

Exploring digitalisation at IKEA

Exploring
digitalisation

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Abstract

Purpose – The paper aims to clarify how an incumbent retail organisation explores digitalisation for its existing business.

Design/methodology/approach – The paper draws from an in-depth case study of home-furnishing retail giant, IKEA conducted with semi-structured interviews, participant observations and document analyses.

Findings – In the exploration phase of digitalisation, three major activities – interpreting, interrelating and integrating – illuminate how the exploration process can be organised in practice.

Originality/value – Although digitalisation ranks amongst the most significant ongoing transformations in retail businesses, research on how incumbent retail organisations have engaged in exploring digitalisation in practice has remained scarce. The paper contributes insights into digitalisation processes in retail businesses that may also apply to other trends affecting the retail industry.

Keywords Retail, Digitalisation, Case study, IKEA, Exploration

Paper type Research paper

1. Introduction

Digitalisation, defined as the “integration of digital technologies into everyday life by the digitization of everything that can be digitized” (Hagberg *et al.*, 2016, p. 696), ranks amongst the most significant ongoing transformations in business, one that has introduced new ways of doing business whilst challenging established ones (Leeflang *et al.*, 2014). As such, digitalisation has been characterised as a disruptive change that tests industries, their accepted logics and even individual businesses (e.g. Verhoef *et al.*, 2015; Hänninen *et al.*, 2018).

In literature addressing retail, digitalisation has received increased attention from both consumers’ and retailers’ perspectives (Frasquet *et al.*, 2021), including in terms of omni-channel strategies (Verhoef *et al.*, 2015), business models (Jocovski *et al.*, 2019), multi-sided platforms (Hänninen *et al.*, 2019) and the reconfiguration of retail stores (Hagberg *et al.*, 2017). Most recently, according to Hänninen *et al.* (2021), such research has integrated far more discussion and theorising about digitalisation across the value chain. However, the organisational processes that catalyse the incorporation of digital technologies in retail

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businesses – in March’s (1991) and Winter and Szulanski’s (2001) terms, the *exploration* phase – have received less attention. Therefore, this paper focusses on that very phase – the early stage of digitalisation – to contribute insights into digitalisation in retail (Hänninen *et al.*, 2021) whilst answering the call for research on “how firms adapt their business models in response to external threats and opportunities” (Saebi *et al.*, 2017, p. 567).

The paper aims to clarify how an incumbent retail organisation explores digitalisation for its existing business, even as potential disruptions, their meanings and their consequences remain uncertain. To that purpose, the paper builds upon an in-depth case study on IKEA, an established firm in today’s dynamic retail sector, an environment in which digitalisation especially urges business actors to rethink their ways of doing business and attracting customers (Hänninen *et al.*, 2018; Blom, 2019; Jocevski *et al.*, 2019). It draws upon first-hand experiences with, and insights into, how IKEA has explored digitalisation, even when the concept was relatively elusive and how it would affect IKEA’s business. In describing IKEA’s exploration phase and what digitalisation has meant for its business, the paper delineates three major activities of that exploratory process: (1) interpreting what digitalisation means, (2) interrelating digitalisation and the existing business and (3) integrating new ideas and solutions in light of digitalisation.

In what follows, we review literature on digitalisation in retail and research focussing on that process’s exploration phase and development in businesses. Next, we describe the methodological considerations made for our case study on IKEA. After that, we present our findings in terms of three major activities that guide the exploration phase. We conclude the paper by discussing our findings in relation to the literature and addressing our research’s limitations.

2. Literature review: exploring digitalisation in retail

Having significantly impacted retail in recent years, digitalisation has become an important topic in research on the industry (Hänninen *et al.*, 2021), especially regarding specific applications of digital technology – for example, the use of smartphones in physical retail settings (Fuentes *et al.*, 2017; Grewal *et al.*, 2018), augmented reality (Scholz and Duffy, 2018; Caboni and Hagberg, 2019) and digital signage (Dennis *et al.*, 2012; Jäger and Weber, 2020). Studies on specific technologies have been accompanied by broader frameworks for integrating various digital technologies into retail, not only by turns based upon their usage and retailers’ objectives (Wolpert and Roth, 2020), their social presence and consumers’ convenience (Grewal *et al.*, 2020) and their use in relation to shopping behaviour at various stages of the customer’s journey (Rosengren *et al.*, 2018; Blom, 2019; Roggeveen and Sethuraman, 2020), but also by general frameworks of what digitalisation implies for retail business overall (Hagberg *et al.*, 2016). In such studies, digitalisation in retail has received sustained attention regarding several aspects of consumer behaviour (Hure *et al.*, 2017; Pantano and Gandini, 2018), the retailer–consumer interface (Hagberg *et al.*, 2016; Roggeveen and Sethuraman, 2020) and retailers’ ways of doing business (Verhoef *et al.*, 2015; Hänninen *et al.*, 2018). The processes in which incumbent retailers develop their businesses in light of digitalisation, however, have received far less attention.

Because digitalisation, understood as the integration of digital technologies, is arguably not a binary shift from one stage to another but an ongoing process without a clear beginning or end (Hagberg *et al.*, 2016), its exploration in retail warrants a more processual perspective, particularly regarding its influence on how retail organisations alter their businesses (cf. Langley, 1999). Along with frameworks addressing how retail businesses can integrate digitalisation in various ways, the actual processes that may result in digital integration need to be explored and modelled. That need directs our attention to the exploratory processes through which retail businesses may approach digitalisation and, more specifically, to how

digitalisation consequently influences established business models. Especially for the latter reason, we gave priority to incumbent retailers, whose business models and established ways of conducting business often confront such considerations.

Despite extensive research on what constitutes a business model, understandings differ about how to define, explore and leverage one. In fact, Teece (2018, p. 41) has estimated that there are probably as many definitions of *business model* as there are models themselves. According to Ritter and Lettl (2018), a business model, simply put, is a company's "way of doing business". In this paper, considering how business models have been discussed in retail settings (Sorescu *et al.*, 2011, p. 4), we broadly understand a company's business model as representing "the firm's distinctive logic for value creation and appropriation".

Although various external events may necessitate changes to ways of developing and operating businesses, digitalisation itself is not an event but an emergent, comprehensive and uncertain phenomenon. Indeed, digitalisation can span several external and internal aspects of businesses, as well as pose myriad implications for individual business models. To date, though scholars interested in digitalisation have examined different approaches to innovating business models, from making gradual, evolutionary adjustments to radically altering them (Berends *et al.*, 2016; Inigo *et al.*, 2017; Snihur and Wiklund, 2019), *how* the exploration phase of digitalisation is understood and organised merits further investigation.

Following March's (1991, p. 71) definition, *exploration* refers to searching for, innovating and experimenting with something novel. The concept as used by March (1991) is often considered in relation to *exploitation*, which refers to refinement, efficiency and implementation of "old" routines or certainties in an organisation. As noted by He and Wong (2004, p. 481), researchers in strategic management, organisation theory and managerial economics have applied the two concepts in order to understand how innovations occur and how an organisation learn and develop dynamic capabilities to meet change. Previous studies either focus on the trade-off between exploration and exploitation *or* the balancing act between the two as discussed within literature focussing on ambidexterity and means for developing dynamic capabilities (e.g. Benner and Tushman, 2003; He and Wong, 2004; Vahlne and Jonsson, 2017). The two concepts have also been applied in processual research describing the evolution and development of an organisation. Winter and Szulanski (2001) use the two concepts when outlining their theory of replication as strategy and suggest a two-phase model where the organisation first enters the exploration phase "in which the business model is created or refined" (p. 731) and then move on to the exploitation phase. The argument that exploration and exploitation can be understood in terms of different phases of a process has been adopted also by researchers focussing on, for instance, retailers' internationalisation process (Jonsson and Foss, 2011), the transition into retail omni-channel strategies (Picot-Coupey *et al.*, 2016) and reverse knowledge flows within franchise organisations (Friesl and Larty, 2018). Still, *how* the exploration phase is organised and how it can be understood remains to be further investigated. To the best of our knowledge, there is a dearth of research focussing specifically on the exploration phase and how it develops in practice. Whilst existing studies do explore the exploration phase, it is also discussed in relation to the exploitation phase with focus on the outcomes rather than the processual aspects of the phase as such. For this paper, we zoom in on and examine the exploration phase and how it can be understood in the context of retail digitalisation. In particular, when emergent trends such as digitalisation, a change process, challenge established business models, more comprehensively re-engaging the exploration phase can become essential.

3. Methodology

Investigating a complex phenomenon such as digitalisation, and given our aim, calls for a qualitative in-depth case study (Eisenhardt, 1989). According to Dyer and Wilkins (1991, pp. 615–617), case studies aim to "provide a rich description of the social scene", "describe the

context in which events occur” and thus offer opportunities for other researchers to see “phenomena in their own experience and research”. In that sense, rich, explorative case studies provide avenues for future research or, as more broadly conceived by Doz (2011, p. 588), “offer the opportunity to help move the field forward and assist in providing its own theoretical grounding”.

Our in-depth case study focussed on IKEA, a global home-furnishing retail company, and its work with developing an understanding of digitalisation. IKEA is a particularly interesting case that has attracted practitioners seeking a benchmark in a hitherto successful business model (e.g. Jonsson and Elg, 2006; Edvardsson and Enquist, 2011; Burt *et al.*, 2016). IKEA has frequently been used as an empirical example in the business models literature (e.g. Hedman and Kalling, 2003; Sorescu *et al.*, 2011) and subject to in-depth case studies of the development of specific aspects related to the IKEA business model over time (see e.g. Salzer, 1994; Jonsson, 2007; Tarnovskaya *et al.*, 2008; Edvardsson and Enquist, 2011; Hellström and Nilsson, 2011; Burt *et al.*, 2016, 2021). In addition, there are several studies of various aspects related to digitalisation, including store format development (Hultman *et al.*, 2017) and comparison of IKEA’s digital catalogue and website (Garnier and Poncin, 2019). IKEA has also served as an in-depth case for studies of exploration in relation to exploitation and replication (Jonsson and Foss, 2011; Vahlne and Jonsson, 2017). The present study adds to this literature through an in-depth case study of IKEA’s digitalisation process in an early explorative phase.

In the ten months from September 2014 to June 2015, we observed IKEA’s work on exploring digitalisation and the trend’s potential impacts on various parts of the organisation’s business model and participated in a project undertaken in support of such exploration. In that form of action research (Patton, 1980), engaging in IKEA’s internal exploratory work as researchers allowed us to understand digitalisation’s implications by discussing them with representatives at IKEA, which, at the time, considered knowledge of those implications to be important because they, along with digitalisation itself, remained unknown. Using such methods enabled us to contrast findings from interviews with findings from observations and synthesise the results in light of theory (Ghauri and Grønhaug, 2002). In particular, our case study revolved around two ongoing projects and the processes of working within them: IKEA’s “E-Commerce Programme”, later named the “Multichannel Transformation Programme”, and a project designed as a pre-study addressing the future role of IKEA’s physical stores and the challenges and opportunities that they face amid digitalisation.

We collected data with three overlapping methods: in-depth semi-structured interviews, participant observations and document analyses (for an overview, see Table 1). As for the first, we conducted 21 interviews with senior executives with different functions in different departments at IKEA as detailed in Table 1. Using purposeful sampling, we interviewed IKEA managers and employees working with and/or preparing for the organisation’s digitalisation about their experiences with and thoughts on the concept of digitalisation and its implications. The interviews combined retrospective questions about IKEA’s business model with questions about current situations experienced by the interviewees and prospective enquiries about IKEA’s future in relation to digitalisation. All interviews began with open-ended questions about digitalisation in general and digitalisation at IKEA in particular. As the interviews progressed, questions became more structured and delved into the future role of IKEA stores, the specific challenges that IKEA faces, whether they will affect the IKEA concept and if so, then how. All interviews were recorded and transcribed verbatim and translated into English in those cases the interviews were made in Swedish.

Meanwhile, participant observations involved three meetings – before, during and after data collection, respectively – with the project manager of the pre-study to discuss the overall project. Those meetings lasted 11 h and 36 min in all. We also engaged in both in-store observations and meetings, lasting 10 h in total, whilst visiting an IKEA store in the Altona borough of Hamburg, Germany that operates as a test store for new concepts (e.g. urban

Type	Purpose	Description
Interviews	To get the emic perspective, the participants' individual narratives about the exploration process of digitalisation, combining questions asked to all participants, adjusted to their specific role and follow-up questions	21 semi-structured interviews with senior executives with different functions and departments within IKEA, recorded and transcribed <ul style="list-style-type: none"> - Development manager, E-Commerce Programme - Country retail manager and pre-study project leader - Supply manager, IKEA Supply AG, Logistics - Sustainability manager, IKEA Group - Global retail logistics manager, Retail Logistics IKEA of Sweden - HR manager, Global Retail HR IKEA Retail Services - HR manager, IKEA Group - Communication manager, Sustainability - Programme manager, E-Commerce Programme - Group retail manager, Global Retail Services IKEA Group - Logistics manager, Altona store - Customer relationship manager, IKEA Altona store - Deputy store manager, IKEA Altona store - Deputy store manager and responsible sustainability, IKEA Altona store - IKEA concept manager, Inter IKEA Systems B.V. - Web and digital manager, Web and Digital Retail Services - Digital business manager, Inter IKEA systems B.V - Project leader, Mobile solutions - Global customer relations manager, Global Retail Services IKEA Group - Chief information officer, IKEA Group - Global graphic communications leader, Global Retail Services IKEA Group

(continued)

Table 1.
Types of data sources

Type	Purpose	Description
Observations	To get an overall understanding of the exploration process and what participants were involved what the participants. In addition, to mutually design the study, validate preliminary findings and to be able to gain a more detailed understanding of the IKEA Store	Participant observations and field observations of IKEA stores <ul style="list-style-type: none"> - Meetings with project manager, in total 11 h, 36 min, recorded and transcribed together with field notes - <i>In situ</i> observations together with IKEA staff in Altona, Hamburg, Germany taking notes and photos within the store, in total 10 h - Complementary field observations particularly focussed on digital solutions in IKEA stores in Gothenburg and Jönköping, Sweden, taking notes and photos within the stores
Documents	To retrieve information about the purpose of the different programmes, initiated following the exploration process and how digitalisation was communicated both internally within IKEA and externally to customers	Both written document and visual communication of three different types <ul style="list-style-type: none"> - Internal documents about the pre-study: "The Future role of the IKEA store in a multichannel environment", the "IKEA Altona Store opening", "IKEA Altona booklet", the "E-Commerce Programme" and the "Multichannel Transformation Programme" - Public IKEA websites with information about their online services, the IKEA Vision and business idea and the IKEA history - Visual communication: Internal movie about the customer's future digital journey "Shop with Laura"

proximity, technical solutions and delivery solutions). The local managers who accompanied us during our in-store observations also met with us twice: once with five other store managers and once with five employees from different departments. We conducted both meetings as group interviews guided by the same questionnaire used in the individual interviews. During all observations, we took field notes for data about the employees' perspectives and what digitalisation meant in practice. That information was valuable when conducting interviews with IKEA managers responsible for strategic decision-making and for translating digitalisation into IKEA's business model. Last, we also collected documents and visual communication, both public and internal, for analysis. The internal documents contained information about the pre-study, the "E-Commerce Programme", the "Multichannel Transformation Programme" and the movie "*Shop with Laura*" (see Table 1) and public documents included information about the IKEA history, vision and business idea statements. Documents were collected on the basis of their mentioning during the interviews or participant observation sessions. These constituted sources of detailed information preserved from the time in which they were written and less dependent on the informants' memories. Throughout data collection, we facilitated informants' validation of the data on several occasions (cf. Silverman, 2006), which afforded us the opportunity to discuss our observations and findings with the participants. Apart from our participant observations, we also hosted two internal workshops with the project manager of the pre-study to discuss our findings.

To analyse the data, we used systematic combining (Dubois and Gadde, 2002) – i.e. alternated focus between our empirical material and theory – whilst developing our case study and the emerging framework. For integrity's sake, we triangulated the three major sources of data – participant observations, interviews and document analysis (Silverman, 2006) – during all four steps of data analysis. First, we coded the transcripts with reference to keywords and phrases related to digitalisation and its consequences for the retail industry in general and IKEA in particular. In that step, we adopted an emic perspective that prioritised the perceptions and understandings of the informants (McCracken, 1988). Second, following Langley's (1999) suggestion, we took a narrative approach to comprehending the process-related data, namely by drafting a general description of the process with illustrative quotations from material collected in the field (Berends *et al.*, 2016). Third, whilst working abductively between the empirical material and our emerging analytical framework, we used theoretical coding (Charmaz, 2014) to sort, integrate and organise the material to represent a three-phase process. In so doing, we gradually shifted to an etic perspective – i.e. from the informants' perspective to our own perspectives as observers of the empirical material. Fourth and finally, we reorganised the material and wrote a case narrative structured according to the three abovementioned activities as presented next.

4. Exploring digitalising: the IKEA way

In the past 70 years, IKEA has grown from a small, family owned company in Sweden into the world's largest retailer of home furnishings. Arguably, IKEA's rapid international expansion resulted from the three-phase development of a formula that has been replicated in all markets where IKEA has entered an expanded, where the first phase commenced by exploring IKEA's business idea and opening test stores in markets outside Sweden (Jonsson and Foss, 2011).

IKEA's business idea builds upon two concepts – the idea concept and the concept in practice – that together define what, in theoretical terms, could be understood as IKEA's business model. Whereas the *idea concept* refers to IKEA's vision "to create a better everyday life for the many people", its philosophy of co-creation (i.e. "We do our part, and you do yours") and the central role of IKEA stores, the *concept in practice* refers to IKEA's practices of examining specific sets of variables whilst adjusting to local markets (Jonsson and Foss, 2011, p. 1,090). The two concepts are mutually dependent; if the concept in practice does not change,

then the practices of the idea concept will eventually become irrelevant and not reach “the many people”.

In 2014, drawing from insights during its internationalisation, IKEA realised that digitalisation could be both a challenge and an opportunity amid its recently declining expansion. For decades, IKEA had experienced outstanding success in replicating its business model: an average yearly increase in sales of approximately 8–10%, the constant meeting of new sales targets and a steady rate of expansion, with 12–14 store openings per year. In 2013, however, IKEA’s steady growth declined in some markets, as the rapid worldwide growth of e-commerce in retailing continued to challenge physical stores and change the competition. In response, the company decided to decelerate its international expansion in favour of exploring what digitalisation could mean for their established business model. At IKEA, it was, therefore, considered increasingly important to return to a state of exploration in which key variables describing the idea concept and the established concept in practice would be re-evaluated. Moreover, as increasingly more young employees at IKEA sought new, 21st-century ways of reaching “the many people” – i.e. current and potential customers – both IKEA’s employees and customers began looking for digital solutions and new ways of working.

In the following sections, we recount how IKEA engaged in exploring digitalisation in the IKEA way and how it (re)imagined reaching “the many people” in the shifting retail landscape. The story begins when the intersection of digitalisation and IKEA’s business model was becoming increasingly apparent but not yet regarded as a phenomenon that would require radical changes, and it ends six months later, when the exploration phase resulted in an understanding and approach that we term the re(in)novation of IKEA’s business idea. In particular, we discuss how IKEA interpreted, interrelated and integrated digitalisation with its established ways of doing business. Although we have structured our discussion in three subsections, each addressing one of those three activities, the activities should not be considered as occurring along a linear path but instead as three aspects of the exploration phase.

For an overview of the activities and related steps, please see [Table 2](#).

4.1 Interpreting digitalisation

In 2014, aware that IKEA retailers in the USA were witnessing a cannibalising effect on their physical stores because of e-commerce, IKEA took its first steps towards exploring digitalisation. IKEA realised that its E-Commerce Programme launched only a year prior, could not simply be rolled out as initially planned but needed to be informed by a discussion about what e-commerce and digitalisation would mean for sales in IKEA’s physical stores. Although digitalisation was becoming a widely discussed concept in retail at the time, it had remained undefined, and it was unclear how, or even whether, it was distinct from e-commerce. Recognising that possibility, IKEA’s global expansion manager initiated several internal projects to explore what digitalisation meant and how it might relate to IKEA’s business idea.

However, as IKEA sought to more clearly distinguish digitalisation from e-commerce, the company’s internal failure to understand digitalisation and whether it differed from e-commerce became apparent. Such understanding even varied within the IKEA organisation, whose members were liable to still use the terms *digitalisation* and *e-commerce* interchangeably: “We put everything in one basket and said that e-commerce was the same as digitalisation. It took a while before we understood that they’re two different things” (Supply Manager, IKEA Supply AG, Logistics). Of course, at the time, not only IKEA but the entire retail industry, as well as society in general, were searching for definitions of and approaches to digitalisation. One informant acknowledged that the confusion was problematic, for if the general understanding held that e-commerce *was* digitalisation, then many aspects of digitalisation’s potential would be lost when developing strategy for coordinating e-commerce in relation to IKEA’s established physical commerce:

Activities	Definition/meaning	Steps	Description	Case example
Interpreting	Ways of understanding and making sense of digitalization and the changes it was considered to imply	Differentiating	Distinguishing and delimiting digitalization from other concepts	Distinguishing, clarifying and separating digitalization from e-commerce, emphasizing similarities and differences
		Combining	Making connections between digitalization and other trends and concepts	Relating digitalization to other trends and developments such as urbanization and technological development
		Concretising	Making digitalization less abstract, e.g. by concretizing, defining and making actionable	Making digitalization manageable by relating it to present and ongoing specific activities within and outside the company
Interrelating	Assessing digitalization in relation to the existing business model	Visualising	Creating illustrations of what the future might look like through a concrete situation which everyone could easily relate to	Introducing a future oriented vision of what digitalization could look like from the point of view of the customer (journey)
		Mapping	Different views and perspectives both across different parts of the company as well as from the outside	Inviting and involving senior executives and various functions, and discussing issues related to roles and responsibilities
		Evaluating	Assessing the impact of digitalization on the existing ways of doing business by focusing on what it would mean in terms of transformation in particular	Bringing in different perspectives – both internal and external – when assessing the implications of digitalization for the ways of doing business
Integrating	Digitalization of the business model in practice (e.g. minor modifications, renovating, innovating, shifting into a completely new business model)	Practicing	Developing and trying different solutions to be able to test and to learn from them	Taking the visual vision to practice, in order to try out new concepts in practice
		Reviewing	Sharing of knowledge between different parts of the organization, to learn from practice	Learning from the experiences, and transferring these internally within the organization
		Revising	Connecting and evaluating the changes back to the established business model in order to provide continuity	Re(in)novation. Bringing lessons learnt back to the project group and interrelating it to the company origin and “essence”

Table 2.
Exploring digitalization in relation to an established business model

E-commerce is how we do business electronically, so it's about selling: selling online. But digitalisation is much bigger than that [. . .] It's about the whole company, because it involves, for example, online learning. I think that e-commerce is not just about selling; it's about fulfilment, the buying process. (Development Manager, E-Commerce Programme)

Understanding digitalisation as being different from and broader than e-commerce seemed important in several of IKEA's functions. Whilst reflecting on digitalisation, one manager began considering how IKEA approaches its customers:

Digitalisation is broader than e-commerce. It's also more about how we approach customers: how we communicate and how we ensure that all of our customers have the same knowledge, whether they're buying things in the store or online. Digitalisation is something that happens in the store. It's how we provide all of the information to our customers: where the products come from, what they do and how you can use them. (Supply Manager, IKEA Supply AG, Logistics)

As that quotation suggests, despite references to what digitalisation might mean and what it truly is, its signification remained vague. Even so, it appears that digitalisation might have generally been understood as offering digital information to customers. Making sense of digitalisation thus involved distinguishing digitalisation from e-commerce to not only explain how the concepts differed but also make digitalisation manageable for and relevant to customers.

At the same time, when trying to make sense of digitalisation, several informants argued that it could not be understood as an isolated phenomenon but was affected by several other trends. For example, one informant who was working with the IKEA concept addressed the importance of contextualising the concept and not treating digitalisation as a distinct trend but as one related to globalisation and urbanisation. Together, those trends create many opportunities, and if managed in combination, then IKEA could grow exponentially as long as digitalisation was understood and organised accordingly:

So, all of a sudden, the amount of information that we have about people and how they live, move, interact etc. is phenomenal. And it's in combination. It's not urbanisation only; it's urbanisation plus digitalisation that gives us the opportunities. It's an example of how combined trends can become very powerful. (Digital Business Manager, Inter IKEA Systems B.V.)

The same informant emphasised that an important aspect of digitalisation was speed, which called for action:

It is exponential because every new invention in the digital space is built on previous ones. So, it's a combined effect that creates exponential speed. So, ignoring it, as Kodak or Nokia did, will be very dangerous. On the contrary, it can be very powerful, like for Apple, Google, Facebook, etc.

Along with speed, putting pressure on competitors also characterised the shifting nature of digitalisation and the difficulties of grasping what it implied:

For me, digitalisation is a moving target. Its content is changing all of the time. To some extent, we use a lot of digital technology already—it's just that it's outdated, right—so we're changing how we digitalise instead of digitalising something that is not digital. (Global Retail Logistics Manager, Retail Logistics IKEA of Sweden)

Gradually, it became clear that digitalisation not only needed to be understood in the sense of selling goods online but would have broader implications for the company. As a case in point, when observing customers who had already developed new shopping behaviours – using mobile phones to search for products from both outside and inside stores, for example – IKEA realised that new mobile solutions had to be integrated with traditional retail logic. As a result, IKEA unveiled the “Future Role of the IKEA Store in a Multichannel Environment” project to emphasise the need to understand and combine related trends. The project was

initiated to jumpstart a shift towards what IKEA called a “seamless customer journey”. Consisting of five sub-projects, the project prompted the redefinition of the E-Commerce Programme and later evolved into the Multichannel Transformation Programme.

To make digitalisation manageable, IKEA needed to concretise the concept and relate it to specific, ongoing activities occurring inside and outside the company. It was becoming clear that digitalisation at IKEA, amid efforts to make sense of the concept, was becoming differentiated from e-commerce but interrelated with other important, rapidly emerging trends. At the same time, informants stressed that discussions about, as well as attempts at, translating digitalisation needed to occur not simply for the sake of definitions. Instead, what mattered was how IKEA could use digitalisation in approaching customers as the expansion manager explained:

Digitalisation means nothing, I would say. Because what we want is to secure a solution for when you, the customer, move between the store and the web. It might be a digital solution, but it can also be a physical solution, or something else. The only thing that’s important is to solve some sort of need and to learn more about those needs. (Group Retail Manager, Global Retail Services IKEA Group)

The expansion manager also emphasised that instead of simply focussing on defining digitalisation, routines and skills need to be developed for facilitating “disruptive developments” and finding new solutions and ways of testing new ideas. Understanding how various activities were organised and integrated was also considered to be pivotal. The idea addressed in many interviews – namely, that digitalisation both enables and requires the integration of knowledge – was explained as enhancing the focus on customers and their experiences. That perspective marked a shift into the phase in which IKEA began actively exploring what digitalisation meant to its ways of doing business by revisiting the idea concept and the concept in practice.

Altogether, the first activity of the exploration phase, interpreting, refers to ways of understanding and making sense of digitalisation and the changes that it was considered to imply. The process can be described as encompassing three steps: *differentiating* (i.e. distinguishing and delimiting digitalisation from other concepts), *combining* (i.e. making connections between digitalisation and other trends and concepts) and *concretising* (i.e. defining digitalisation and making it actionable). Building upon lessons from that work, IKEA transitioned into the second activity of exploration where it began relating digitalisation more explicitly to IKEA way of doing business.

4.2 *Interrelating digitalisation with established business ideas*

Whilst interpreting digitalisation, informants increasingly reflected on what it would mean for IKEA’s established business ideas. After all, the replication formula was being challenged by not only digitalisation but also urbanisation. Mounting criticism about globalisation and calls for de-growth were also seen as challenging the existing understanding of doing business – i.e. by selling furniture “to the many people” – and concerns for sustainability were identified as needing to be incorporated into understandings of digitalisation.

To ensure that all IKEA employees shared the same interpretation of digitalisation and how it relates to IKEA’s established business model, it was considered to be necessary to visualise the future. To convince internal sceptics, it was considered to be especially important to also visualise how digitalisation could generate opportunities for sales and attract a broader customer base and thereby more fully reach “the many people”. It additionally required ideas about urbanisation, sustainability and ways of offering not only furniture but also services, both in terms of continuity and making it easier to shop. Some proposals even conceived collaborating with second-hand retailers or establishing an organisation that would create opportunities to sell recycled and/or used furniture.

To convince the sceptics but also forge a shared understanding of digitalisation, an animated video was produced to describe the anticipated shift of customers from between online and offline sales. The video, “*Shop with Laura*”, was initiated to make a “7-min elevator pitch”:

We wanted to have a completely different kind of interaction with our customers: a completely different type of conversation, a completely different type of engagement. So, I made a video that I think is very entertaining. [. . .] She [Laura, the protagonist] wants to decorate her children’s room, and the videos show her journey until she’s satisfied. (Web and Digital Manager, Web and Digital Retail Services)

To develop a “seamless” experience for customers, it was considered to be crucial to introduce multiple perspectives, which seemed to require visualising the journey of customers in order to ensure focus on their experiences. To that end, it was expressed that all perspectives in IKEA’s value chain had to be considered, and a consensus was emerging that different perspectives needed to be integrated in order to realise digitalisation. It was also clear that integrating knowledge from various functions in order to avoid a silo mentality would require more effort.

To relate digitalisation to IKEA’s established business model necessitated including several aspects of the business, the person responsible for organising the “Future Role of the Store” project expressed the importance of encouraging all stakeholders to be curious about the future and not rely upon the established business model, no matter its success thus far. Moreover, increasingly, more IKEA managers realised that because physical stores played such an important role in IKEA’s business model, which “comes to life in the store” (Inter IKEA Systems, 2019), it was necessary to connect the “E-Commerce Programme” to other projects initiated to explore the potential consequences of digitalisation, including the “New Web Project”, “New Capabilities in Retail Mobile Applications”, “Ways to Shop at IKEA”, “Supplying Activities: MFLUs, Fulfilment Store, Click-and-Collect and Pick-Up Points” and “Next-Generation IKEA Stores” (IKEA, 2015). The group retail manager explained the motivation for initiating those projects and why they needed to be linked to the business model:

Our model has been built on direct deliveries to our stores, where you [the customer] do your part, we do our part, and then we save money. We need to think about a completely different kind of integration in how we develop and how we lead the overall development. To make that happen, we’re now investing billions in new infrastructure—large investments in IT—but that’s not what will take us into the future. (Group Retail Manager, Global Retail Services IKEA Group)

It was necessary to look inwards and to involve different views and perspectives, both across different parts of the company and from the outside. The same informant underscored the importance of accessing different perspectives to also “integrate the outside perspective into our structure, so that we do not get too isolated and, in that way, also cultivate our own skills”. The involvement of different functions and external partners prompted discussions about what digitalisation meant in relation to the established retail logic of “You do your part, we do our part (and together we save money)”. As it became clear that digitalisation would inevitably affect IKEA’s business model, the question of how that process would unfold increasingly became the topic of discussion.

In sum, the second activity of the exploration phase, interrelating, refers to assessing digitalisation in relation to established ways of doing business in three steps: *visualising* (i.e. what the future might look like), *mapping* (i.e. what functions, areas and parts of the business model will be involved) and *evaluating* (i.e. how digitalisation will affect the business model and current ways of doing business). Based upon insights from that work, IKEA

advanced to putting lessons learnt into practice and began the third activity: integrating new knowledge with existing knowledge.

4.3 Integrating digitalisation into a business model

From the internal projects related to efforts of interpreting digitalisation and interrelating it to other trends, IKEA's managers concluded that its established business model needed an update and that the antidote, digitalisation, also offered an opportunity to fully realise the business idea of offering products and services to "the many people". To that end, testing new ideas, learning from them and making any necessary adjustments were considered to be important tasks. Thus, to be able to integrate digitalisation with the business model, it was necessary to experiment with numerous ideas and solutions as was done at numerous IKEA locations. For example, at IKEA in Altona, new ideas and concepts were tested to see whether they could satisfy a more digital, urban segment of customers. The Altona store was not only constructed differently from the standard global store format, in terms of size and layout, but also to accommodate for trends in urbanisation. It had also been adapted to test new concepts in practice, including new logistics and distribution solutions, and the normal pathway through the IKEA store had been partly removed to attract customers passing by outside. In the United Kingdom, by comparison, as a result of exploring digitalisation and testing new digital solutions, IKEA had launched its first app.

Experiences from testing new ideas and solutions were transferred back to the IKEA Group and Inter IKEA Systems. Thus, an important step was reviewing and learning from those experiences followed by transferring them internally within the organisation. In relation to the Altona store, both IKEA's management team in Germany and the IKEA Group's management team followed the experiences closely. Beyond that, many employees from IKEA worldwide visited the UK and/or Altona stores simply out of curiosity.

Clearly, the process of interpreting digitalisation and integrating it into IKEA's business had encouraged employees to reflect on what IKEA was and should, or could, be in the future. Several informants declared that the process of opening up for ideas motivated them to engage in the transformation process. Some even stated that IKEA, which they felt had become too bureaucratic in recent years, was now returning to its core values and embracing a more entrepreneurial mindset. The concept manager at Inter IKEA Systems B.V. explained the importance of reflecting on those trends and understanding that the entrepreneurial mindset "comes from philosophy, more or less, and it's Ingvar [Kamprad] who has talked a lot about the idea concept and the concept in practice". The group retail manager, when discussing the future role of IKEA stores, also reflected on the concept and the importance for all employees to live up to it.

That's the essence of IKEA. If you remove everything, then the core is what's left, and that's IKEA. . . [We] need to develop our concept, take it further and say, "This is how I see IKEA today". We have to be on track and dare to test and create other formats. . . So, IKEA has to change; otherwise, it's the beginning of the end. (Group Retail Manager, Global Retail Services IKEA Group)

The concept manager also reflected on how those changes would affect the idea concept and the concept in practice, as well as the latter should not come at the former's expense: "I mean the concept, if we go back to it, and the vision. . . part of the recipe for success has been just doing things together, engaging people" (IKEA Concept Manager, Inter IKEA Systems B.V.). Thus, integrating digitalisation into IKEA's business also implied reconnecting with IKEA's roots and reflecting on the idea concept as "the core of the core". After all, although IKEA was changing at the time and continues to change, it remains the same IKEA. In that sense, revising the business model appeared to be quite natural, for though it had always changed in one sense, in another sense it had also always remained intact. The conclusion was that to be

able to sustain the idea concept, “the core of the core”, the concept in practice needed to change, which would imply searching for new formats and new solutions to further leverage IKEA’s business. IKEA’s managers realised that although the basic needs were the same, people had changed and were continuing to change, and the experiences of customers demanded far more focus. For those reasons, a new position, global customer experience manager, was created. The shift implied a return to the core of IKEA’s concept and vision – “to provide products and services that are both cost-efficient and innovative” – and that digitalisation had forced IKEA to rethink its processes of achieving those ends. As another informant argued, the entire process of re-evaluating the way of doing business – i.e. the IKEA way – had alerted managers and employees not only to IKEA’s strong vision and business model, but also its need to seize the opportunity to fully realise that vision and reach “the many people” both online and offline.

All of the work to prepare IKEA for the digital shift had prompted a return to the company’s roots and the questioning of proven solutions, which is indeed one of IKEA’s ten values, perhaps best be described as shifting from interpreting digitalisation and interrelating with IKEA’s business model into integrating and turning it into practice. That integrative phase also precipitated how IKEA re(in)novated its business model. IKEA’s approach of digitalisation could thus be understood as returning to the company’s original idea; the understanding of the idea concept will never change, but the concept in practice has to be rethought and new ideas and practices tested and evaluated in order to continue to reach “the many people”. To that end, practising and testing new solutions were crucial strategies for IKEA, not to mention integral to the IKEA concept and its organisational culture.

In all, the third activity of the exploration phase, integrating, refers to the actual digitalisation of the business idea by steps of *practising* (i.e. developing and trying different solutions to test and learn from them), *reviewing* (i.e. sharing knowledge within the organisation to learn from practice) and *revising* (i.e. connecting and evaluating changes to the established business model in order to provide continuity).

5. Conclusion

This paper has sought to illuminate how an incumbent retail organisation approached digitalisation for its existing business at an early, exploratory phase when possible disruptions, their meanings and their consequences remained uncertain. To that aim, we have provided an account based upon our in-depth case study of IKEA and how the company explored digitalisation at an early stage. We have delineated the exploration phase as consisting of three chief activities – interpreting, interrelating and integrating – each of which we have detailed by identifying certain steps therein. Together, and with reference to IKEA’s case, those aspects allow an understanding of the exploration phase.

Compared with previous studies on exploration and exploitation (e.g. March 1991; Winter and Szulanski, 2001) and specifically in the context of retailing (Jonsson and Foss, 2011; Picot-Coupey *et al.*, 2016; Friesl and Larty, 2018), our paper contributes with insights on how the exploration phase is understood and organised in practice. The study further contributes to previous literature of IKEA’s business model (Hedman and Kalling, 2003; Sorescu *et al.*, 2011) and specific aspects of the IKEA business model (see e.g. Edvardsson and Enquist, 2011; Burt *et al.*, 2016, 2021) by outlining the exploration phase in further detail. Although the activities of the exploration phase – interpreting, interrelating and integrating – stem from a specific case, we believe, following the potential of qualitative in-depth case studies (Dyer and Wilkins, 1991; Doz, 2011), that they may provide value for analysing what digitalisation or any other current or future trend means to retail businesses apart from IKEA.

Because our study was performed at a relatively early phase of adapting the business model at IKEA, some of the outcomes of that process were beyond our study’s time frame.

However, conducting the study during the process afforded the advantage of revealing ambiguities, scepticism and reservations amongst employees and managers, all of which are important for understanding how retail businesses can be transformed in practice due to digitalisation. In hindsight, some of those uncertainties may be expected to fade or fall into oblivion once changes appear as a continuation of their antecedents and become institutionalised in the ordinary course of business, whether such a development occurs and, if so, then how it remains to be investigated. In any case, a key contribution of our study is the understanding of how an organisation such as IKEA, a global retail giant, organises its efforts to explore digitalisation in relation to its existing business. Still, as this study was conducted in a relatively early phase of the digital transformation, we believe that the findings may differ from later implementations when digitalisation has increasingly become a norm rather than an exception and retailers having increased abilities to learn from their and other's previous experiences. An important opportunity for further research would be to study more recent cases of exploration phases in relation to digitalisation as well as comparing incumbents and entrants as well as larger and smaller organisations.

Using a case study to develop an understanding of digitalisation in retail has advantages and disadvantages. On the one hand, it affords a more profound understanding of how retail businesses are transformed due to digitalisation in practice, as well as detailed insights into the practical work within the company (cf. Saebi *et al.*, 2017). On the other, however, it can be difficult to apply the results of case studies in forming a basis for scientific generalisation (Yin, 2003). Although an analysis based upon a particular case can indeed provide an understanding of the practical process, that process is liable to differ between companies and between industries. In IKEA's case, as an organisation that many companies use as a benchmark due to its long-term success, no precedent construct existed for understanding how digitalisation in retail would look – for example, by relying on normative models – but instead surfaced as an emerging process. A better understanding of how a specific retailer has approached digitalisation complements current understandings of retail's digitalisation in general (Hagberg *et al.*, 2016; Hänninen *et al.*, 2021). By extension, we believe that the suggested conceptual framework for understanding and organising the exploration phase could be a useful tool for retail managers to explore not only digitalisation, but also any other transformation and the consequences for their businesses.

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