances (Covid-19) they can see a rapid change. For example, all of their colleagues using Microsoft Teams and other digital platforms. Regarding employees, Monica states there is a great opportunity in being curious on what is happening in the world. Both regarding leaders and employees, in order to be adaptive to change and find solutions based on what is happening around us. Finally, Monica adds that these opportunities will be determined on the digital side of IKEA in how fast and accurate they are able to meet customer demands.

These online meetings are a completely new way to approach the customer. Phoebe says that they are trying to capture the online opportunities that are available. She says that the customer meeting has changed, but also the customer experience which enables IKEA to meet their customers digitally. In terms of communication and marketing, she adds that they talk a lot about the opportunities that lie in the different service offerings.

Joey also provides an example on one way that they have meet customer demands. He says that digitalization has changed and developed the way his department meet customers. Before the digital boom, the customer meetings occurred over the phone but with the evolution of digital technologies and the gain demand from customers, they started to have video-meetings with their customers. The response was positive, and above all it was more effective.



According to Joey this new way of conducting meetings was revolutionary and emphasized how digitalization changed the way of doing customer-meetings. Joey also mentions a possible challenge for IKEA in their journey to be more digitized, the complexity of products. IKEA's products are strongly connected to large complex furniture products, but also minor products as a simple chair. He emphasizes that IKEA cannot demand that the customer should be able to do the complete buying process online. Therefore, he identifies a challenge for IKEA to move that sell-process online.

*“Most people have already connected with us at a digital platform before visiting the warehouse”*

*- Joey*

Ross further gives an example on how IKEA tried to launch a bookshelf with a built in TV, where it became obvious that they in fact were not a digital company. It was after this that they started to look at cooperating with companies such as Sonos and incorporate other brands into their product offering. Opening up opportunities for a whole new ecosystem where brands could be within the IKEA context.

*“They (IKEA) first tried to do it on their own, but they did not have what it takes to deal with that task on their own. I still don't think that they have what it takes now either”.*

*- Ross*

## 4.5 People

This section is where we present our empirical findings on how the people within the organization has been affected by IKEAs transformation journey.

Barbara (2) says that IKEA recognize that people are the most important aspect for the company. She adds that it is vital to combine the mission of creating a better everyday life for the many people. With a strong agenda on the planet, IKEA can attract digital talent, including herself. She says that she joined IKEA from the Tech Industry because IKEA provide meaning to what they do, every day for a wider good. She says that people are joining the organization because they are inspired by IKEAs very human centric agenda.

Jesper adds that the IKEA culture is strong and that there is no competition, but instead support for each other within the organization. People also want to be a part of something that is purposeful. He adds that they can become a lot better in terms of engaging their employees. Jesper says that there is a corporation platform for employee ideas which was so popular that it actually crashed after a couple of weeks. He says that this was quite embarrassing and that it took a while to get it up and running again. However, they discovered that people were using it not only for ideas, but for innovation and problem-solving, sharing examples and more. Something that was not imposed by management, but a free-flowing forum.



Talking about culture, Ingvar Kamprad wrote a testament sometime in the 70s which is still in use and tightly connected to IKEA's culture and values. Monica says that this creates a strong value and is something that IKEA uses as their foundation in their everyday work. Rachel agrees with Monica regarding the importance of value and culture. Further Rachel talks about data collection and how IKEA manages large amounts of data. Where data ethics is critical to be as transparent as possible. This starts in their values, no one should feel deceived and there should be no hidden agenda. Rachel believes that transparency should come easy and that each customer should feel confidence in seeing what kind of data IKEA collects. This is an easy way of building trust towards the consumers. Also, since IKEA already has an established culture around this way of thinking and are one of their top-agendas

Jesper shares that he has told people in the organization to “*Try everything you can dream of*” and that they cannot be afraid of breaking the traditional roots of the brands. He adds that the real danger lies in not trying new things. They have learnt a lot and have started to see some emerging concepts that will be born in the future.

Regarding the importance of culture, Barbara speaks about the opportunities in digital business. She says there are different reasons and intentions to going to a store. IKEA was and still is a fun day with the family. Where kids would actually have an area to play, there will be food and there will be inspiration around life at home. Those core elements can take different shapes but they are very powerful in terms of human experience, when you think about it. There are core things that should not change and then there are different experiences that can evolve. The place for community is for instance one. For people able to have a meeting place where they go and they can talk about different things or around life at home or where else. In a beautiful setting like IKEA so that we can have the community co-creating different experiences with us. Co-creating for a good of people where there is, you know this community thinking for people and planet positive and with the home being a very important place for us as human beings. The power of people is one of the aspects.

Digitalization has also affected the internal communication structure. Guy says, IKEA believes that it is very important that the employees are kept informed by what these strategic implementations means. Previously there has been a challenge with the internal communication, because so few of the employees had access to their own workstation or computer. IKEA needed to find a way where they could reach all employees with important information. Guy says that the mobile phone facilitates this direct communication with employees. All information on the IKEA intranet is constantly available to access from any device, making it easy for employees to be kept informed. He adds that some IKEA units gives their employees to the employees in order to make internal communication easier.

He says that, in order to get their employees on board and get engaged in this, they have started a “*Lets co-report*” campaign. A call for employees to create and share content with other employees in order to motivate and inspire each other. Guy states that IKEA need to eliminate decades of fear for the internet and embrace the openness that technology has brought. He says that the time for keeping everything internally is over and the things need to



be made available externally in the future. He explains that IKEA need to become more confident and let employees be free to express themselves more.

Guy says that IKEA have done research indicating that employees don't need to read about corporate strategy each quarter, or press releases regarding a different market. They instead need to easily access their personal schedule, know about coming products, how their local store is performing and what's for lunch that day. That is what will be in focus with the new app for employees. When creating the app, they have looked at all the posters and communication that has been made on different pin boards in the warehouses. All the different information and signs in the warehouses and break rooms have been taken into consideration in an attempt to digitize it and make a app that can substitute it.

*“It is 100% focus on the employees, we are building an app to help the employees perform their tasks and responsibilities”*

- Guy.

Joey says that, in order to get everybody to work in the same direction it is a question of leadership, and something that management works with a lot, managing changes and change processes. The way that IKEA does this is to be very clear about the change and explain why the change is done. People are often not worried about performing the actual change, but instead the consequences and new tasks that come with it. Because every individual respond to changes in a different way. Joey explains that the best change management strategy is yet to be discovered. As changes occur so rapidly and frequently in today's society, so does the environment for the organizations. Different motives can trigger change, such as changes in the market, changes in consumer behavior or other reasons for wanting to change. In his experience in sales, he feels like it is very important to look at it from a consumer's perspective, from outside-in.

*“How can we, with all our personnel and resources, best meet the customer's needs and demands?”*

- Joey

Regarding how digitalization has affect and changed tasks or structure, Phoebe states that it is important that individuals are flexible in order to cope an organizational change. She states that individuals need to focus on the influenceable and have an eye for solutions. She also mentions that it is important for leaders to enthuse the change for their employees. Explain the reason why the organization needs to change. Further, Phoebe states that it is central to identify the demand and resources. If that equation does not fit, it is clear that the organization needs to re-prioritize according to Phoebe.

Monica says that she can see a difference within Sweden, talking about consumer behavior and that 5 years ago, digitalization and moving online was somewhat stressful. During this period, IKEA learned a lot and offers a wide variety of products and services. Which is crucial in Monica's opinion. Complementing their own products with services, partnerships



and more. All in which are digital and could in about 10 years contribute to half of IKEA's revenue. This also ties to knowledge, bringing in outside expertise that is not inside the company. Before, IKEA was very focused on bringing in knowledge in-house to protect their culture and brand. But now, widening the horizon to find new solutions to new problems.

Ross, adds to the discussion from an outside perspective and states that in companies where the digital business is a smaller part of the business, there is less likelihood that there will be focus in bringing in knowledge from the outside. Companies tend to focus on other key parts of the business instead. Ross says that you sometimes need to bring in people from the outside in to positions with a lot of power. This in order to be able to break a strong culture and open up for new directions and opportunities. Bringing in people from the outside works. But it is up to the management to really signal that change is imminent.

Ross explains that, when talking about Digitalization, technology is often the thing that comes first. You believe that digitalization is a matter of technology, which it is in many ways. It is also about people, and how we behave. If you want to make a change in an organization, you must also change what people do. Technology is a motive and enabler for change, but it all comes down to people. People become good at things that they invest a lot of time into. People who have worked at IKEA for a long time have therefore become very good at what IKEA are and do. However, that does not necessarily mean that they know what is best for IKEA in the long run. That is one reason for collaborating with a company like Sonos, to get the external perspective and assistance. And collaborations like this are what help IKEA digitize their organization. They saw that they could not manage it on their own, because it would not be at the high standard that Sonos product and brand is. The high brand value of IKEA needed to be matched with a company that have the same stature. It is a good example on how IKEA are listening to consumer demand and are open for changes and innovation, despite their strong culture. Ross further adds that if you fail to implement the new directions, people will continue to work as they have done before. An organization needs to take control of the whole process and lead through the change. Then it becomes less of a question about digitalization, but about culture and strategy implementation.

## **4.6 Structure**

This section is where we present our empirical findings on how the structure within the organization has been affected by IKEAs transformation journey.

Barbara (2) says that a lot has happened and that there is a big movement of technology, modernization and evolution in the future for IKEA. She adds that there has been change in how they operate internally as well in how they make decisions, how they manage the company, what speed they need to work in order to keep up. This will be an essential part of IKEAs DNA in ten years' time. Barbara continues to say that;

*“All brands need to become digital companies if they want to compete”*



They know that they are going to get there, since they are already seeing very positive signs. She says that she doesn't think there will be a debate on how companies are digital or not in the future, because those that are not digital will not survive in ten years' time. The evolution and modernization of technology has changed the way IKEA is working internally according to Barbara.

Rachel believes that IKEA have shifted from wanting to control what the customer wanted, to instead let the customer decide and adjust to that. They had yet to understand that they should let the customers dictate their needs, and not the other way around. Ann believes that IKEA needs to be able to adjust in order to further help their customers. She goes on to say that;

*“The time for us to decide that the customers must visit our warehouses is over”.*

*- Rachel*

This change took time for IKEA to realize, the fact that the customers are in the lead and not them. Further, Rachel mentions that IKEA has changed the structure of the board of directors by including a Digital Manager position, which were to report directly to the highest director, Jesper Brodin. Before this change two years ago, they had lacked a digital presence in the board of directors. Now it has almost become one of the most influential positions that they have. According to Rachel there has been a huge change since they externally brought in their new Chief Digital Officer, Barbara Martin Coppola. IT has changed and become a lot more efficient and things have become more time efficient. Further, she adds that IKEA should not be compared to companies such as Zalando, who don't have the same legacy as IKEA. If IKEA are to make a change, they need to take their huge legacy into consideration, and be aware of the fact that changes which Zalando can do with the click of a button, can take weeks to implement for IKEA. According to Rachel, this is an area in which IKEA are working hard to improve, calling it the process of;

*“Unspaghetting the spaghetti”*

*- Rachel*

In terms of structural changes internally, Phoebe says that IKEA needs to look at their way of working, to give the right prerequisites. It is something IKEA is always coming back to from employees when talking about implementing tools for employees that can add value and well-functioning, but sometimes changes are rapid. IKEA need to take one step back, and for example, think about if they really need training for this specific tool. Are they in need of more flexibility and time on a normal workday, things like that. Phoebe says that other warehouses have implemented measures in allowing employees time to actually use their tools in the right way. These structural parts are something you have to be aware of at all times, looking at what it means and to adopt the need. As an example, at the kitchen department they have chosen to shorten booked meeting in the morning, which enables the employees to look over what customers they are going to meet today and going through their mail etc. This is something that has increased since customers have less time to spend in the warehouse and physical visits have decreased. This means more pressure on employees, since



customers now make contact through e-mail and other channels because the customer does not have the possibility of visiting the warehouse or time to visit, so instead they send an e-mail. This requires IKEA to look over their structure to be able to give their employees the right prerequisites to help each customer. This comes down to having an open dialogue and communication, talking about kitchen solutions. Communicate with the team each day and be open with this is what we have and this is what the customer wants, is this possible? So basically, having an open dialogue and communication means that IKEA can provide good solutions.

Phoebe adds that it is very important to be able to quickly adapt changes and to customer demands and that they are seeing a huge increase on the click and collect. From that, it is important to look at what leadership is necessary. She says that they have been forced to restructure in order to be more present in the click and collect department. Some other departments are not performing as well, and therefore some of the resources there can be shifted towards the online part of the organization instead in order to keep up with the increased demand for online sales. Therefore, they have to look over the whole organization, which affects both management and employees.

Rachel says that IKEA ask themselves questions as; How can we improve? How can we do things simpler and quicker? This is a journey that she believes will take time, but that they have come quite far with. Rachel also makes a distinction between digitalization internally vs towards the customer. She states that IKEA have been late to the whole picture. They have been very good at the supply chain and product side, as well as on the “Inter” side of the business. However, on the “after-supply” side, towards the customers, as well as the internal back office, they have not been as successful. She adds that they have over 2000 employees, and that it is a journey that they have in front of them. But that it all comes down to how the digital support can become faster. A huge journey on which they have embarked.

Further, Rachel emphasize that is about empowerment. Previously there have been project groups where decisions have been made and teams have not been able to make their own decisions. This is a journey and IKEA are far from complete, but they have come a long way. There is a “high-level roadmap” and then there is more agility and empowerment in the product teams because these digital product teams are supposed to be able to be independent. However, Rachel says that IKEA are on the right path, but still have a way to go.

Rachel continues to discuss the change of structure and says that there has been a big shift, in bringing the IT-development in house instead of outsourcing it. IKEA now says that; “*this is core, this is not core*”. Buying the data infrastructure instead and flipping it around. This is a whole other mindset than what has been previously. To exemplify, she says that they now can change very quickly today in situations such as the Covid-19 outbreak. If it would have happened a couple of years ago, they would have been much less agile since a lot of the IT was outsourced and contracted. By bringing it in-house, IKEA have shifted their focus and changed the competence in the company.



Guy says that Ikea are going through a big change globally. Perhaps the biggest in 70 years. IKEA is no longer a “big blue box” on the outskirts of the city. With the new CEO Jesper Brodin, along came a strategy to take the furniture warehouses into the city centers. There are concept stores for kitchens in the center of Stockholm as well as a new store in central Paris. He says that the new, more modern IKEA need to be able to move quicker and more agile as society changes. Jesper Brodin along with the CDO Barbara Coppola have coined this transformation as the “*de-spaghettification*”. IKEA need to sort out decades of poorly built digital and IT-infrastructure, according to Guy. He says that the need to be relevant shows in many ways. Controlling, dry press releases and official statements are a thing of the past. It only shows and underestimate of the customers and employees. The management must be able to break through the noise in order to be able to reach and effect the employees according to Guy. This by, for example, create news that are specific for certain warehouses etc.

Jesper says that there has been an agreement from key stakeholders in which direction they are heading as a company. Two main stakeholders (The Inter IKEA group and Ingka) have decided to go all in on innovation. There has been an agreement in the board to invest more than ever. So Jesper says that the challenges ahead lie in rediscovering innovation in the retail business, and not in the structure of the organization, because they are all moving in the same direction.

IKEA has been a closed and exclusive brand since they first started. However, they have recently opened up for collaborations with other brands and changed their approach. Jesper says that the Sonos project was part of a new initiative in which they said, “*we need to reach out and collaborate*”. That in turn led to other projects such as the design collection collaboration with Virgil Abloh. Jesper says that this has led to whole new confidence in the idea that the IKEA brand can thrive from meeting with other brands. According to Jesper, Sonos is one of the best examples of when “one plus one can become two”. They have tried to stay away from fame and pop for its own sake. Instead focusing on problems that they believe are important. Jesper says that they try to find like-minded people who love to be a part of resolving those types of problems, and thus expand their business.

Michael states that the more people go online and have transactional relationships, they also want to have a better experience. He says that if he were to take the time to actually go to a retailer, he wants something that actually adds value to what he is after. For IKEA, it means more personalization, more things going on, new partnerships like IKEAs’ design partnership with Virgil Abloh, the partnership with Sonos where IKEA are to make amazing technology available to people but with IKEA's’ own design. All of these things give reasons for people to take the time to go out and shop in the stores. But the vital part is that it adds value, something that was not as important before. And when you pair that with the convenience of other things that we were talking about, with the services, delivery and so on. Then you have a total picture that meets the needs of the future.

Michael shares that IKEA is working on their whole distribution network in order to be able to service more people who are shopping online. This is made by having new units’ closer to



city centers as well as using the existing stores as fulfillment centers in order to keep up with the increased online sales. This has enabled them to provide click and collect service in every store in Canada as well as being able to ensure next day delivery. Michael says that IKEA are lucky to have all these buildings close to the customers, since it gives them the opportunity to meet them in different ways. One investment they are doing, is getting bigger distribution centers closer to city centers. They want to make lead times shorter in order to make it more convenient for the consumers.

Michael says that IKEA came to a point where they realized that in the future, people are going to live in city centers. And that comes with some realities. Less people own cars, more people live and want to shop in a small area of the city center, more people have a challenged budget because of the high rent in the city centers. According to Michael it was now time to change, in order to stay with their customers and the direction in which they were heading. He thinks that it was less a response or sense of being behind, but more a feeling that this was the right moment to change as people and their habits are changing. The implications are that IKEAs' existing stores are part of the past, but they are not. So even in a future where 30% of IKEAs' sales are online, and they are heading there pretty quickly, it is still 70% of their sales that is going to take place in the stores. He adds that they are developing what the visit will look and feel like. It will be more personalized and there will be more services. IKEA will respond to what people are asking for. Michael says that he is convinced that people are not solely shopping in the same channel. He says that sometimes you want to shop online, and other times you might want to visit the stores because you want to have the full experience. Other times you might want to do a click and collect and other times you are just going to have it delivered to the front door. So, IKEA are making all of that available. In that picture, Michael says that their existing stores are an advantage to IKEA. Not only being a place to which people want to come and have a unique experience, they are also being used as fulfillment centers in the future.

Ross gives an example on how cooperation's with other brands have changed IKEA's business strategy. By buying TaskRabbit, IKEA managed to build up their own distribution and logistics on the American market in order to be able to compete with companies like Amazon. IKEA need to change as e-commerce is changing the landscape of the retail industry completely. Ross adds that digitalization has made the role of the E-commerce managers a crucial part of many organizations. He says that in many large organizations, the e-commerce manager is ranked a couple of levels down in comparison with other people in the board of directors at a company. However, many companies have recently discovered that there is no company without the e-commerce. Many have adapted to digitalization but failed to change their structure within the organization as the e-commerce part has grown.

Ross continues to say that if you compare IKEA with Amazon, the brand of IKEA is very strong, but their infrastructure in being able to deliver products to the homes of the customer, and their commitment to the customer on digital platforms, is far behind a company like Amazon. Amazon has built their business strategy in a way which undermines IKEA, and to put this in perspective; *"Whilst IKEA has been forced to close their warehouse during Covid-*



*19, Amazon has expanded their business and hired hundreds of thousands of new employees".*  
This is because Amazon has the digital business as their main focus, while IKEA obviously have not. Ross says that is also a factor of "*Sense of Urgency*";

*"It is when you have a knife against your throat that you are forced to do things that later are considered as bold".*

*- Ross.*

Ross says that in terms of openness towards digitalization; "*Culture triumphs over strategy*". It is about being able to organize and set up specific goals, and then get people to follow through with these goals. Ross says that you are not done once you have planned for change, you have to follow through with it as well, because people will not change simply because you change the structure;

*"New lianes, same baboons".*

*- Ross*



## 5 Analysis

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*This chapter is where our empirical findings is analyzed with the help of our conceptual framework built on theories from the literature. This chapter includes analysis of the collected data as well as comparison between the different organizations and instances within IKEA.*

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### 5.1 Digitalization

Earlier research within the field of digitalization suggests that digitalization leads to some kind of internal impact on organizations (Kuusisto, 2015; Alavi and Leidner, 2001; Brynjolfsson et al., 1994; Snow et al., 1999; Dewett and Jones, 2001; Ek, I. and Ek, T, 2020; Cöster, 2017; Hesse, 2018). Digitalization creates a need for change where digital transformation and digital innovation becomes essential. The ability to embrace changes brought forth by digitalization and to move the organization forward in a digital context is also emphasized as a vital part of the process (Kane et al. 2015; Andal-Ancion et.al, 2003; Fichman et al, 2014; Svahn et al, 2017). Research and theories within digitalization present the phenomenon as an external force having an internal impact on organizations. Presenting that processes, employees, technology, internal structure as well as overall structure are examples of instances that have to evolve. Therefore, our conducted research leads us to the proposition that digitalization can have an extensive impact on organizations. But *how* has the impact of digitalization affected IKEA's service offering? *How* has it affected internal instances in IKEA? And finally, *how* are managers in IKEA affected by digitalization, and more digital service offerings?

With the rapid acceleration of digital solutions, it is important for IKEA to focus on how to create value for their customers through digital platforms. Laudon and Traver (2018) writes that the rapid acceleration of technology has changed industries and business processes. This is also stated by Ek, (2020), saying that digitalization forces companies to embrace new strategies and structure. The shift towards using applications both internally and externally is quite new for IKEA according to our empirical findings. However, they have shifted the whole company towards a digital attitude according to Jesper, states that everyone in the board of directors are on board with this digital journey on which they have embarked. If we look at the research done by Hayes (2014) and the three steps of change that are; *Identify*, *Implement* and *Sustain* change. IKEA have collectively identified that change is necessary and started to implement it. It is now important that they are willing to change the structure of the organization in order to be able to be successful in the last step, sustaining change. This is something that we could see evidence of in the furniture retail industry in which IKEA operates, because Rachel, Ross, Barbara, Michael and Phoebe all states that IKEA need to embrace innovation towards services in order to expand their service offerings. They have had to transform the way that they do business. Michael emphasizes the importance of this change by saying that they saw trends such as urbanization and increased access to technology and



realized that they had to adapt in order to stay relevant. Therefore, IKEA could be seen as an *early majority* or *late majority* organization according to Rogers (2014).

In accordance with earlier research, Ross agrees that digitalization have changed the business environment. Consumers have new needs and companies have to adapt. According to Ross, people are not driving to the same extent in large cities which directly can affect IKEA, being located outside of city centers in malls etc. He adds that in 10-15 years, the need will have changed even more and “business centers” will be outdated. Instead, city centers will be more important. Ross also states that IKEA has created a unique shopping experience, connecting the room with the customer. Stating: “*How many other places can you go in and pretend that you are in your own bedroom?*” – Ross. Today, this is one of IKEAs great strengths, but what happens when the consumer need changes entirely? Are warehouses becoming obsolete?

Just like Ross says, IKEA offers a unique shopping experience. Their warehouses have become so much more than just a place to buy IKEA products. As Barbara mentions, it is a place where the customer can have an experience while shopping. Making it look like your own living room, bathroom or kitchen. The customer can take a break and dine in the restaurant and the kids can play in the many areas suited for children. Giving strength to what Ross said, how IKEA is skilled at connecting the room to the customer. Further, this unique shopping experience is centered around their warehouses. With more digital focus, can IKEA maintain this shopping experience without warehouses? This is where IKEA's culture and values come in, how they can integrate their culture into a digital environment. Our findings suggest that this is a major challenge for IKEA.

Strong roots and being late adopters of digitalization are two factors contributing to this challenge. Tied to the adoption of digitalization is the diffusion of innovation theory, constructed by Rogers (2014), discussing different steps of adoption. IKEA are between two stages; Early majority and Late majority. There is a thin line between these stages and it is difficult to determine exactly where IKEA started their journey. However, it still indicates that they were late to react on changes in society. This is confirmed by all respondents, who stated that they were late to realize the importance of a digitized product and service offering.

Moreover, regardless of our questions, all of our respondents mention the culture and values of IKEA. Indicating that this indeed is deeply integrated in their business. For example, Rachel, Barbara, Monica, Phoebe, Jesper and Joey state that their culture affects everything they do. Throughout interviews and analysis of our findings, we find it obvious that their culture has an impact on their decisions and the way they go about their business. Moving their business digital, they have a great opportunity but also challenge to try and find a way to create a digital environment where their culture still can have a distinct place. There are indications that IKEA are aware of these challenges and that they have started working on these changes. Barbara talks a lot about the difficulties in going from a traditional setting to a digital setting and that in the case of IKEA it is even harder. Creating a equivalent atmosphere digitally as physically is no easy task, according to Barbara. Moreover, both Monica and Rachel states that the process of moving online is dependent on the ability to be open to new



knowledge, guiding their employees in change, integrating their culture and values and to be adaptive to the environment. Which could be tied back to earlier research by Cöster, (2017), Hayes, (2014) and Sawhney, (2016), discussing the importance of these aspects. Cöster (2017) emphasizes the value of knowledge in a company, Hayes (2014) states that companies able to take a step back and analyze their environment will be most successful, while Sawhney (2016) discuss the fact that getting the entire culture and structure onboard change is crucial.

Ek (2020) says that digitalization has led to major transformations for many organizations. IKEA is no exception to that rule and Monica said that: *“This transformation has reshaped IKEA’s way of doing business”*. Barbara also mentions that the digital transformation has forced IKEA to adapt their service offering in order to stay more attractive and competitive. Monica added to this by saying that IKEA’s service offering has changed vastly and is no longer a supporting element, instead it is integrated into the whole customer experience. These changes have included an increase in digital availability of their products as well as an increased service offering to fit new customer demands, as stated by Michael who said that they could see an increase in demand for accessibility and convenience from their consumers.

A big part of IKEAs transformation is the fact that they realized they were no longer controlling customer demands, but had to adapt. Jesper states that one motive behind their digital transformation journey is that they want to bring themselves closer to the customers. Joey adds to this by saying that they asked themselves the question: *“How can we, with all our personnel and resources, best meet the customers’ needs and demands?”*. Barbara says companies need to be digital if they want to survive and that digitalization will be an essential part of IKEAs DNA in ten years’ time. As Ross mentions, the retail environment will change and less people will travel to an IKEA store to purchase products. This means that IKEA will need to start to shift their focus in order to remain attractive to the customers. Rachel stated that; *“The time for us to decide that the customers must visit our warehouses is over”*, which shows that they are aware of the changes that are occurring in the environment. This has been done by changing up their business model. Barbara shares one example, a new application that is launched in five different countries which has gotten an incredible reception. Also on the web, there is constant evolution and the combination of digital and furniture into the experience have received a lot of positive feedback. This ties back to a quote by Barbara, who said that: *“Approximately 70% of IKEA’s customers start their customer journey online as of today”*. This indicates that they have been successful in meeting the customers on new platforms. It also ties back to the research by (Išoraitė and Miniotienė, 2018), who emphasized the importance of providing the users (customers) with electronic space and the ability to compare price and quality. Phoebe says that IKEA have done this by making all of their products available online. Barbara, Jesper, Rachel and Monica also talks about the importance of making their assortment available in an application as well, in order to further develop the accessibility for the customers.

IKEA’s digital transformation journey and change in service offering has been complex and time-consuming. As IKEA is a global company with warehouses in many countries, the



digital development is clearer depending on how digital mature a market is. As Rachel stated, it is important for IKEA to understand and analyze which countries that are most suitable and qualified in terms of digital mature in order to rebuild their service offering. This is connected to what Gibbs et al. (2006) discuss in their research regarding the importance of the national environment. A country's financial and economic resources, information infrastructure, demographics and industry sector are important factors to measure if a country is qualified for a digital adoption in their service offering. Even if certain digital advanced markets are similar in terms of technical access and digital development, Rachel states that is important to be aware of a country's consumer behavior. One example is Switzerland, which is a digitally mature market but where the consumers have not been calling for digitized services and are quite traditional in their approach to retail shopping. According to Rachel, this is the reason why certain digital service offering has not yet been launched in some digital advanced markets. The most definite example is IKEA's application that offer the customer to purchase furniture and order it home is only available in Sweden and Japan, and not in countries as Switzerland for example. Although, as an effect of Covid 19, the warehouses in Switzerland were closed, which increased the demand for digital services and being able to shop online. This forced them to quickly adapt to the new environment and change their approach to digital services.

Joey provides us with another example of how they have worked in Sweden in order to meet customer demand. By using technology, they have been able to speak with their customers through video-chats and thus eliminated the need for them to visit the warehouses when having questions regarding kitchen planning or other services that IKEA are offering. This change is another example on how IKEA are using technology in order to change as an effect of the increased demand for digital services.

As Jesper, Monica and Joey states it is vital for IKEA to listen to the customers' demands. One example of IKEAs service offering becoming more digital is the newly developed digital service offering called click & collect service as well their home delivery and collection points. This goes in line with the research done by Svahn et al (2017) who said that companies should be open for incorporating new products or services that will arise from a more digitized environment. This can be connected to Chaffey's (2011) explanation regarding the evolution of service offering and e-commerce; "*E-commerce is not a process that only involves purchasing and selling, it has become a process of integrating business processes, services and activities. Collecting and exchanging information of partners and customers through digital devices*" (Chaffey, 2011). IKEA are not only just making their products available online, but are creating activities and connected services to facilitate the customer needs.

Further, Jesper also states that IKEA need to adapt to their customers' needs and demands instead of trying to control the environment. This correlates with Chang et.als (2003) argument that it is important for organizations to create a strategy to acknowledge business environmental changes and identify digital opportunities. One service offering that is a product of IKEA's digital transformation is their kitchen planning solutions. By doing so,



they have been able to incorporate a digital aspect into their more complex service offerings such as kitchen and bathroom planning and made it more accessible for their customers. Phoebe says that this area has been a priority for IKEA since they see opportunities for an increase in the larger sales. These big sales have been facilitated by the implementation of these services such as online planning and 3D solutions. Although, Joey said that the complexity of these products was a challenge for IKEA and that it was hard for the consumers to go through the whole buying process online. This shows that they still are heavily dependent on their warehouses and concept stores, but that they have increased the opportunities for their customers to get assistance.

IKEA have gone from only being able to make sales of these complex solutions (Kitchen and Bathroom) in the warehouse, to being able to offer sales support and advice to customers wherever they are. This flexibility has increased the accessibility which goes in line with the statements made by Jesper, who said that IKEA's goal is to become more accessible for their consumers and being able to provide knowledge and support through digital interfaces. According to Jesper, digital platforms will enable IKEA to develop their relationship with their customers. This is connected to Zwass' definition of e-commerce; *"sharing business information, maintaining business relationships, and conducting business transactions by means of telecommunications networks"* (Zwass, 1996, p.1).

Andal - Ancion et al., (2003) says that change in key business operations affects the structure of the company. Stating that IKEA have been adapting and changing their service offerings to the consumers and will therefore move onto analyzing the effects of these changes on the internal structure of IKEA in the next parts of the analysis chapter. By the internal structure, we refer to the research by Ahmady et al (2016), that there are both physical and social structure and will therefore look closer into the effects of digitalization on the segments presented in our conceptual framework: According to Leavitt (1965), change will have an impact on the structure of an organization. As previously mentioned, factors such as tasks, technology and people are correlated and integrated into the structure of an organization, Cöster et al., (2017) argues that there needs to be a change in structure in order to be able to be successful in implementing change.

## **5.2 People**

In the theoretical framework by Leavitt (1965), used to construct our conceptual framework which we used as a tool for analyzing modern organizations going through a digital transformation, people are described as all those operating in the organization. From managers to warehouse employees.

Research by Cöster (2017) and (Iveroth et al., 2018) states that, implementing new technology needs to be accompanied by a change in the organization (Iveroth et al., 2018) argues that new technology should be accompanied by a change in the structure in order to cope with unfamiliarity and be successful in the change. Ross continues by saying that IKEA has tried things their own way but that it to him was apparent that they needed help, they needed to



look for outside knowledge in order to be competitive. He argued that IKEA did not have the competence at the moment to provide digital solutions to their consumers. He means that the people within IKEA often have a full understanding of only IKEA, but by bringing in people outside of IKEA they can receive new perspectives and new knowledge. We can see clear evidence of this in IKEA, who decided to acquire a new digital manager and incorporate that position into the IKEA's Board of Directors. It also goes in line with Ross's statements regarding the importance of the digital/e-commerce-managers. Barbara Coppola was brought in as an expert on digital products and services. This has changed the structure of IKEA and allowed them to implement new teams working exclusively with digital projects. Further, Rachel states that widening their scope and looking for outside knowledge was a big deal for IKEA, since their culture and values have traditionally been to hire and train internally. This ties to the research by Sharma (2006) who said that external factors such as new innovations and internal triggers such as new competences or management, have an impact on the organization.

According to Ross, the people in the organization are fundamental in facing digitalization. Which correlates with Hayes (2014), presenting that realizing the value and guiding employees are one important aspect in change. Implementing new methods or processes will not be successful if the organization is not able to integrate their employees in the change process (Hayes, 2014). Both Joey and Phoebe agree with Ross's statement which says that changes are irrelevant if the employees are not able to implement them. According to Phoebe, the people's attitudes towards a change is important. The people within the organization need to be flexible and focus on the influenceable and open for a change. This refers to Sawhney (2016) statement that the mindset of the people is important in order to implement new changes.

Both Phoebe and Joey, says that leadership was key in a transformation process. Joey says that trying to get everyone to move in the same direction, be clear about the change and explain why the change is important. Phoebe argues that it is vital for leaders to enthuse the change for their employees. Further, Joey says that in his opinion, IKEA should focus on how they are best able to meet customer needs and demands. Where managers/leaders become crucial, in order to guide their employees through uncertain times. Further, expressed by Hesse (2018), who emphasizes the importance of leaders in change processes as well as how managers in different organizations are affected by changes.

Being outside and listening to managers talk about employees and the traditions and values of IKEA, it is noticeable that people are one of the fundamental aspects of the organization. Internal recruiting and clear vision of the company serves as guidance for employees. For example, CEO Jesper Brodin communicated: "*Try everything you can dream of*". As well as explaining that employees cannot be afraid of challenging the traditional roots of the company. Further, communication has proven an integral part in digital transformation. Dewett and Jones (2001) present access to information as one of the biggest impacts of digitalization which can lead to social relationships between colleagues, making the organization stronger as a whole. In the case of IKEA, this is extremely relevant. With a long



history of tradition, their culture and values has been etched into their organization. Digital tools allow IKEA to easier communication and the ability to express their culture and values to each employee. Jesper mentions that a strong culture, absence of competition and support for each other creates something purposeful that people want to be a part of. Barbara says that IKEA attracts talent by being who they are, a human centric organization with a mission to create a better everyday life for the many people. The emergence of new applications and platforms available to employees are indicators of IKEA trying to adopt internally.

### 5.3 Tasks

In Leavitt's (1965) model, tasks define the work that goes on internally in order to be able to create a service offering and provide products to the consumers. Burt and Sparks (2003) states how the impact of online business has the ability to change traditional tasks such as payment, service and inventory etc. The tasks can look very different depending on the organization. When implementing changes in an organization and its strategy, the tasks within the company are at risk of change. IKEA is no exception to this.

Fincham et al (2014) shares in their research that digital innovations create new ways of working within an organization. Ross who is an expert on the topic of digitalization shares the belief that tasks inevitably will change in the future. Monica states that the impact of digitalization has changed the ways of working in many different departments. as a result of that, IKEA created a new work model called NDS, New Development Solutions. According to Monica this model is vital for IKEA in order to change their way of working from a global perspective. Joey provides an example on how a new digital approach have given the organization a larger degree of automatization and effectivity in some areas, which have changed the nature of the different tasks that are performed. However, he states that people in no way become obsolete because of this. It is instead the types of tasks that are being performed that are changing. Fahey et al. (2001) shares the view on how digitized services can change certain tasks. Joey further explains that in his department in Helsingborg, Sweden, some people have started to shift towards doing more administrative work as some of the warehouse tasks have been eliminated because of the introduction of robotic solutions. These changes are exemplified by Phoebe, who says that there has been an increased focus and attention towards their services, such as the click and collect, whilst other departments have been receiving less attention. People from different departments have been moved to perform other tasks where they are needed more. As Phoebe said: *"IKEA are flexible and willing to shift around the tasks within the organization"*. Rachel and Monica shares examples on how they deal with the change in tasks in Switzerland. In order to be able to keep employees despite the shift in tasks, they are conducting "up-skilling" programs in order to provide their employees with the knowledge needed in order to shift to other departments when their tasks become obsolete. This ties to research done by Svahn et al (2017) that it is important to value the expertise that employees have whilst embracing a more digital environment. The "up-skilling" programs and providing employees with new positions within the company are examples on how IKEA are valuing the expertise of their employees.



Rachel says that they started planning for the future in order to gain an understanding on which areas in the company that inevitably will become redundant and which areas that are subject to changes in the future. This also ties back to Fincham et al. (2014) research on how tasks change because of digital innovations and IKEA are taking this to heart by helping the employees during this time of restructuring. *“IKEA has done a great job in believing and taking care of each employee that has been let go...” Rachel.* When looking at the research by Brynjolfsson et al., 1994; Snow et al., 1999, we can see that their findings are applicable to IKEA. Because they come to the conclusion that previous tasks have become obsolete and replaced by technology, which in turn affected the internal structure of the organization. This is also the case for IKEA, who have adopted robotic solutions and moved parts of the sale to online platforms, which in turn have forced them to restructure and move people around within the organization, thus affecting the overall internal structure.

## 5.4 Technology

In Leavitt's (1965) research on change management, the technological aspects such as machinery and computer systems, or in a more modern context, applications and digital platforms, are factors that make the connection between company and customer possible. Technology is also a factor that will have an effect on the internal structure of the organization upon a transformation such as the one IKEA currently are going through. With an increased demand for online services and digital services, Rachel, Phoebe and Monica said that IKEA discovered that they viewed technology and data from the wrong perspective. They outsourced digital business knowledge whilst instead focused on easier things such as building data centers. They now see the benefits of bringing the technological and IT-knowledge in-house, thus changing the structure of a vital part of the organization as they instead can outsource their data centers and cloud services. *“...this kind of solution is something that IKEA is looking more into. To find smart customer-oriented solutions that can boost the customer experience but also their own result.” - Phoebe.* This correlates with the research done by Fichman et al. (2014), who stated that digital innovations have forced organizations to adapt and change their strategy. It also goes in line with the research by Chang et al. who stated that organizations need to create a corporate strategy to acknowledge challenges of business environmental changes and analyze industrial forces to identify digital opportunities (Chang et al., 2003).

IKEA benefit by adopting new innovation and acquiring a larger degree of knowledge in-house, meaning that they can be more agile and quick when implementing change. This is stated by Rachel who said that contract situations with external parties were a factor which sometimes could slow them down and make change more difficult. This change is vital for IKEA in order to be successful in their digital transformation journey. According to research by Sawhney (2016), change is a necessity in order to successfully be able to develop new services. Not only in the mindset, but eventually in the culture and structure of the organization. In research done by Hayes (2014), it is stated that organizations that are able to take a step back and analyze their own behavior and be open to alternatives, are those most likely to succeed with their change process. This is something that IKEA are doing according



to Rachel, Monica and Jesper. The fact that they looked over their strategy and re-evaluated which parts that should be considered the most important, bringing the IT-in house is a good illustrative example on when a company take one step back in order to take two steps forward. This is explained by Ross, who meant that IKEA took a step back and realized that they needed to re-evaluate their strategy in terms of highly technical products. This once again ties back to the research by Hayes (2014) and is another example of IKEAs ability to rearrange their strategy.

IKEAs digital development has also affected the communication tools and platforms for internal communication. Guy provides an example where IKEA are creating a new digital platform for its employees in order to make the information and updates more accessible. The application “Hej” is a major change in the internal communications infrastructure, which enables all employees to have the same opportunity to access data, regardless if they have access to a computer at work or not. These types of innovations are a good way for management to make the distance between them and the employees smaller (Ek, I. and Ek, T, 2020; Dewett and Jones, 2001).

Jesper talks about another example of how they have tried to improve the communication internally in order to get them more engaged. IKEA have a digital platform on which employees are able to share ideas and knowledge with each other. This led to a closer organization were people were able to be innovative and help each other in solving problems. This is something that is described as an effect of digitalization in research done by Dewett and Jones (2001) who states that improved internal communication is a positive effect of digitalization which makes the organization stronger as a whole. Kuusisto (2015) also emphasizes how improved digital intelligence can create value internally in the organization, which can be seen from the implementation of the application “Hej”. It also ties back to Joshi et al (2010) who in their research stated the importance of digitalization in terms of making companies more effective.

Hesse (2018) states that digitalization enables leaders to be more transparent in sharing activities and emotions, thus performing an authentic leadership. Here we can see a clear example in the case of IKEA, where the new application enabled the leaders to be more precise and transparent in their communication towards their employees. Guy say that the time for boring press releases is over. The accessibility of information between management and employees will instead give them a platform to have a transparent and authentic dialog.

Joey emphasizes the importance of this technological innovation because most people are connecting with IKEA on a digital platform before visiting the warehouse. Barbara backs this up by saying that approximately 70% of IKEA's customers start their shopping journey online. So, by making an application they make it easier and more accessible for the consumers to connect before going shopping. A vital next step for IKEA is to make their employees accustomed to the application and to know its functions in order to be able to refer to it. In research done by Cöster et al (2017), the importance of embracing the fact that new technology might be unfamiliar for people within the company must be considered. There



needs to be a clear change in the way people work in order to get the most out of the technological investment that comes with an advanced application. This once again ties back to the research done by Sawhney (2016) who emphasizes the importance of changing both the mindset and structure within a company in order to be able to incorporate new service offerings, like the new application. Barbara says that IKEA really needs to understand that digital transformation is happening, which shows that they are aware of the fact that they are embracing technological innovations.



## 6 Conclusion

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*In this final chapter, we have drawn conclusions and answered our research questions which were stated in chapter one. The chapter also includes the practical and theoretical implications of our study as well as the limitations. Finally, we will give suggestions for further research on the topic.*

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### 6.1 Answering our research questions

#### 6.1.1 How has digitalization affected IKEA's service offering towards the consumers, in order to cope with an increasing demand in online sales in digitally advanced markets?

*Digitalization has led to changes in IKEA's service offering*

Our empirical findings show that digitalization has reshaped IKEA's way of doing business in digitally mature markets. They have been forced to adapt their service offering to be an integral part of the customer experience, and not just something that supports it. They have also constructed digital service offerings such as click and collect in order to meet the customer's demands for convenience and accessibility. A change in consumer demand combined with a rapidly changing business environment creates challenges and opportunities for IKEA. One of the fundamental changes in a changing customer demand is IKEA's shift to a customer demand driven strategy. IKEA have changed their approach by looking at their distribution of people, resources, value and evaluated how they are able to meet customer demands with what they have. The organization has come to a point where they have realized that digitalization is not a choice, it is something they have to embrace in order to survive. This is where their service offering comes in. Digitalization has changed the way IKEA thinks and acts regarding their service offering toward the consumers. The implementation of a new kitchen planner and click and collect are two examples of the way in which digitalization has enabled them to create innovative solutions, but also forced them to make changes to their service offering. Leading us closer to the realization that digitalization can serve as both the driver of change but also the enabler of change.

*Technological innovation has changed IKEA's approach to service offering*

Moreover, IKEA's service offering has been affected by digitalization in terms of technology. Technological innovation and adoption of technology have been two clear aspects affecting IKEA's service offering towards consumers. Changing consumer needs are one of the drivers of change while technology serves as an enabler to change their service offerings. Being able to provide more complex services, more effective and adaptive services depending on the market. Technology has also enabled IKEA to make their service offerings more accessible by implementing digital solutions such as the click and collect, online kitchen planner services, and the application allowing customers to see and order products through the app.



Meaning, technology enable IKEA to fulfill their customer's needs. Further, leading us into digitalization being the force that facilitate IKEA to change their service offering. Pushing development in technology and changing the entire environment for people and business. Thus being an enabler for IKEA to create new service offerings through an increased availability and effectiveness of new technology.

*Changes in service offerings are dependent on the conditions of a country's digital maturity*  
IKEA's service offerings have been affected by digitalization. Not only in the service offerings they provide to their customers but also the way in which they approach digitalization, by realizing that they have to change. Our findings present that IKEA have developed their general service offering and adapted to different environments. Such as offering different services in Switzerland versus Sweden. Since digitalization is at a different stage depending on the country, IKEA are looking at behavior and needs in the specific market in order to decide which service offerings to make available. Which can be seen in their application, that only launched in Sweden and Japan. Further, our findings suggest that IKEA are now at a stage of learning, especially with the outbreak of Covid 19, where they are forced to make sudden changes. Forcing the organization to make changes they were not entirely ready for, however, changes which were still going to be certain in the future. Perhaps, the outbreak of Covid 19 was the push IKEA needed in order to fully understand the effects of digitalization and has been a period which really has tested IKEAs ability to transform into a digital company.

*Challenge in incorporating their culture in a digitized service*

Furthermore, based on our empirical findings and literature review, we can identify a connection that IKEA may face a challenge regarding the interaction between culture and service offering. As IKEA's service offering is strongly related to their warehouses and the company's values, culture is a fundamental part of their business strategy. Managers within IKEA have emphasized that their culture influences all parts of their business, but that a more digitized service offering makes it harder to incorporate their values into the customer experience. The challenge lies in whether or not they can maintain their values and culture towards their customers whilst becoming a more digital company. Digitalization has made IKEA realize that they need to adapt their service offerings. These changes have affected different parts of the organization led to changes in the internal structure. These internal changes will be discussed in the next segments as we aim to answer our second research question.

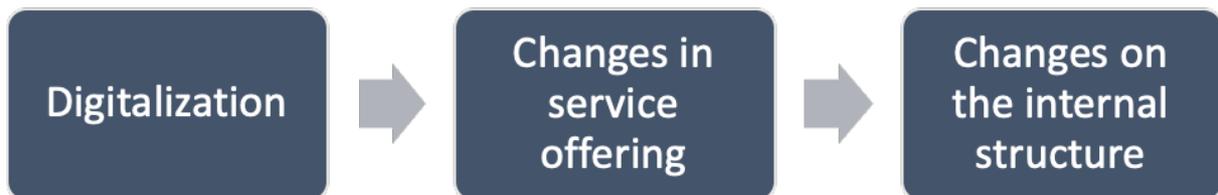


Figure 3: Stages of effect – Digitalization



### **6.1.2 How has digitalization changed the internal structure of the IKEA organization in Digitally Advanced Markets?**

In order to be able to answer this research question, we will first establish the meaning of internal structure in the context of this thesis, to make it easier to follow our reasoning for this particular question. In defining internal structure, we have looked at work done by Ahmady et al. (2016), presenting two different types of structure. The *physical* structure, for example, buildings, retail stores, technology or robotic solutions. Also, the *social* structure, for example, people, positions, workgroups or tasks within the company. Based on our analysis of our empirical findings, we have presented that digitalization has affected the IKEA organization as a whole. However, our focus lies on analyzing the effects of digitalization on the internal structure and service offering of IKEA. A major part of the effects digitalization has brought forth, is the emergence of new technology. With digital transformation, digital innovation and adoption of new technology being the enablers of technological maturity. As presented in our analysis, IKEA were in the late majority in embracing digitalization and to take action. Which would suggest that they were also late in adapting to new technology.

#### *New roles and hiring bringing in external knowledge*

We have found that IKEA now are in a place where digitalization is one of their top agendas. Which can be seen through restructuring within manager roles, such as new Digital Chief Officer Barbara and Click and Collect managers within warehouses to be able to implement new digital service offerings such as click and collect and an application. Further, as an effect of digitalization, IKEA realized they viewed technology from the wrong perspective, which led to bringing in knowledge outside of IKEA instead of the traditional internal recruiting. Digitalization has led to IKEA revamping their strategy towards technology and data, and are now focused on bringing their IT in-house in order to be able to implement changes at a quicker rate as well as being able to control their digital transformation. Which can be seen from them recruiting IT-knowledge and the collaboration with Microsoft in developing a new internal tool for kitchen solutions. Implementing new technological measures enabling easier communication between employees and the whole organization.

#### *Improved internal communication has enabled employees to be more innovative*

Digitalization and digital innovations have led to improved internal communication within IKEAs organization. With the introduction of new technology and applications giving the employees a platform for communication amongst each other, they have seen a positive effect in employees becoming more innovative, problem-solving and open towards helping each other. Even though this has been a project that has been time consuming and costly to implement, the internal communication has become more efficient as an effect of IKEAs shift towards becoming a more digital company. Further, we can see a connection between the people of the organization with changes initiated by digitalization. Moving into a digital transformation, innovation becomes important, both in terms of embracing new digital solutions but also to come up with own innovations that can be used. This is where technology comes in as one of the most important aspects in allowing the people in IKEA to adapt within the organization.



*Easier to communicate culture and values to the employees*

It is through technological platforms a large company like IKEA could be able to efficiently reach out to all of its employees. Moreover, the importance of communication cannot be more stressed. Especially for IKEA, since their culture and values are imprinted in everything they do. Not only will technological platforms enable employees to communicate, it will provide management with a tool for expressing their culture and reaching out to their employees. Facilitating their need of allowing their culture and values to stand in the center of change. It has also made it easier for management to reach the employees with important information and announcements, thus making the gap between blue collar and white-collar workers smaller.

*Up-skilling to keep up with new technology*

Moreover, the people of the organization are affected in more ways than through technology. With IKEA moving rapidly towards being digitally strong, their traditional setting is threatened. Guiding employees in a change like this becomes crucial and require management and leaders of the organization to be transparent. We can see that IKEA takes great pride in their employees and that the wellbeing of their employees is of high importance, for example, through up-skilling and internal recruiting. Our findings suggest that IKEA indeed value their employees, however, the way in which the employees' percept these changes are unclear. Since our focus lies on managers of the organization, our analysis is based on a different perspective. Therefore, we can only determine that there is an obvious value of their employees, but whether they have allowed their employees sufficient guidance is not clear.

*The prioritization of tasks has changed*

Furthermore, these changes lead us into tasks within IKEA. They have prepared for this digital journey by realizing that some tasks within the company will become obsolete. Since the service offerings and internal structure of the organization has changed, so has the tasks that are being performed. In order to prevent having to let a large portion of their employees go, they have instead put a lot of focus on upskilling and creating new opportunities for those whose tasks have become obsolete as an effect of digitalization. Some tasks have also been replaced by robotic solutions. The effects of digitalization in IKEA have therefore also led to a restructuring of tasks as well as forced them to create internal training programs to cope with the changes, in order to avoid having to let people go. New technology has made them devote resources towards up-skilling current employees in order to be able to offer digitized services to the consumers. New departments such as the click and collect, as well as other departments that have evolved as an effect of digitalization made it so that they are more flexible in moving people between the different departments of the warehouses. They are also allocating more personal and attention from management towards the digitalized service offerings. Overall, digitalization has brought a degree of automatization and effectiveness into the warehouses, which has given the employees more time to perform administrative work instead.



## **6.2 Theoretical implications**

The impacts of digitalization and what it means for organizations is a well-researched area. Earlier research contributes to a good understanding on the impacts of digitalization in general but does not give further insights into traditional retail firms. Further, research on IKEA in the context of digitalization is not sufficient. Which led us to research IKEA, a well-known company with a unique culture and renowned warehouses, who has been late to adopt digitalization.

Our empirical findings are based on Leavitt's Diamond (1965) and four different aspects: Task, People, Technology and Structure. In our conceptual framework, we have adapted the Leavitt's diamond to fit into a digital change in an attempt to alter it to fit our research purpose. Thus, providing a framework for research on companies going through a digital transformation and adding to theories on change management and the topic of digitalization. After conducting our analysis, it was clear that all of these aspects are tightly connected internally in IKEA, where all aspects affect each other. Further, that digitalization has been the main driver of change which in turn has affected all of the four aspects we have researched. With digitalization being the driver, it has enabled IKEA to apply relevant adjustments in accordance with changes in the environment. The findings of this thesis are predominantly in line with previous research and we could identify how IKEA were subject to the effects that normally comes with digital transformation.

## **6.3 Practical implications**

IKEA is a unique company with a long tradition and strong culture. This made them an interesting company to look at from a digital perspective as they are in the midst of a digital transformation. It can be observed from our empirical findings that IKEA are shifting towards becoming a more digital company and that they are embracing new digital innovations. The aim of this study is not to give advice to IKEA, but rather to study the effects of the recent decisions that have been made and contribute to a better understanding on how IKEA have been affected by digitalization. However, we can identify challenges for IKEA, for example, to incorporate their values and culture into their service offerings, to be able to adapt their internal structure as they become more digitized.

This thesis strives to contribute to a larger degree of understanding on how digitalization has impacted IKEAs service offering and how they have adapted to stay innovative. The findings have also contributed to an understanding in how the internal structure, both physical and social, has been affected as a result of IKEAs digital transformation. We have come to a conclusion that the different departments within the organization are interrelated, and that changes in one section ultimately leads to a change in the internal structure as an effect. It is vital that IKEA are aware of that effect as they continue on their digital transformation journey. Further, this thesis observes that the different tasks that are being performed have been affected and new technology have been adopted and incorporated into their service



offering. This has made some tasks obsolete while new roles have been created to enable the changes in service offering. Furthermore, also leading to change within the internal structure.

## **6.4 Limitations**

A number of limitations has been found during the composition of this thesis, which has affected the quality of the study. The outline for this study was planned on the premise and notion that we would get extensive insights into the IKEA organization, as we had been in contact with a large number of respondents who were willing to get interviewed. The Covid-19 outbreak then limited our ability to conduct the interviews with the respondents, as planned interviews were cancelled as some respondents fell ill, and some were forced to withdraw due to lack of time as the IKEA organization was heavily impacted. The timing of the outbreak combined with our time-schedule made the circumstances more difficult than what could be predicted beforehand. This thesis was also only conducted on IKEA organizations on digitally mature markets, which makes the findings less generalizable for the organization as a whole. In future research, we recommend that more respondents are conducted in order to get a more generalizable result.

## **6.5 Suggestions for future research**

Our research was aimed at contributing to research within the effects of digitalization on internal levels of an organization. After conducting our analysis and presenting a conclusion of our findings we have seen that there are areas in which there is potential for future research:

1. *To investigate how IKEA coped with the Covid 19 outbreak.*  
IKEA have been very reactive in their approach to the Covid-19 outbreak and implemented a lot of changes at a rapid pace. One suggestion for future research could therefore be to analyze their crisis management and determine whether or not it could be classified as successful or not.
2. *IKEA's approach to digitalization in mature vs emerging markets.*  
One interesting approach could be to look deeper into how IKEA are approaching digitalization depending on the conditions on the different markets.
3. *How has the furniture-retail industry responded to the increased demand for online shopping?* Since our research is focused on a single case, the IKEA organization, further research within in digitalization on other companies within the furniture-retail industry could be a future research area.
4. *How has IKEA's processes changed as an effect of digitalization?*  
In our research, we have found indications of other effects of digitalization. Such as the effect on processes within IKEA.



## Appendix 1

### Tables

#### Table 1: Interview Guide

1. What is your position in IKEA?
2. How long have you been at IKEA?
3. What were your three latest jobs?

### Technology

4. How has the increase in online shopping affected your service offerings to the consumers?
5. What type of digitized services are available for your customers as of today?
6. Do you feel like IKEA were late to act and become more digitized compared to your industry rivals?
7. How has the **structure** of the organization changed because of the increased demand for digital services?

### Tasks

8. Has the increase in digital services created new jobs/tasks?
9. Has it made some areas redundant?
10. How has this in turn changed the **structure** of the organization internally, in terms of what tasks are being performed?
11. In what ways has digitalization affected the way coworkers, on different levels, work as of today?
12. for example, management and warehouse staff.

### People

13. Has digitalization forced IKEA to get new “digital knowledge” from outside of the company?
14. Ex, bringing in skilled people versus using existing personnel when taking on a new digital project
15. There is a strong culture and tradition at IKEA. How are management working to get all the people of the organization to adapt to the changing retail environment?
16. Has this led to any changes in the internal structure of the organization?



**Table 2** Primary data; List of respondents (Authors)

**Table 3:** Secondary data collection (Authors)

**Table 4:** Operationalization table (Authors)

## **Figures**

**Figure 1:** Leavitt's Diamond model. Leavitt, H.J. 1965. "Applied Organizational Change in Industry: Structural, Technological and Humanistic Approaches." In *Handbook of Organizations*, ed. J.G. March. Chicago: Rand McNally & Company, p 1145).

**Figure 2:** Conceptual Framework designed by the authors of this thesis

**Figure 3:** Stages of effect – Digitalization designed by the authors of this thesis



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